

## **Frequently Asked Questions: US Foreign Account Tax Compliance Act & the World Bank's Staff Retirement Plan**

The purpose of this FAQ is to provide the World Bank staff and Staff Retirement Plan beneficiaries with the general information about some changes to the US Internal Revenue Code related to reporting certain financial assets (which under the current law includes the Bank's pension benefits) to the US Internal Revenue Service. While the Bank is not obliged to inform its staff, retirees or other pension plan beneficiaries of any changes in tax laws of any of its member countries, we are assisting you by providing this basic general information on an exceptional basis. This document does not provide a comprehensive overview of Foreign Account Tax Compliance Act (FATCA) requirements and does not cover all possible circumstances. The Bank does not assume any responsibility for any error or omission on your tax return or other submissions to the tax authorities that may have been filed by you before or after reading this document. This document does not constitute professional tax or legal advice. It is your responsibility to comply with all provisions of the law which may be subject to change. We urge you to consult with a professional tax adviser to ascertain whether and how FATCA applies in your particular situation.

You can obtain the blank IRS Form 8938 and its instructions from IRS website at [www.irs.gov](http://www.irs.gov) free of charge.

US Internal Revenue Service has designated the special page on its website to provide information about Foreign Account Tax Compliance Act at <https://www.irs.gov/businesses/corporations/fatca-information-for-individuals>

We will update this FAQ to add additional questions and answers. Please check this site for new and updated information.

### **1. Do I have to report foreign financial assets?**

Under the Foreign Account Tax Compliance Act (FATCA) you have to report specified foreign financial assets if you satisfy all of the following requirements:

- You are a US tax resident based on one of the residency tests or a nonresident alien who is a Bonafide resident of American Samoa or Puerto Rico;
- You are **required to file and/or are filing** US Federal tax return in a given year; and
- You meet a reporting threshold, which varies depending on a person's filing status and whether you live in the United States or abroad (see Question 6 below for information regarding the reporting threshold).

The reporting has to be done on IRS Form 8938 which is due together with your annual tax return. Please note that failure to follow this requirement may result in significant penalties of \$10,000 or more. You can obtain additional information about Foreign Account Tax Compliance Act on the website of the US Internal Revenue Service at [www.irs.gov](http://www.irs.gov)

## 2. Are the World Bank Staff Retirement Plan (“SRP”) benefits considered a specified foreign financial asset?

Under the current law, World Bank Staff Retirement Plan benefits are considered “specified foreign financial assets” and may have to be reported if you satisfy the requirements mentioned above, even if you have not yet received any payments or distributions from the plan (in other words, the disclosure requirement applies to active staff and deferred retirees as well).

## 3. Am I a US tax resident?

You are a US tax resident if you satisfy one of the residency tests:

- You are a US national;
- You are a US permanent resident visa (“Green Card”) holder;
- You meet the substantial presence test;
- You file taxes jointly with a US resident spouse.

If a person is a US tax resident based on more than one test, then the person is a US tax resident starting from the earliest possible date under any of the applicable tests. You may obtain more information about US tax residency tests from Internal Revenue (IRS) Publication 519 which can be found on the IRS website ([www.irs.gov](http://www.irs.gov)).

## 4. What is a substantial presence test?

The “substantial presence test” is one of the tests of US tax residency, according to which you may become a U.S. tax resident in any given year if you are:

1. present in the U.S. at least 31 days in the current year, and
2. present in the U.S. at least 183 days during the three (3) year period that includes the year in question and two preceding years counting:
  - a. all days you were present in the U.S. in the given year
  - b. one third of days you were present in the U.S. in the preceding year
  - c. one sixth of days you were present in the U.S. in the year before that (preceding year)

Please note that in counting your days of presence in the U.S., you can exclude days when you (a) possess diplomatic or consular status, (b) are employed **full-time** by an international organization on a G-4 visa or (c) are an immediate family member of a person described in (a) or (b) your immigration status was derived from and depended on that individual’s visa classification. There are also some instances when certain days can be excluded from the test (such as medical reasons). Please refer to the Internal Revenue Service (IRS) Publication 519 which can be found on the IRS website ([www.irs.gov](http://www.irs.gov)).

Generally, full-time employees of the Bank on a G4 visa will not ordinarily meet the substantial presence test.

If you work less than full time for an international organization in the U.S., you may be considered a U.S. tax resident due to the “substantial presence test” even if you hold a G-4 visa. According to US tax regulations, a full-time employee is a person whose work schedule meets the organization’s standard full-time work schedule. If you have questions about whether your work schedule is full-time or part-time, you may wish to consult with a tax advisor.

**5. I am a full-time employee of the Bank on a G-4 visa. My spouse is a US tax resident, and we are filing our taxes jointly, will I be considered as a US tax resident?**

Yes. There are circumstances under which a non-US national who neither holds a Green Card nor meets the substantial presence test may be considered a US tax resident. For example, someone who elects to file an income tax return jointly with a US resident spouse will be treated as a US tax resident. If you have been filing jointly with a US resident spouse and wish to discontinue doing so, you have to properly revoke previous election.

