



Introduction to US Income Tax Reimbursement Procedures

7 February 2023



**United
Nations**

Objective:

To Familiarize Staff Members with UN Income Tax Procedures

This presentation is NOT intended to replace the Information Circular ST/IC/2023/3

What is New in 2023



Social Security Wage base:

- 2022 Tax Year - \$147,000
- 2023 Tax Year - \$160,200



All submission through tax portal:
<https://taxportal.un.org>



New Website:
<https://tax.un.org>



Tax-Meet
Realtime online Meeting Scheduling Tool

Outline of Presentation



General information



Cycle of U.N. Tax Reimbursements



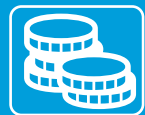
Tax Advances



Self Employment Tax for US Citizens



Method of Payments



Tax Settlement



Foreign Earned Income Exclusion

The Income Tax Unit

Serves over 7,500 staff members (UN, UNDP, UNICEF, UNOPS, UNFPA, UN Women, UNHCR, OPCW, WHO and PAHO) in respect of US income tax obligations. Processes tax advances and tax reimbursement claims.

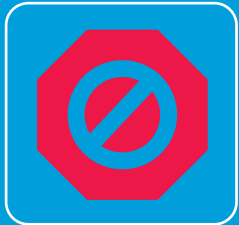
Provides information and responds to queries related to UN taxable earnings, UN tax advances and reimbursements.

The Income Tax Unit



Is prohibited from providing tax advice or preparing tax returns for staff members.

- For example, **ITU staff members** cannot provide tax guidance regarding investments and capital gains/losses and therefore, we advise that you consult your accountant for tax return filing.



We cannot contact the tax authorities on your behalf.



We do not recommend any Tax Preparer (CPA)

Services



Website: <https://tax.un.org>

- Tax authorities' websites
 - UN Information Circular & Forms
 - UNJSPF (Pension Fund) - Guide to national taxation
 - Tax Briefing PowerPoint, “US tax reimbursement procedures”
- All under “Resources” on the website



Email: tax@un.org

- Preferred means of communication.
- Please mention index number in subject field in all communication

Important Deadlines

Status	Deadlines for submission to U.N. Tax Unit	IRS & State 2022 Tax Filing Due Date	IRS & State 2022 Tax Payment Due Date
Staff Working in the USA	1 March 2023	18 April 2023	18 April 2023
Staff Working outside USA	3 April 2023	15 June 2023** (reflects automatic 2 months extension)	18 April 2023

U.S. Citizens and Resident Aliens Abroad - Automatic 2 Month Extension of Time to File

❑ You will be allowed an automatic 2-month extension of time to file your return if on the regular due date (18 April 2023) you are living outside of the US and your main post of duty is outside the US.

❑ To use this automatic extension, attach a statement to your return indicating that you qualified for the conditions mentioned above.

➤ *“I declare I am a U.S. citizen (or resident), AND on the due date of the return, I am living outside of the United States and Puerto Rico, AND my main place of business or post of duty is outside of the United States and Puerto Rico.*

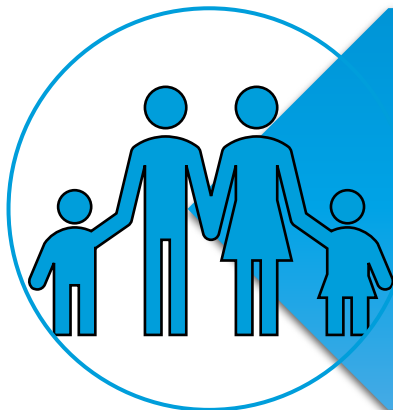
I am therefore allowed an automatic 2-month extension to file my tax returns until June 15, 2023.”

Who is subject to Pay US taxes on UN earnings?



US citizens

- even if your official UN nationality is different



US Permanent Residents who have signed the Waiver of Privileges & Immunities

- See ST/IC/2004/31 for more details

Waiver of Privileges and Immunities

- ❑ Staff members **MUST** obtain approval from HR in writing before signing the waiver
- ❑ Waiver form: to be signed in your Human Resources / Administrative Office
- ❑ When?

- i. Within 10 Days Receiving Notice for Permanent Residency, or
- ii. Effective Date of Employment with the UN

Whichever is the later of the above two.

- ❑ **NOTE**: Permanent residents who have not signed the waiver of privileges and immunities are **NOT** eligible for UN tax reimbursements.

