



Legal Note - Capital Gains/Non-Resident Aliens

In recognition of our hardworking CPAs, we this month enter the tax arena. Many of our clients are surprised to find that the U.S. tax code, under certain circumstances, favors foreign investors over U.S. citizens and residents. If an individual is not a tax resident of the United States and not physically present in the United States for at least 183 days during the tax year, U.S. source capital gains (unrelated to real estate) are generally not taxed to the foreigner. Therefore, although certain periodic income and U.S. business income are taxable to the non-resident alien, capital gains (unrelated to the real estate) are not taxed to the foreigner who spends most of the year abroad. Such rule provides for substantial planning opportunities for foreign individuals who intend to move to the United States. For example, such individuals may have the opportunity to sell U.S. stocks and bonds without incurring U.S. tax prior to establishing residence in the U.S.