

Retirees' taxes need special attention

By retired Sgt. Maj.
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Income tax filing by military retirees living permanently in Germany requires special attention to detail. A tax treaty exists between the United States and Germany, which treats income in different ways, so retirees should follow the provisions of this treaty to avoid double taxation.

For example, U.S. Social Security is reportable income on Form 1040, but not taxable by the United States under the treaty. A special Treaty-Based Return Position Disclosure, Form 8833, must be attached to realize this treaty benefit. A professional familiar with the completion of this entry, such as those at the 7th Army Joint Multinational Training Command's Bavaria tax centers, should be consulted to prevent paying taxes twice on the same income, and to ensure you claim the credit properly.

Social Security

Interest earned on foreign bank accounts, as well as investments and German retirement income, are taxable and reportable items on a U.S. tax return. German retirement income (Rente) is also reportable on the Form 1040; however, as is the case with the Social Security annuity, include Form 8830 for this income to avoid being taxed by the United States.

Another tip: Use the Social Security Benefits Worksheet on page 26 of the instruction booklet for Form 1040. When going through the worksheet, you may determine that you do not have a tax liability for the Social Security Annuity, that is, the bottom line is zero. If it is zero, then there is nothing

to declare; you enter a zero in the proper place on Form 1040 and Form 8833 is not required.

Foreign income

If a U.S. citizen has a total balance of \$10,000 or greater at any time during the year, in one or more foreign financial institutions, he or she must also report these foreign financial institution accounts to the Treasury Department, not the IRS. This is accomplished on a TD F 90-22.1, which is available online at the Treasury Department website. These accounts also include German mortgage savings accounts or Bausparverträge. The due date for this form is June 30 of each year.

The retired pay received during the tax year by the retiree up to the time he or she died is taxable and is declared on the U.S. income tax return. The tax liability only exists for the time the retiree was paid retired pay. If the widow gets a Survivor Benefit Plan (SBP), this is also reportable.

However, local national widows can avoid the SBP annuity withholding by filing a W-8BEN. There are tables in the instruction booklet for Form 1040 that help filers determine if there is a need to file a tax return.

Forms to bring

Some of the forms to bring for your session include Social Security Administration forms SSA 1099-SM-F for benefits received in 2011; statements of retired annuities received last year, i.e., 1099R military and, if applicable, civil service or NAF retirement tax statements.

Do not forget interest, dividend and miscellaneous 1099 forms that are

usually issued by banks and for IRA withdrawal payments; and, of course, a foreign bank statement showing the earned interest for the tax year.

Also, if applicable, bring tax annuity forms (Rentenbescheid) issued by the Germans if you draw a German pension. The tax support personnel at the Bavaria tax centers know how to correctly and accurately compile and compute this information.

German tax return

Filing with the German tax authorities is also part of the tax treaty between the two countries if you have a German income or annuity in addition to your U.S. income. Filing a German income tax return is not more complicated, however, you need to know which forms are required to report your earned German income, interest, capital gains, military retired pay and social security.

While your retired pay and social security are not directly taxed, the amounts are added to your German income to determine the progressive tax rate. The U.S. Army tax centers cannot help you with the German return; they recommend you contact a local tax advisor (Steuerberater) to help with this part. Retirees should know that the income they receive in euros must be converted to dollars using the standard exchange rate for 2011 (\$1 = 0.7188 euros).

The Grafenwoehr Tax Center and all other Bavaria tax centers have a competent staff in place to assist with your U.S. income tax needs.

Editor's Note: JMTC's Office of the Staff Judge Advocate and retired Lt. Col. Lawrence Applebaum, president, USAG Baden-Wuerttemberg Retiree Council, contributed reporting.

Tax centers in Bavaria

Ansbach/Katterbach

Katterbach Kaserne, Bldg. 5817
DSN 467-2324, CIV 09802-83-2324
Mon-Fri, 9 a.m.-4 p.m., closed lunch
Walk-ins and scheduled appointments

Ansbach/Illesheim

Stork Barracks, Bldg. 6506
(Law Center)
DSN 467-4511, CIV 09841-83-4511
Mon-Fri, 9 a.m.-4 p.m., closed lunch
Walk-ins and scheduled appointments

Bamberg

Warner Barracks, Bldg. 7000
(Law Center)
DSN 469-8261, CIV 0951-300-8261
Mon-Fri, 9 a.m.-3 p.m., closed lunch
Walk-ins and scheduled appointments
Sat (Feb.), 9 a.m.-noon, appt. only

Garmisch

Artillery Kaserne, Bldg. 203
DSN 440-3516, CIV 088217-50-3516
Mon-Fri, 10 a.m.-2 p.m., open lunch
By appointment only

Grafenwoehr

Main Post, Bldg. 216
DSN 475-9258, CIV 09641-83-9258
Mon, Tue, Thu, Fri, 9 a.m.-5 p.m.
Wed, 10 a.m.-6 p.m.
Open lunch, last walk-in at 3:45 p.m.
Walk-ins and scheduled appointments

Hohenfels

Bldg. 313 (Law Center)
DSN 520-5564, CIV 09472-83-5564
Mon, Wed, Fri, 10 a.m.-4 p.m.,
open during lunch
Tue, Thu, 10 a.m.-5 p.m.
1st Sat of each month (Feb-April),
9 a.m.-noon; by appointment only

Schweinfurt (new location)

Conn Barracks, Bldg. 7,
(Conn Annex Rooms 101-103)
DSN 353-8286, CIV 09721-96-8286
Mon-Fri, 9 a.m.-5 p.m., open lunch
Walk-ins, drop-offs and appointments

Vilseck

Rose Barracks, Bldg. 245
(Law Center)
DSN 476-2714, CIV 09662-83-2714
Mon-Fri, 9 a.m.-4 p.m., open lunch
Walk-ins and scheduled appointments