Background

US Tax Laws

- ❑ UN staff who are subject to US income taxes must pay taxes and file tax returns in compliance with US tax laws:
 - Federal, State & local income taxes
 - Self-Employment tax

Tax Reimbursement System:

Purpose:

To achieve equality between staff members in respect of income tax obligations

- ❑ This is achieved by reimbursing staff members for income taxes payable on UN earnings
- ❑ Reimbursing the Employer component of Self-Employment tax

Terminology

SETTLEMENT OF INCOME TAXES:

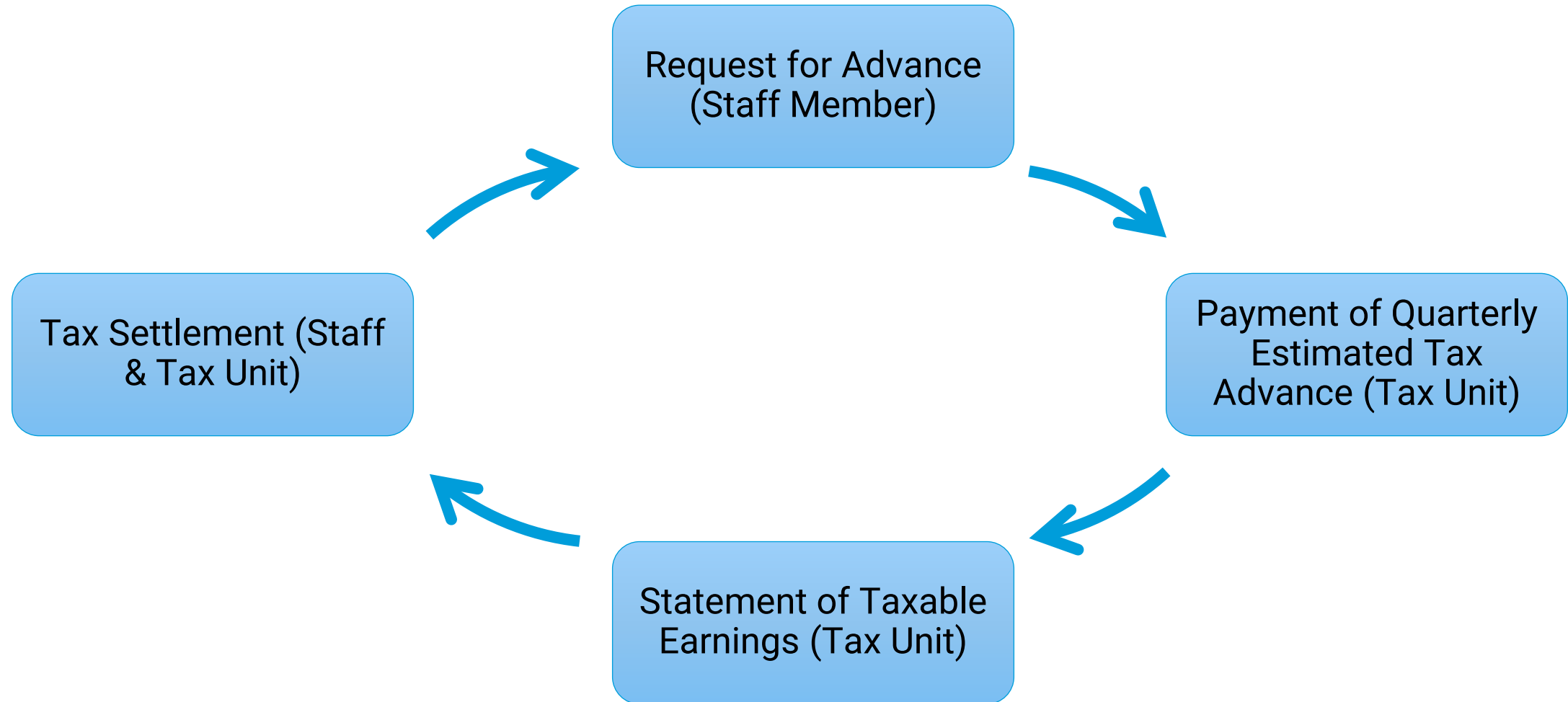
- Reimbursement of US taxes on UN income –
Upon submission of tax return to UN Income Tax Unit.

Terminology (Cont'd)

STAFF ASSESSMENT:

- NOT a withholding tax NOR is it related to the actual US income tax payable by an individual staff member.
- It is the difference between gross and net salaries.
- The deduction is made regardless of a staff member's nationality or tax status.
- CANNOT be reimbursed to staff members under any circumstances.
- CANNOT be claimed as a deduction on US tax returns.

