



I'M ELY

Made Aliyah 14 years ago

Partner: Cole &
Waxman Tax Services

Pre-Aliyah: Ernst &
Young

Let's talk tax.



WHY UNCLE SAM
COMES WITH YOU



ISRAELI TAXES
AFTER YOU
LAND



WHO YOU ARE
IMPACTS YOUR
TAXES



CASE
STUDIES

**Why are
you still
reporting
to the
U.S.?**



**Israel also
wants in.**



The Good News!

USA



FOREIGN TAX CREDIT (Form 1116)



FOREIGN EARNED INCOME EXCLUSION (Form 2555)



TREATY-BASED POSITION (Form 8833)

Israel



NIKUYIM



ZIKUYIM



10-YEAR EXEMPTION

A large red circle is positioned on the left side of the slide, partially overlapping the white background. Inside the circle, the text "On the U.S. Side" is written in white, bold, sans-serif font.

**On the
U.S. Side**

**FOREIGN TAX CREDIT
(Form 1116)**

Reduces the tax owed to U.S. by foreign taxes already paid on the income

**FOREIGN EARNED INCOME
EXCLUSION (Form 2555)**

Excludes up to \$120,000 (in 2023) of Foreign Earned Income



TREATY-BASED POSITION
(Form 8833)

Exempts certain income from U.S. taxation
-Social Security income

On the Israel Side



NIKUYIM

Deductions that reduce taxable income. Such as number of kids, where you live, olim benefits, etc.

ZIKUYIM

Reduces the tax owed to Israel by foreign taxes already paid on the income.



10-YEAR EXEMPTION

Israel does not tax any non-Israeli income for the first 10 years after you make Aliyah.

10 Year Exemption Misconceptions



TEN YEARS MEANS
FOREVER



ISRAEL EXEMPTION
MEANS NO TAX
ANYWHERE



EXEMPTION INCLUDES ALL
INCOME

The “Not As Good” News

Self-
Employment
Income

Rental Income

Sale of
Property

PFIC

Beneficial
Israeli Income



Self Employment Income earned in Israel is subject to U.S. Self-Employment tax (around 15%)

Rental Income

- Tax-exempt rental income in Israel can still be taxable to the U.S.
- U.S. rental properties taxed by U.S. can be taxed again by Israel

Property Sale

- Tax-exempt property sales in Israel can still be taxable to the U.S.
- Tax-exempt property sales in U.S. (such as 1031) can still be taxable to Israel



Income with Israel Tax Benefits



Israeli Pension
and Pitzuim

6

Keren
Hishtalmut



Maternity Leave



Education
Stipends and
Grants



PFIC Investments



Case Study: Telecommuter

• Assumptions:

- John is single
- Made Aliyah 4 years ago
- Works for a U.S. company
- Receives 1099 in the amount of \$100,000

Tax Implications

(based on 2023 tax rates)

- Israel has first rights to tax his income
- There is no U.S. income tax owed
- The Social Security Tax **CANNOT** be offset by any tax paid to Israel, effectively creating a **double tax** on self-employment income

\$100K	Israel	U.S.	Total
Income Tax	\$21,764	\$0	\$21,764
Social Security Tax / Bituach Leumi	\$14,105	\$14,129	\$28,234
Total:	\$35,869	\$14,129	\$49,998

How much are you paying to Israel?

