



DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

September 15, 2005

Number: **INFO 2005-0162**

Release Date: 9/30/05

UIL # 9114.03-13

CC:INTL:BR1:

GENIN-100019-05

Reference: Your inquiry regarding double taxation

Dear \_\_\_\_\_ :

This is in reply to your letter dated December 1, 2004, in which you requested assistance to determine what actions are possible and appropriate to avoid taxation by both the United States and Germany on your wages for the years \_\_\_\_\_ through \_\_\_\_\_. In response to your inquiry, we are providing the following general information. This information letter is advisory only and has no binding effect on the Internal Revenue Service.

U.S. citizens living abroad continue to be subject to U.S. income tax on their worldwide income. While the United States does have an income tax treaty with Germany, treaties generally do not reduce the U.S. taxes of U.S. citizens.

The foreign tax credit is intended to relieve U.S. taxpayers of the double tax burden when their foreign source income is taxed by both the United States and the foreign country from which the income is derived. Generally, only income taxes paid or accrued to a foreign country or a U.S. possession, or taxes paid or accrued to a foreign country or U.S. possession in lieu of an income tax, will qualify for the foreign tax credit.

You indicate in your letter that you have paid income taxes to Germany, but that you expect to be reimbursed for these payments as the result of ongoing litigation to determine whether Germany's imposition of tax was appropriate in your case. In the event that your litigation is unsuccessful and the contested taxes are not refunded, you would have the option to file amended federal income tax returns to claim foreign tax credits for any qualified foreign taxes paid to Germany. Generally, a claim for refund of U.S. tax related to the foreign tax credit must be filed within 10 years from the due date for filing the return for

the year in which the foreign taxes were actually paid or accrued.

We hope this information will be helpful to you. If you should have any further questions in this matter, please contact \_\_\_\_\_ at (202) 622-3880 (not a toll-free number).

Sincerely,

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Karen A. Rennie  
Senior Technical Reviewer, Branch 1  
Office of Associate Chief Counsel  
(International)