Cycle of UN Tax Reimbursements



Cycle of UN Tax Reimbursements (Cont'd)

1. New U.S. staff members who join the U.N., or staff members who are U.S. permanent residents and have just signed the Waiver should request estimated tax advances from the Income Tax Unit by completing the U.N. form F.65 and attaching the respective Personnel Action Form.

2. The Income Tax Unit then calculates and issues tax advances to tax authorities quarterly for eligible staff members. A quarterly statement of Tax Advances is sent to staff members via e-mail.

3. Income Tax Unit issues Statement of Taxable Earnings to all U.S. taxpaying staff members by end of January via e-mail.

4. Staff members submit copies of their signed tax returns, U.N. forms F.65, F.65A if applicable and signed IRS form 4506-C to Income Tax Unit to request for tax reimbursements and estimated tax advances for the following year.

The Cycle then repeats

Estimated Tax Advances



The UN does not withhold taxes



Staff members subject to income taxes are required by law to pay quarterly estimated taxes to tax authorities as follows:

- 90% of current year (2023) estimated taxes, OR
- 100% of previous year (2022) tax liabilities

Estimated Tax Advances



UN will calculate and issue the estimated taxes on UN income upon request based on information on completed U.N. form F.65:

- Estimated Federal, NY State/NY City, DC, MD or VA income tax liabilities on UN income &
- UN portion of Self Employment tax



Staff members who are U.S. citizens and serving in the US are responsible for paying the IRS their share of Self-Employment tax on a quarterly basis.

Estimated Tax Advances (Cont'd)

ELIGIBILITY FOR ADVANCES

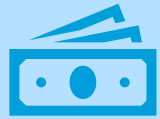
- Staff members who must pay US taxes on UN earnings and have ≥ 6 months contract with UN.
- Staff members on WAE contracts are not eligible.
- We will reimburse taxes and penalties, if applicable for those ineligible for advances.

Estimated Tax Advances (Cont'd)

Must inform Income Tax Unit immediately upon:

- Employment
- Significant changes in UN or non-UN earnings
- Separation/Special leave without pay
- Movement between UN organizations
- Reappointment/break in service (as the break will cause the cessation of tax advances)
- Leaving for / Returning from overseas assignment
- Signing the waiver (US permanent resident)
- Becoming US citizen/G-4 visa holder

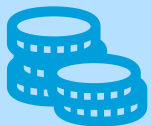
UN Earnings & Self Employment (SE) Tax



For income tax purposes, UN earnings are treated as wages, not as business income.



Report UN Earnings on line 1a of 1040



Note: Schedule C should not be used to report UN Staff earnings.

UN Earnings & Self Employment (SE) Tax

Who is liable for SE taxes?

US citizens working in the US must pay the SE Tax on UN Earnings.

UN reimburses 50% of the SE Tax (Social Security Tax and Medicare Tax) same as any US employer.

UN Earnings & Self Employment (SE) Tax

For the tax year 2022 the SE tax percentage is as follows

	United Nations	Staff Member
Social security	6.20%	6.20%
Medicare	1.45%	1.45%
Total	7.65%	7.65%

UN Earnings & Self Employment (SE) Tax

Who is exempt from the SE Tax on UN earnings?

All US permanent residents serving anywhere in the world

US citizens working overseas (only for the period served outside of the US)

Method of Payments



UN Checks

- Staff member mail the checks to the Income Tax authorities



EFTPS Payments

- UN makes online payments to Federal and New York State

Enrollment for EFTPS

- ❑ The Electronic Federal Tax Payment System (EFTPS)
 - is free by the U.S. Department of the Treasury
- ❑ Staff members who are liable to pay US Income taxes are strongly encouraged to enroll online in the IRS Electronic Federal Tax Payment System (EFTPS).
- ❑ A copy of the IRS confirmation Letter- which is generally received within 7-10 business - must be provided to the Income Tax Unit.
 - PIN must be blacked out
- ❑ Quarterly advances including UN share of self-employment tax and the final settlement payments will be electronically paid to the Internal Revenue Service.

Enrollment for EFTPS (Cont'd)

Forms and instructions to enroll in EFTPS are available online at the website: www.eftps.gov



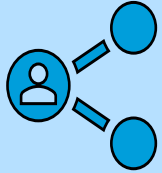
After Enrollment:

Check your online account when your quarterly advances are disbursed to ensure that the deposit is credited.