**6. What is the reporting threshold under the FATCA?**

The law requires you to report interests in specified foreign financial assets if the aggregate value of those assets exceeds the applicable threshold. As of January 26, 2012 the thresholds are as follows:

Filing Status	Living in US or outside	Either:	
		Aggregate value of specified foreign financial assets on the last day of the tax year	Aggregate value of specified foreign financial assets at any time during the tax year
Single or married and filing separately	In the US	More than \$50,000	More than \$75,000
Filing Jointly	In the US	More than \$100,000	More than \$150,000
Single or married and filing separately	Outside of the US*	More than \$200,000	More than \$300,000
Filing Jointly	Outside of the US*	More than \$400,000	More than \$600,000

\*Subject to you satisfying the requirements of the “Presence abroad” test – more information about this test can be found in instructions for Form 8938 which is available from US IRS website at: [www.irs.gov](http://www.irs.gov)

**7. My spouse and I are US tax residents and while we meet the reporting threshold under FATCA, we are not required to file an annual tax return. Do we still need to file Form 8938?**

No. Form 8938 is not required of individuals who do not have an income tax return filing requirement.

**8. What is the value of my World Bank pension for FATCA purposes?**

If you are still working for the Bank and have not started receiving your pension benefits:

- **Net Plan participants who are not yet eligible for the lifetime pension<sup>1</sup>:** You should report the US dollar equivalent of the lump-sum withdrawal amount as of the last month of the tax year for which you are filing taxes. This information is available in HR Kiosk. You need to click on “Pension & Retirement Info” link, then select “Your Pension Benefit Monthly Statement” and look at the bottom of the “Benefit Summary” tab. The value of your interest equals to the “TOTAL LUMP SUM BENEFIT (DB + CB)” as displayed on the page. (Please make sure that you have selected the proper month [for 2011 tax return that will be December 2011] from the drop-down menu).
  - ***Special Case for plan participants whose salary is paid in a currency other than US dollars:***
    - Your Cash Balance component is maintained in US dollars and no conversion is necessary;
    - Your Defined Benefit and Termination Grant components (if applicable) in HR Kiosk are shown in the currency of your current salary. In order to obtain the US dollar equivalent value(s) you must use the U.S. Treasury Department’s Financial Management Service foreign currency exchange rate for purchasing US dollars. If no Financial Management Service exchange rate is available, you must use another publicly available foreign currency rate for purchasing US dollars and properly disclose it;
- **Gross Plan participants (who joined the pension plan before April 15, 1998) and Net Plan participants who are eligible for the lifetime pension:** Since the Staff Retirement Plan of the World Bank is a defined benefit plan, the information about the value of your pension is not readily available. Under those circumstances and according to the applicable IRS regulations, the value of your pension can be reported as zero.

**If you are receiving or received pension plan benefits** in the year for which you are filing taxes, the value of your pension for FATCA purposes will be all SRP distributions received by you in the applicable year, which have been reported or were reportable on your 1099-R(s).

**9. If I file Form 8938 do I still need to file an FBAR (Report on Foreign Bank and Financial Accounts)?**

The Form 8938 filing requirement does not replace or otherwise affect your obligation to file an FBAR and vice versa.

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<sup>1</sup> You can easily verify that in HR Kiosk. You need to click on “Pension & Retirement Info” link, then select “Your Pension Benefit Monthly Statement” and look at “Benefit Summary” tab. If for Defined Benefit component you see only one amount (lump-sum) you are not eligible for the lifetime pension yet. If you see two numbers for the Defined Benefit component (Annuity at age 62 and the Lump-Sum), you are eligible for the lifetime annuity at the time of the retirement.

## **10. I am filing FBAR, do I still need to file IRS Form 8938?**

You will have to if you meet the FATCA reporting criteria.

## **11. What is the name of the World Bank's pension plan and how are my pension benefits identified by you?**

The full name of the pension plan is the Staff Retirement Plan and Trust of the International Bank for Reconstruction and Development;

We identify each individual plan participant or beneficiary based on their World Bank Universal Personal Identification number (UPI).

*Special section applicable to participants if you have received a tax supplement on your SRP benefits – If you have any questions regarding the tax supplement please contact Tax Office of the World Bank.*

### **1. Are the World Bank Tax Supplement Benefits that are paid in connection to the Net SRP considered a specified foreign financial asset?**

Under the new regulations, we understand that the World Bank SRP Tax Supplement benefits are considered to be a specified foreign financial asset and may have to be reported accordingly if you meet the reporting thresholds mentioned above. If you are required to file Form 8938 because the value of all your specified foreign financial assets exceeds the applicable reporting threshold, you must include the total amount of all SRP Tax Supplements received in the related year.

### **2. What is the fair market value of my World Bank Tax Supplement benefits that I have received in the particular year?**

The fair market value of your tax supplement benefits for FATCA reporting purposes will be all of the Tax Supplement benefits, including both lump sum and annuity tax supplements, you received in the applicable tax year. Please consult the following statements for the value of the Tax Supplement:

- Lump Sum Tax Supplement – the Tax Supplement Statement for Lump Sum SRP Distribution, which was sent to you shortly after the Lump Sum Tax Supplement payment;
- Annuity Tax Supplement – the total amount of tax supplements you received during the year, which is reported on the year's Form 1099-MISC/NEC as applicable.

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