

HR & Tax Alert



United States: Internal Revenue Service Announces New User Fee for United States Residency Certification

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Executive Summary

Beginning in October 2006 the Internal Revenue Service will charge a user fee when issuing Form 6166, Certification of United States Residency. This form is generally used as proof of U.S. residency to claim benefits under an income tax treaty or exemption from a foreign value added tax.

Background

United States citizens and residents are sometimes required to provide evidence to foreign tax authorities that they are U.S. residents. This evidence is usually required in connection with obtaining a reduced rate of tax under the provisions of a double tax treaty. The U.S. issues Form 6166, Certification of United States Residency, for this purpose. In July 2004, the U.S. Internal Revenue Service began requiring taxpayers to use Form 8802 to request Certification of United States Residency. (See our HR & Tax Alert dated June 2004.) There has been no charge for requesting this certification.

New User Fee

The IRS has announced that for residency certification requests postmarked on or after October 2, 2006 a user fee will be assessed. The base fee is \$35 per Form 8802, which may include a request for up to 20 residency certification letters (Form 6166). Such letters may be for different countries and different tax periods (although all for the same taxpayer.) There is an incremental fee scale for requests in excess of 20 on the same Form 8802.

Next Steps

It is often the case that employees are required to request U.S. residency certification because they are assigned by their employer to work overseas. For this reason, employers may expect to receive requests for reimbursement of this expense from their globally mobile employees.

For further information regarding the new user fee and the tax impact of reimbursing such expense, please contact your local Ernst & Young Human Capital professional.

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