

We want to hear from you!

Question:

From: Moureen, TEXAS

Sent: Thursday, August 23, 2007

To: winnes@wongcpa.com

Subject: Foreigner opening a US Bank account



Hello Winnes,

I saw your ad in Karisma Magazine and would like to ask you a tax question. My parents are Indonesian, they are not a Permanent Resident and would like to open a bank account here in the US with my name attached to it. I myself am a green card holder.

My question is, if they were to open a joint account under their name with In Trust For my name, am I still responsible to report the interest income?

What's the difference between Power of Attorney vs. In trust for in general? I understand that since my parents are foreigners, they will be tax-exempted. But if my name were to be in their account under Power of Attorney OR In Trust For, NOT as a joint account, will they lose their tax-exempt privilege? What's the best way to create their account?

Thank you for your advice. Looking forward to your reply soon.

Sincerely,

Moureen from Texas

“Answer”

In Trust For means the accounts will belong to the person for whom they are held in trust without the need to go through probate. If a deposit of money shall be made in a bank by a person in trust for another, and no other or further notice of the existence and terms of a legal and valid trust shall have been given in writing to the bank, if the trustee dies, or if there is more than 1 trustee, all of the trustees have died, the deposited money, together with the dividends or interest on the money, shall be paid to the person for whom the deposit was made. When there was no will, and the accounts are signed in this way "(decedent's name)" and in trust for "(decedent's beneficiary's name)", "in trust" means that upon the owner's death the accounts automatically become the property of the beneficiary.

You may use “In Trust For” either under the Joint account or Power of Attorney account.

Joint bank accounts are simple and convenient. Either one of the parties has the right to make unlimited withdrawals, regardless of who deposited the money. Each joint owner will be able to withdraw money from the account freely without the other joint owner's permission. Since your parents are not permanent residents and do not have any social security number, as a joint account holder or in trust for under this type of account, you will be reported a form 1099-INT from the bank under your social security number and be responsible to report any interest income.

Power of attorney account means an account in the name of a natural person as principal and with respect to which one or more other natural persons have been designated as agents with the right to make deposits to and to withdraw funds from or draw checks on such account. And as a power of attorney agent, you are not responsible to report any interest income for the account holder. At the same time, your parents can enjoy their tax-exempt status simply by putting you as an “in trust for” beneficiary for the account.