**Welcome Home- Key issues and opportunities when returning to Israel**

Returning to live in Israel after many years abroad very often includes planning for assets that have been accumulated or acquired while you were in the U.S. Three of the most common assets accumulated that require planning are a personal residence, equity in a company, and social security benefits. In this article, I will walk you through the pitfalls and opportunities that exist with these assets as you make your move back to Israel.

**Personal Residence:**

One of the most common examples of a question that has concerns other than tax is the sale of one’s residence. Such a sale can be a touchy subject among family members and also has the economic component of how much this asset will appreciate if not sold. However, there also is a significant tax planning component to this decision. The U.S. allows a $500,000 exemption on the gain from the sale of one’s residence for a couple ($250,000 for a single individual). This exemption only applies if you have resided in this home as your primary residence for 24 of the previous 60 months. Therefore, if your residence has appreciated and you are considering whether to sell it or to rent it out after your move, it is essential to take this into account. Due to this requirement, if you wait for more than three years (36 months) after you return to Israel to sell your residence, you will lose this exemption and pay full Federal and state tax on the entire gain. As I mentioned earlier, this tax exemption is only one factor in this decision. If you feel the asset is valuable and will continue to appreciate or one family member is sensitive to selling the house, it is important to consider these factors when making this decision. **Equity in a company:**

Many Israelis returning from the U.S. have acquired equity in high tech companies that they founded or worked at during their time in the U.S. This can be in the form of founder’s shares, options, or RSU’s. The move to Israel has the opportunity for the gain to potentially no longer be subject to state tax when they break residence from the U.S. If they have resided in New York or California, this can be a significant benefit. However, state residency rules are complex, and each situation must be evaluated separately. In each case, it is important to ascertain whether any of the above assets were subject to vesting as well as if the shares, options, RSU’s are in a U.S. or Israeli company. This is also an area of taxation where Israel’s laws may differ from U.S. laws. This plan should take into account U.S. Federal and state exposure as well as Israeli taxation. Only then can you come up with a plan that successfully seeks to avoid exposure to double taxation or, in a best-case scenario, lowers your overall tax on this significant income.

**Social Security:**

One of the benefits of the U.S. – Israel tax treaty is its provision relating to social security. A U.S. resident that receives social security is generally obligated to pay U.S. tax on this income. However, Article 21 of the U.S. - Israel tax treaty has a special dispensation that states that a resident of Israel that receives U.S. social security is exempt from taxation in both the U.S. and Israel on this income. To be entitled to U.S. social security benefits, you need to have paid in 40 quarters of social security to the U.S. This is the case even if you are not a U.S. citizen. If you are entitled to this benefit, and you return to Israel, then when you start receiving this benefit, you will not be subject to U.S. or Israel tax on this income during the entire time Israeli is your primary residence

In this series, I tried to highlight the most common subjects facing Israelis who are returning home to Israel from the U.S. In each case, there can be additional facts and circumstances that can create higher risk or opportunity for even more significant savings. Therefore, it is paramount that you walk through your case with a professional or a team of professionals to make sure you have a tailored plan for you and your family. Best wishes for success on this exciting move!