



# Introduction to US Income Tax Reimbursement Procedures

at the United Nations

## **Objective:**

To Familiarize Staff Members with UN Income Tax Procedures

This presentation is NOT intended to replace the Information Circular ST/IC/2024/1

# What is New in 2024

## □ **Social Security Wage base:**

- 2023 Tax Year - \$160,200
- 2024 Tax Year - \$168,600

# Outline of Presentation

General information

Cycle of U.N. Tax Reimbursements

Tax Advances

Self Employment Tax for US Citizens

Electronic Federal Tax Payment System (EFTPS)

Tax Settlement

Foreign Earned Income Exclusion

# ITU Stats

ITU Clients	Approx. 7,500
ITU Client Organizations	31
ITU Staff	14
Website visits (Last 6 months)	13,000
Emails Received ( <a href="mailto:tax@un.org">tax@un.org</a> only)	29,664 in 2023
Client Meetings	Approx. 2700 (2600 virtual; 100 in-person)
STEs issued per year (5-year average)	7,170
Claims Received per year (5-year average)	5,883
Claims Settled per year (5-year average)	5,617 (95% of received)

# 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.
- ❑ **Cannot contact the tax authorities on your behalf.**
- ❑ **Cannot recommend any Tax Preparer (CPA)**

# Important Deadlines

<b>Status</b>	<b>Deadlines for submission to U.N. Tax Unit</b>	<b>IRS &amp; State 2023 Tax Filing Due Date</b>	<b>IRS &amp; State 2023 Tax Payment Due Date</b>
<b>Staff Working in the USA</b>	1 March 2024	15 April 2024	15 April 2024
<b>Staff Working outside USA</b>	1 April 2024	17 June 2024** (reflects automatic 2 months extension)	15 April 2024

# 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 (15 April 2024) 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 17, 2024.”*



# Who is subject to 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 of Receiving the Permanent Resident card, or
  - ii. Effective Date of Employment with the UN

Whichever is the later of the 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.
- It CANNOT be reimbursed to staff members under any circumstances.
- And it CANNOT be claimed as a deduction on US tax returns.

# Cycle of UN Tax Reimbursements

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 & emails the Statement of Taxable Earnings(STEs) to all U.S. taxpaying staff members by end of January.

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 for the current year 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 US income taxes are required by law to pay quarterly estimated taxes to tax authorities as follows:**
  - 90% of current year (2024) estimated taxes, OR
  - 100% of previous year (2023) tax liabilities

# Estimated Tax Advances

- ❑ **The UN will calculate and issue 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  $\geq 6$  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 wages, not business income.



Report UN Earnings on line 1a of 1040



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

# UN Earnings, and Social Security & Medicare Taxes aka 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, and Social Security & Medicare Taxes aka Self Employment (SE) Tax

For the tax year 2023 the SE tax percentage is as follows		United Nations	Staff Member
	Social security	6.20%	6.20%
	Medicare	1.45%	1.45%
	<b>Total</b>	<b>7.65%</b>	<b>7.65%</b>

# 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)

# Enrollment for EFTPS

- ❑ The Electronic Federal Tax Payment System (EFTPS)
  - is a free service offered by the U.S. Department of the Treasury
- ❑ Staff members who are liable for US Income taxes are strongly encouraged to enroll online in the IRS Electronic Federal Tax Payment System (EFTPS).
- ❑ When enrollment is approved, a confirmation letter is mailed to the Taxpayer.
  - The IRS confirmation Letter is generally received within 7-10 business
  - It must be provided to the Income Tax Unit so that the tax profile can be updated in the UN Tax System.
  - 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 via EFTPS.

# Enrollment for EFTPS (Cont'd)

Forms and instructions to enroll in EFTPS are available online at the website: [www.eftps.gov](http://www.eftps.gov)



## After Enrollment:

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

EFTPS will be deactivated if no activities in 15-month period.

### **Suggestion:**

- To prevent deactivation, make a small deposit/payment, if necessary, to keep your account active.
- Pay your part of the SE Tax via EFTPS



# UN Statement of Taxable Earnings

- ❑ 2023 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.

# ITU Communication Services



ITU Website



Tax Portal



Tax Meet



Emails



Best Practices

# ITU Website



**URL: <https://tax.un.org>**

- Important information on ITU procedures
- Frequently asked questions
- UN Information Circulars & Forms
- Instructional videos
- Links to Tax portal and Tax Meet
- Links to Tax authorities' websites
- Past Tax Briefings resources

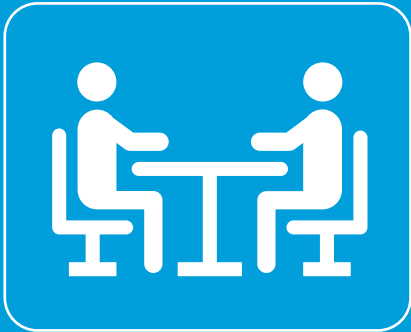
# Tax Portal



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

- Preferred method of submission
- Very secure, requires MFA authentication
- Upload tax documents
  - PDF format only
  - up to 19.5 MBs per file
- Enter tax returns data
- Helps expedite the reimbursement process
- View the status of your reimbursement
- Data entry alone is not a submission