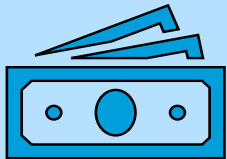
EFTPS might get deactivated if no activities in 15-month period.

Suggestion: To prevent deactivation make a small deposit/payment, if necessary, to keep your account active.

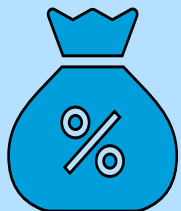
UN Statement of Taxable Earnings



2022 statements of taxable earnings (STE) have been distributed to US taxpaying staff members.



The Earnings shown on your STE has been reported to the IRS.



Amounts subject to Tax = Gross salaries + Other emoluments + Taxable portion of pension withdrawals/Lumpsum

UN Statement of Taxable Earnings (Cont'd)

Common issues

- ❑ **Non-receipt of statement of taxable earnings**
 - Missing/Incorrect nationality or visa status on Personnel Action
 - Incorrect e-mail and/or mailing address
 - Change of organization/agency

UN Statement of Taxable Earnings (Cont'd)

Include the STE to the income tax returns filed with the tax authorities.

Report UN Earnings on line 1a of the 1040.

Filing requirements

01

To receive tax reimbursement payment from the UN before the 18 April 2023 filing date, submit a Correct, Complete and Signed Tax Reimbursement Claim to the Tax Unit by the U.N. submission deadline, 1 March 2023.

02

Claim must be submitted as a PDF file upload through the Taxportal at <https://taxportal.un.org>

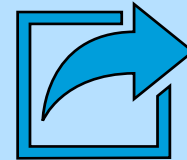
03

Submission in person or by physical mail is strongly discouraged.

Tax Portal



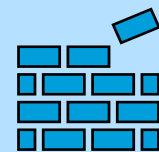
<https://taxportal.un.org/>



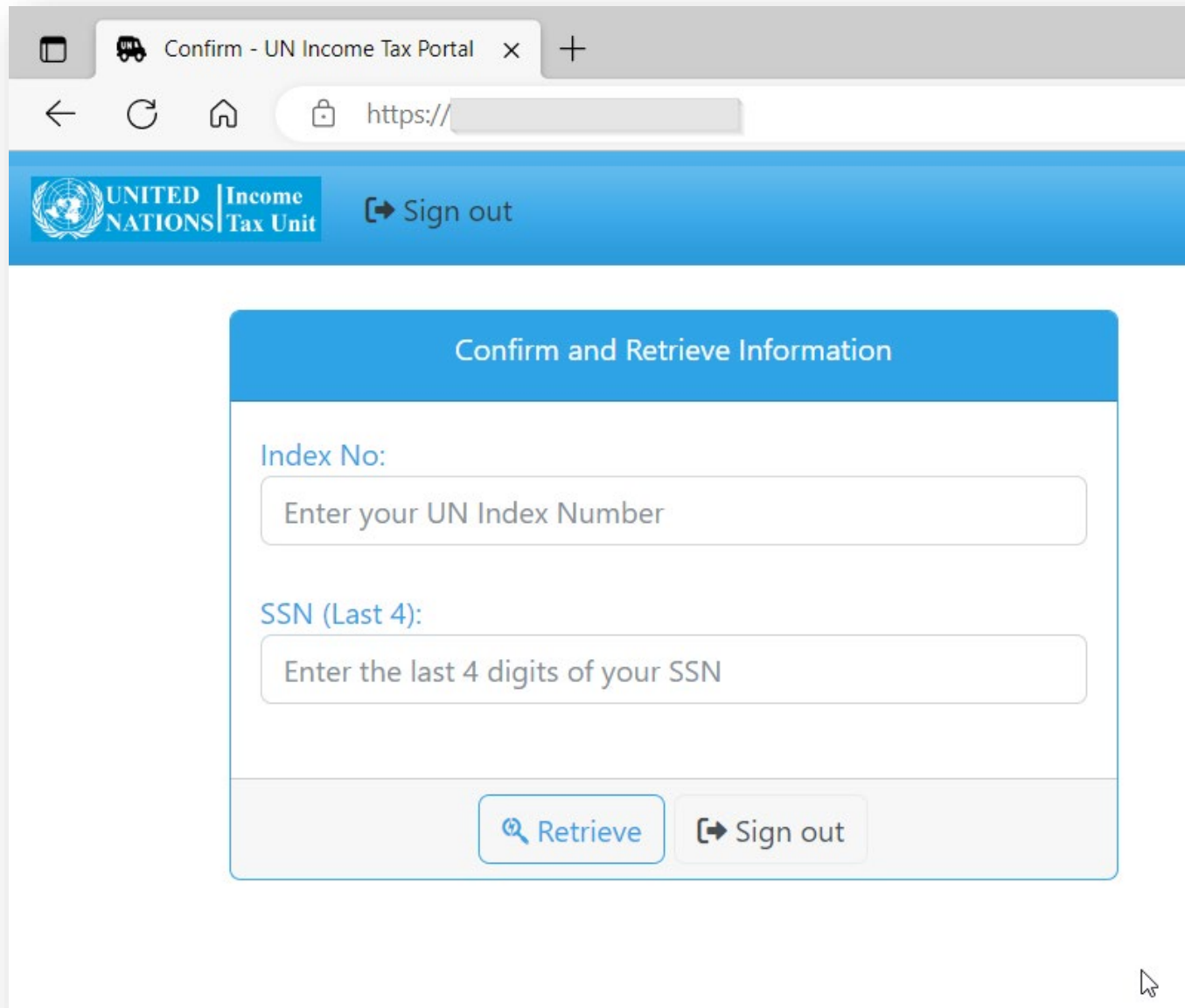
New feature added to upload pdf file (up to 25 MBs per file).



