
The following is a general description of typical issues. It does not attempt to cover all situations, nor cover all the complexities of legislation and administration. Before making any decision you need to be advised on the full detail as it applies to your specific situation.

IS YOURS A “MIXED MARRIAGE”?

A marriage between a US citizen and a non-citizen can give rise to a number of significant, and potentially expensive, tax problems.

If the couple are living in the US, so that the non-citizen spouse is treated as US tax resident (either by having a green card or spending most of the year in the US) then problems may be mainly confined to gifts and estate planning; the main one being gifts from a citizen to a non-citizen spouse in excess of \$148,000 pa are taxable at 40% on the excess.

However, a wider range of issues arise if the couple are living in the UK. For example, if the couple have owned a house jointly for a number of years, and the property has increased in value, for UK tax purposes that gain on the sale of this principle private residence is exempt from UK tax. However, for the US citizen, their share of the gain in excess of \$250,000, is subject to US capital gains tax, with no UK tax available to offset the US tax.

In a mixed marriage, a couple can elect to treat the non-citizen spouse as a US resident and file a joint US Federal tax return. However, this election means that the non-citizen spouse exposes their income and assets to US taxation. If they don't make that election, then the US citizen has to file as “married filing separately”, a choice which prevents claims for some deductions and credits and eliminates the opportunities for income averaging to reduce the tax bill available to a married couple in the US.

Further opportunities and traps are to be found in family businesses and property, and in gifts and inheritances.

If you are in this situation, you need careful planning to reduce the combined foreign and US taxes on your worldwide income and assets

IF THIS LOOKS LIKE YOU [CONTACT US](#) FOR A CONFIDENTIAL REVIEW OF YOUR SITUATION, AND TO DEVELOP A PLAN TO MANAGE IT