# Tax Meet



**URL: <https://tax.un.org/news/tax-meet>**

- Book a Virtual meeting with the Tax Unit
- Get one-on-one discussion with a Tax unit staff

# Emails



**tax@un.org**

- Inquiries and follow up of procedures and submissions
- Include your index number in subject field



**taxportal@un.org**

- Issues accessing or using the tax portal



**2023taxclaimsonly@un.org**

- Submit your 2023 tax documents only if you have failed to access the tax portal



# Best Practices

## Endeavor to:

- ✓ Visit the ITU website before submitting an inquiry.
- ✓ Test your access to the Tax portal beforehand. Do not wait until the last minute
- ✓ Read the Tax portal user manual before using the portal
- ✓ Inform ITU if your email, address or bank account changes.
- ✓ Take a screenshot of the error message
- ✓ Confirm your UN index number from your HR focal points

# Best Practices



## Avoid:

- ② Sending emails to multiples emails addresses
- ② Sending multiple follow-up emails in short periods of time
- ② Making multiple bookings or book the wrong expert
- ② Submitting password protected documents
- ② Submitting incomplete returns
- ② Submitting your return as screenshots
- ② Refrain from contacting ITU staff via MS Teams without a scheduled appointment

# Filing requirements

01

To receive tax reimbursement payment from the UN before the 15 April 2024 filing date, submit a complete, accurate and signed tax claim to the Tax Unit by the U.N. submission deadline, 1 March 2024.

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.

# Filing requirements (Cont'd)

## A tax claim is composed of the following signed documents:

- ✓ 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 (UN Form F.65)
- ✓ Supplementary information UN Form F.65-A for staff members serving overseas
- ✓ Consent Form 4506-C. Authorizes 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 use form from IRS or any other website)

# Most common errors resulting in rejections

- ❑ **Avoid common mistakes shown below – Utilize the Check List (UN Form F247)**
  - 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
  - Providing a Memorandum with the reason for not claiming a child or secondary dependent when receiving a dependency allowance.
  - Providing a Memorandum with the reason for not filing jointly when receiving a spousal allowance

# Settlement of Income Taxes

- Upon receipt of the complete and accurate tax claim, the Tax Unit calculates your UN tax reimbursement as follows:
- The difference between Tax with UN income and Tax without UN income (see Information Circular para. 26 – 27).

# Settlement of Income Taxes (Cont'd)

- ❑ If UN 2023 tax liability  $>$  2023 advances, UN will reimburse staff members by wire transfer or checks payable to tax authorities (discussed later)
- ❑ If UN 2023 tax liability  $<$  2023 advances, there is UN overpayment which will be recovered from 2024 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 2023: \$16,000
- Tax Advance paid by UN for 2023: (\$15,000)
- **Balance of taxes** **\$1,000**

❑ You will receive a tax settlement payment of \$1,000 Cheque or EFT to the tax authority.

❑ If you receive a cheque, mail it to the appropriate tax authority upon receipt. **DO NOT** deposit it to your personal bank account. Some banks are treating such deposits as fraud and closing the staff's bank accounts.

❑ 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 2023: \$16,000
- Estimated tax paid by UN for 2023: (\$18,000)
- Overpayment (O/P) of taxes by UN: **(\$2,000)**

**Carried forward to tax year 2024 - \$2,000 as a 2024 Advance**

# Tax Reimbursement Case #2 (Cont'd)

## ❑ Recommended action:

- ❑ Active staff member should apply UN overpayment amount to 2024 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 for active staff and any overpayment for separated staff members, a request for a refund from the tax authorities should be made and the payment remitted 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.
- 2024 tax advance payments by the UN will be delayed.
- 2023 tax advances will be deducted from salary if the claim is not submitted by 15 October 2024.
- No reimbursement for Tax Claims 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 transfers to staff members' bank account.
- ❑ Note – NYS does not accept direct deposits for settlements. Checks will be mailed to staff members for them to remit 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)

- 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.

ST/IC/2024/1 – Page 7 - Section C, Paragraph 12: “...In order to minimize the burden on the Tax Equalization Fund, of which the Secretary-General is the trustee, and on voluntary funds from which tax reimbursements may be made, a staff member claiming reimbursement is required to make maximum use of all adjustments to income, deductions and exemptions in order to minimize his or her tax liability...”

# 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)

## □ How to Qualify?

- Bona Fide Residency Test:
  - One full Calendar Year
- Physical Presence Test:
  - 330 days in any 365 consecutive days.

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

**If  
Qualified,  
Income  
will be  
exempted:**

**\$120,000 per qualifying person for 2023**

**Can be prorated by the number of  
qualifying days of Tax Year.**



**Thank you very much for your attendance**



**Q&A session to commence.**



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