MFA will be required for the enhanced security.



You can check status of claim



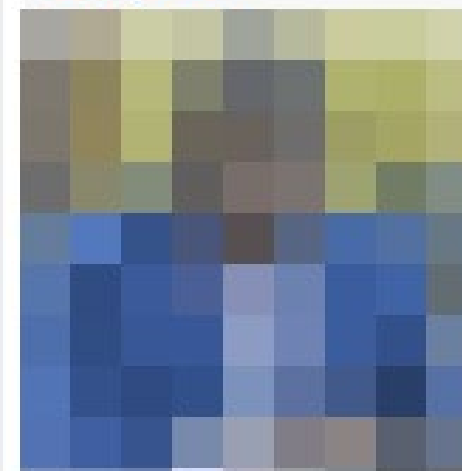
Welcome to the UN Income Tax Portal

Please take note of the following important points:-

1. The submission of data/information in the Tax Portal is not going to absolve you of uploading scanned copies of the signed tax return(s), along with the completed UN forms F.65, F.65/A and 4506-c to the Income Tax Unit. You must upload all necessary copies to the Tax Portal.
2. It is your responsibility to file your taxes with IRS before the filing deadline set by the US Tax authorities, unless you request for an extension.
3. The deadline to request for reimbursement of US taxes with UN is one year from the actual IRS deadline.
4. The UN will not pay any penalty and interest related to late filing.
5. If you do not submit your tax claim to the UN in time, there is no guarantee that UN will make tax payments to IRS before the deadline. Please visit the UN Income Tax Unit [Website](#) for important deadlines and other information
6. For any technical issues with the Tax Portal, send email to taxportal@un.org. For any other queries, send email to tax@un.org

[Download User Manual](#)

 Signed-in



Name: Matthew Kibanda

Index No: 20000

Email:

matthew.kibanda@un.org



Reimbursement Status:

Your tax data was submitted and is waiting to be received by the Tax Unit.

Go to the Main Menu, then select 'Enter/Submit Forms'

Filing requirements (Cont'd)

A tax claim is composed of:

- ✓ True, correct and complete copies of tax returns filed/to be filed with the tax authorities including a copy of the UN statement of taxable earnings (STE)
- ✓ Request for settlement of income taxes (F.65)
- ✓ Supplementary information to form F.65-A for staff members serving overseas
- ✓ Consent Form 4506-C. For the IRS to disclose your tax return information to the UN for compliance purposes.
- ✓ Proof of payment if you have already paid any balance(s) due on your tax returns so that the reimbursement can be made payable to your name and not to the tax authorities.

Your tax return is subject to verification by the UN.

4506-C || NEED TO KNOW

The Form 4506-C is an IRS Form, replacing the UN Form F243, from tax year 2021 onwards.

The required data fields are similar to the UN Form F243.

Electronic Signatures are not accepted. Sign manually (scanned copy of real signature accepted)

The address on the form should match the address on Form 1040.

