

US Federal Estate Tax

1 Background

The US federal estate tax (US inheritance tax) is always payable in connection with a transfer of assets if

- the decedent was a US citizen;
- the decedent was a foreign person (alien) and a resident of the United States;
- the decedent was neither a US citizen nor a resident of the United States (non-US person), but the estate at the time of death included US-situated (situs) assets.

This means that under certain conditions, the US federal estate tax may also be payable by non-US citizens resident outside the US, thus triggering a filing obligation and (limited) tax liability.

2 Functioning of the US federal estate tax for non-US persons

From a US perspective, the US federal estate tax on US-situated assets of non-US persons represents a limited tax liability. According to US legal understanding, it generally covers the following categories of US assets (non-exhaustive list):

- securities of companies incorporated under US law (e.g. stocks and bonds of US companies);
- securities of certain US mutual funds;
- claims against a US borrower;
- real estate located in the US;
- US establishment assets / US business assets;
- proceeds of US life insurances.

The US federal estate tax is payable in principle on the transfer of assets by a non-US person if the total value of the US-situated assets exceeds the general exemption of USD 60,000.00 under US law. However, various double taxation agreements with the United States (estate & gift tax treaties) grant more extensive relief. Depending on the applicable double taxation agreement between the country of residence of the decedent and the United States, higher exemptions or other exceptions may apply.

The countries that have concluded an estate and/or gift tax treaty with the United States can be found on the website of the [US Internal Revenue Service \(IRS\)](#).

The US executor (personal representative) is responsible for preparing and filing the estate or gift tax return and paying the applicable taxes. In cases where no US personal representative has been appointed, these obligations ultimately rest with the heirs. As a consequence, the heirs of a deceased person who was resident outside the United States and was not a US citizen may become liable to the US tax authorities.

The Liechtenstein Bankers Association and its member banks recommend consulting a qualified tax advisor for further information on US federal estate tax and the associated US filing obligations and tax liability.

3 Useful external links

➤ [IRS FAQs on estate taxes](#)

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