

# US persons with filing obligations in Germany

Most common circumstances & tax  
treatment

# Most common US client

- has worked/lived in Germany and/or is currently still doing so.
- is married to German spouse
- commands income from a variety of sources and combination thereof
  - Employment (private/US government)
  - Freelance / contracting work (with US LLC, as German resident or NATO-contractor)
  - Capital (interest, dividends, ETF's)
  - Rental income (US-/Germany-sited)
  - Retirement (Social Security, Military/government pension, SSIA/SBP/DIC, 401k, (Roth) IRA, 403b, TSP...)
  - Disability (VA benefits)
  - Other benefits (GI bill, 529 savings plan)

# Most common German tax effects

Income areas	Most relevant German tax aspects	Most relevant German tax effect
General	<ul style="list-style-type: none"> <li>• Other homes (apartment, cabin...) that are not solely rental?</li> <li>• Germany itemizes deductions, the US standardize.</li> <li>• More liberty to deduct college expenses under German law.</li> </ul>	
Employment	<ul style="list-style-type: none"> <li>• US / German work contract?</li> <li>• NATO-SOFA status? If so, GS, NAF, AD...? US Reservist?</li> </ul>	<ul style="list-style-type: none"> <li>• Filing status</li> <li>• Tax bracket</li> </ul>
Freelance	<ul style="list-style-type: none"> <li>• US-LLC involvement? If so, qualification under German tax law.</li> <li>• NATO-contractor? If so, check/documentation of „intent to return“.</li> </ul>	<ul style="list-style-type: none"> <li>• Income</li> <li>• Tax bracket / tax base</li> </ul>
Capital	<ul style="list-style-type: none"> <li>• ETFs require more information than provided by 1099.</li> <li>• No reduced capital gains tax rate</li> </ul>	
Rental	<ul style="list-style-type: none"> <li>• Depreciation regime differs between US and Germany.</li> </ul>	<ul style="list-style-type: none"> <li>• Situs determines effect on tax base/bracket</li> </ul>
Retirement	<ul style="list-style-type: none"> <li>• Overview of SocialSec taxes paid per year.</li> <li>• Overview of SocialSec taxes while with private/government employer.</li> <li>• Overview of employer and employee contributions to retirement plans.</li> <li>• Age upon retirement.</li> </ul>	<ul style="list-style-type: none"> <li>• Govt pensions non-taxable, may affect spouse's tax bracket</li> <li>• Retirement plans should be split (private/govt)</li> </ul>
Disability	<ul style="list-style-type: none"> <li>• VA statement showing rating.</li> </ul>	<ul style="list-style-type: none"> <li>• VA benefits are typically fully tax-exempt</li> </ul>
Other	<ul style="list-style-type: none"> <li>• Overview of GI bill benefits (amount, reason, purpose - books/tuition...).</li> <li>• 529 plan not tax-protected under German law.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Appropriate</b> amounts of GI bill benefits may be fully tax-free</li> </ul>

# Key take-aways

- The vast majority of the „average“ US-client's income is not complex, but needs thorough first-off examination to avoid double taxation.
- NATO-contractors should pro-actively document their „intent to return“.
- US-business entities/LLCs need to be separately assessed from a German tax perspective.
- Your German tax advisor will prefer a straight-forward US dividend over ETF-investments.
- Government pensions and VA benefits will not be taxed. A pension may affect your HN/LN spouse's tax base. Social Security benefits need to be split between time in private/government service.
- Qualified retirement plans do not have a tax effect until distributions (RMD or earlier) are made. Contributions will reduce tax effects.
- GI bill benefits should be assessed from an appropriateness perspective. Tax-exemption will likely be achieved.

# Closing

THANK YOU VERY MUCH FOR YOUR ATTENTION!

In case of further questions please feel free to visit <https://caudleweistax.com/>, <https://www.usxb-advisory.de/> or contact us under

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