If Filing jointly both taxpayers' information: Name and SSN should be included on the Form

Pre-populated form is available on <https://tax.un.org> and will also be sent to you by email (Do not pick form from IRS or any other website)

Most common errors resulting in rejections

Avoid common mistakes shown below:

- ✓ Missing signatures on tax returns or UN forms
- ✓ Incomplete UN Forms.
- ✓ Incorrect calculations on tax returns and mathematical errors.
- ✓ Failure to notify the Tax Unit of change in organization, agency or duty station
- ✓ Incorrect e-mail or home/ mailing address
- ✓ Not Providing a Memorandum with the reason for not claiming a child or parent dependent when receiving a dependency allowance.
- ✓ Not Providing a Memorandum with the reason for not filing jointly when receiving a spousal allowance

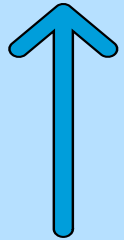
Utilize the Check List (UN Form F247)

Settlement of Income Taxes

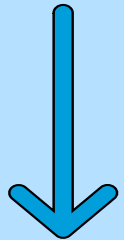
Upon receipt of the complete and accurate tax claim, the Tax Unit calculates your UN tax reimbursement.

The difference between Tax with UN income and Tax without UN income (see Information Circular para. 25 – 26).

Settlement of Income Taxes (Cont'd)



If UN 2022 tax liability $>$ 2022 advances, UN will reimburse staff members by WT/checks payable to tax authorities (discussed later)



If UN 2022 tax liability $<$ 2022 advances, there is UN overpayment which will be recovered from 2023 advances (discussed later)



The reimbursement cannot exceed the actual income taxes payable to the tax authorities

Tax Reimbursement Case #1

□ **Additional payment due:**

- Actual tax reimbursable by UN for 2022: \$16,000
- Tax Advance paid by UN for 2022: (\$15,000)
- **Balance of taxes** **\$1,000**

- You will receive a tax settlement payment of \$1,000 Cheque/WT to the tax authority.
- If you receive a cheque, mail it to the appropriate tax authority upon receipt. If you have paid the balance due already, return the U.N. cheque to the Tax Unit with a copy of your cancelled cheque for re-issuance to your name.

Tax Reimbursement Case #2

Overpayment of taxes

- Actual tax reimbursable by UN for 2022: \$16,000
- Estimated tax paid by UN for 2022: (\$18,000)
- Overpayment (O/P) of taxes by UN: **(\$2,000)**

Carried forward to tax year 2023 - \$2,000

Tax Reimbursement Case #2 (Cont'd)

❑ Recommended action:

- ❑ Active staff member should apply UN overpayment amount to 2023 estimated tax:
 - **Form 1040, line 36 (Federal)**
 - **IT-201, line 79 or IT-203, line 69 (NY state)**

❑ Substantial overpayment:

If there is a large overpayment both active staff and separated staff members, should request for a refund from the tax authorities and remit the payment to the UN.

Settlement of Income Taxes (Cont'd)

What if you submit your Tax Claims after the deadline?

- The UN is NOT liable for Penalties & Interest levied by the tax authorities.
- 2023 tax advance payments by the UN will be delayed.
- 2022 tax advances will be deducted from salary if the claim is not submitted by 15 October 2023.
- No reimbursement if submitted after 1 year from filing due dates to tax authorities.

Settlement of Income Taxes (Cont'd)



For states other than New York, the settlement payments are transferred to staff members bank account.



NYS does not accept direct deposits for settlements. Checks will be mailed to staff members for sending to New York State.



If your tax claim is rejected for missing or incorrect information, please respond to our office as soon as possible as per the rejection letter in order to expedite the processing of your tax claim.

Payment of Income Taxes

What you should know:

- Staff Members are liable for additional 0.9% Medicare Tax and 3.8% Net Investment Income Tax, if any.
- If married and receive spousal allowance/benefit, must file a joint return, unless prohibited by law.
- If receive dependency allowance/benefit, must claim all dependents on tax returns (unless written justification provided).
- Can file separately if no spousal allowance/Benefit is received.

Payment of Income Taxes (Cont'd)

What you should know:

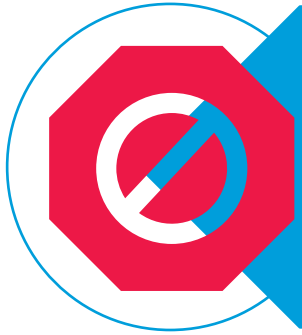
- Obligation to minimize tax liability
- Must use greater of standard / itemized deductions
- If both spouses work with the U.N. and are both U.S. taxpayers, they must file jointly.
- Must claim all available tax credits.