\$100K	Israel
Mas Hachnasa	\$21,764
Bituach Leumi	\$14,105
Total:	\$35,869

36% on \$100K

\$200K	Israel
Mas Hachnasa	\$56,426
Bituach Leumi	\$25,394
Total:	\$81,820

41% on \$200k

\$300K	Israel
Mas Hachnasa	\$112,873
Bituach Leumi	\$25,394
Total:	\$138,268

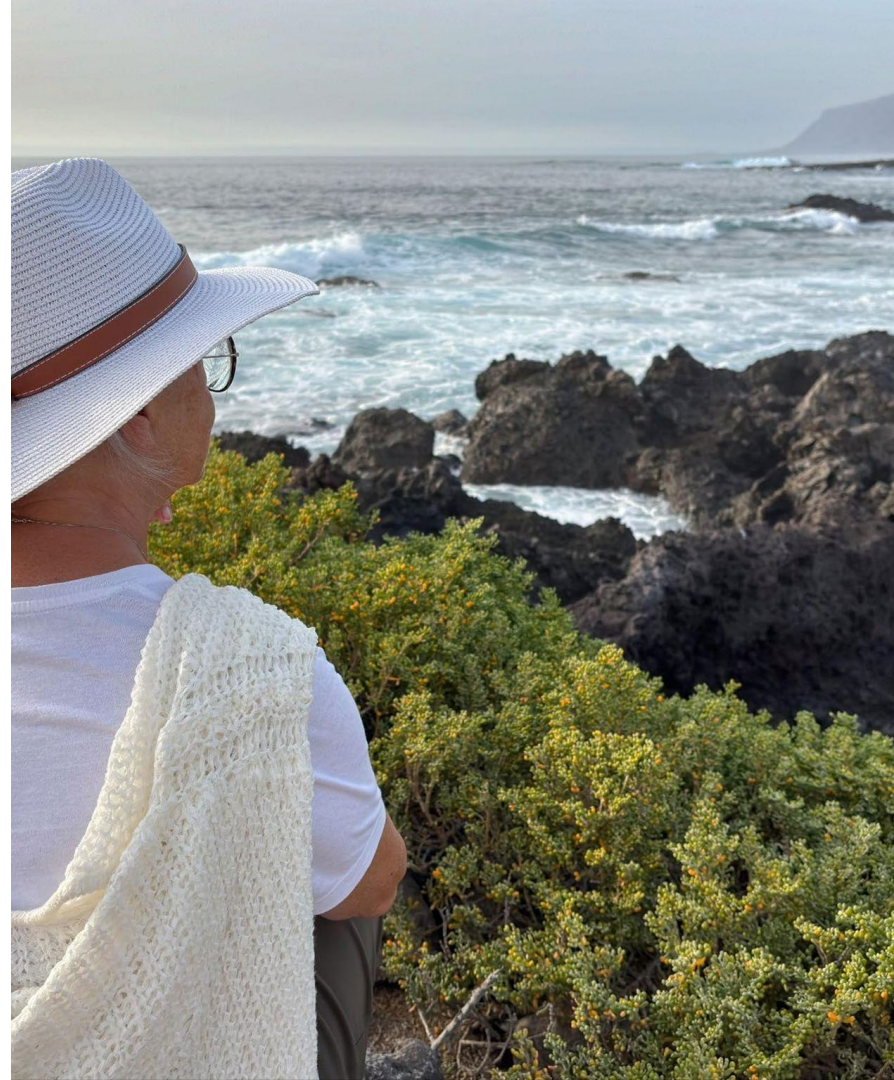
46% on \$300k

Income	\$100,000		\$200,000		\$300,000	
Federal Income tax	\$9,228	9%	\$26,719	13%	\$67,165	22%
Social Security Tax	\$14,129	14%	\$25,221	13%	\$28,592	10%
NY State Tax	\$4,528	5%	\$10,763	5%	\$19,047	6%
NYC Tax	\$3,167	3%	\$6,828	3%	\$10,652	4%
Total	\$31,052	31%	\$69,531	35%	\$125,456	42%

Case Study: Retiree

Assumptions:

- Sam is a U.S. citizen, single and retired
- Made Aliyah 10 years ago
- \$100,000 U.S. pension income
- \$20,000 U.S. qualified dividend income
- \$30,000 U.S. social security income



	U.S.	Israel	Total
Pension Income \$100,000	\$15,500	No Tax	\$15,500
Dividend Income \$20,000	\$3,000	No Tax	\$3,000
Social Security Income \$30,000	No Tax	No Tax	No Tax
Total	\$18,500	\$0	\$18,500

Summary Year 10

- Sam has \$150,000 gross income
- He pays tax of \$18,500 to U.S.
- He pays no tax tax Israel

Tax Implications for Year 11

- Israel has first rights to taxes on the pension
- Pension is taxed at the same rate that U.S. would have taxed the pension
- Israel taxes dividends at a 25% flat rate
- The amount paid to the U.S. is used as a tax credit to Israel ($\$5,000 - \$3,000 \text{ FTC} = \$2,000$ tax owed to Israel)
- **The \$2,000 is the extra tax liability incurred after making Aliyah**

	U.S.	Israel	Total
Pension Income \$100,000	\$2,500	\$13,000	\$15,500
Dividend Income \$20,000	\$3,000	\$2,000	\$5,000
Social Security Income \$30,000	No Tax	No Tax	No Tax
Total	\$5,500	\$15,000	\$20,500

WHICH COUNTRY HAS FIRST RIGHTS TO U.S. INCOME?

UNITED STATES

- INTEREST
- DIVIDENDS

ISRAEL

- PENSION
- CAPITAL GAINS

Year 10 and Year 11 Comparison

	Year 10		Year 11	
	US	Israel	US	Israel
Pension Income \$100,000	\$15,500	No Tax	\$2,500	\$13,000
Dividend Income \$20,000	\$3,000	No Tax	\$3,000	\$2,000
Social Security Income \$30,000	No Tax	No Tax	No Tax	No Tax
Totals	\$18,500	\$0	\$5,500	\$15,000
	\$18,500		\$20,500	

The additional tax due after the 10-year exemption runs out is the \$2,000 paid on the dividend income paid to Israel



Questions, Comments, Concerns?

Thank you for your time!

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