Spouse with G4 Visa

**If your
spouse
holds a G4
visa**

- You may use the filing status of “married filing jointly,” if he/she has a social security number or individual taxpayer identification number (ITIN)
- The UN earnings of the G4 visa holder are not subject to US income tax.
- Refer to IRS Publication 519 “US Tax Guide for Aliens” for further information.

Interest & Penalties



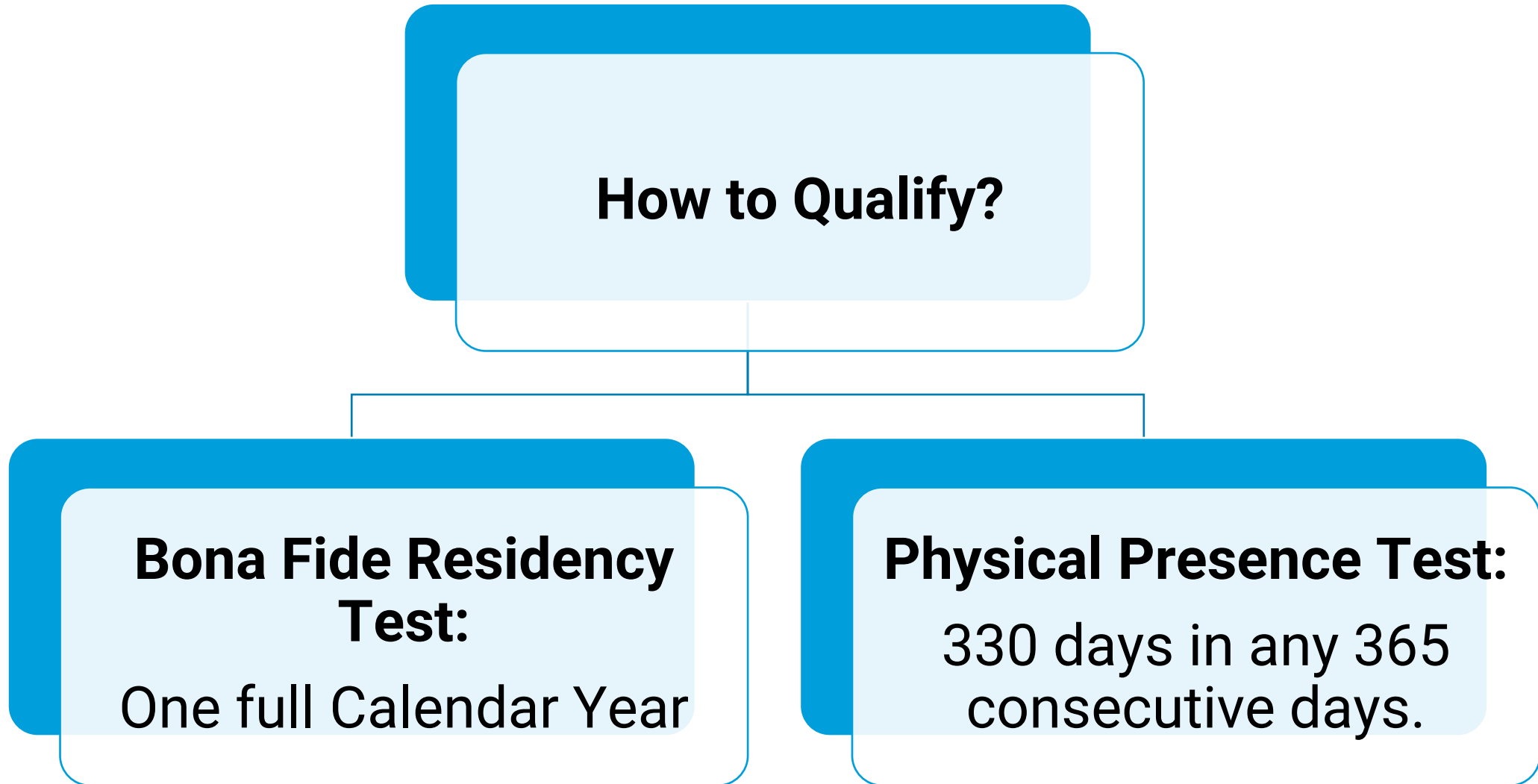
UN will NOT pay any late filing penalties under ANY circumstances.



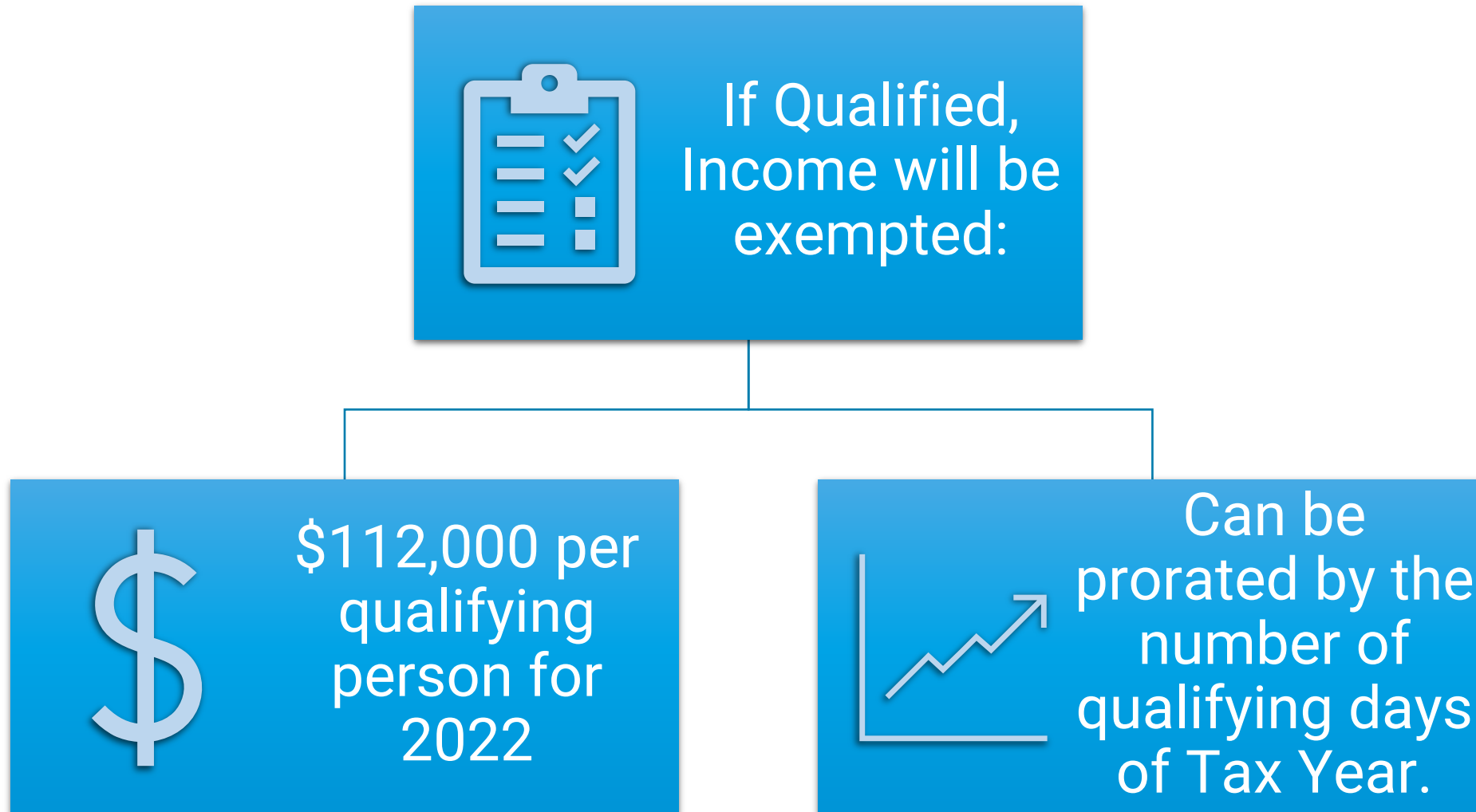
UN will only reimburse interest / penalty for late / underpayment

- Due to delays/incorrect information acknowledged as UN's responsibility
- For staff members serving overseas (up to 15 June filing deadline)
- Underpayment of tax advances by UN:
 - ✓ Contract < 6 Months
 - ✓ WAE (When Actually Employed) contract
 - ✓ Separated Staff for whom advance were not paid

Foreign Earned Income Exclusion (FEIE)



Foreign Earned Income Exclusion (FEIE) (Cont'd)





Thank you very much for your attendance



Q&A session to commence.



For further information, please visit us at: <https://tax.un.org>