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COMPARISON OF CITIZENSHIP-BASED TAXATION VS. TAXATION FOR THOSE WHO ELECT RBT[1]

As of October 1, 2025
By Doris L. Speer, President[2]

Topic	Current CBT Taxation for Non-Resident U.S. Citizens	Taxation After Electing RBT Per the Bill[3]
General	Pay U.S. tax on worldwide income.	Pay U.S. tax on U.S. source income only, except the U.S. source income noted below.
Tax Return Filing Requirement	Must file Federal tax returns if gross income exceeds $5 for married filing separately and, if under age 65, $15,750 for single filers, $23,625 for head of household, and $31,500 for married filing jointly. Different amounts in other cases.[4]	Must file Form 1040-NR if one has income that is "effectively connected" with a trade or business in the United States or U.S. source income on which the tax liability was not satisfied by the withholding of tax at source. One may

[1] This chart is prepared on the basis of the Residence-Based Taxation for Americans Abroad, H.R. 10468 (the "Bill"), introduced by U.S. Representative Darin LaHood (R. IL) in December 2024. This chart is provided for informational purposes only and is not intended nor should be construed *as* legal or tax advice. Only selected topics relevant to a taxpayer in a simple situation and who does not itemize are addressed herein, so the specifics of your situation may not be addressed. Further, this is a "plain vanilla" comparison; so, you should also examine the tax situation in your country of residence. Before electing RBT, you should consult a tax professional.

[2] I would like to thank the many professionals and experts who helped contribute to, and confirmed the accuracy of, this chart and, in particular, David Pinto.

[3] As stated in the Bill, electors of RBT would thereafter be taxed as non-resident aliens.

[4] These numbers, as well as all other numbers in this chart, are those for the 2025 tax year, and reflect changes to the Tax Code made by the One Big Beautiful Bill Act (H.R. 1) ,signed into law on July 4, 2025.

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		choose to file Form 1040-NR for refund if one was over withheld. No minimum filing threshold.
Tax Return Documents	Form 1040, plus these typical forms and schedules: • Schedule A (itemized deductions); • Schedule B (interest and dividends); • Schedule D (capital gains and losses); • Form 1116 (foreign tax credit); • Form 2555 (foreign earned income); • Form 8938 (FATCA); and • Other forms, depending on personal circumstances.	Form 1040-NR (likely simpler than the 1040 because non-U.S. source income not reported) plus these typical schedules: • Schedule A (itemized deductions); • Schedule D (capital gains and losses, only for U.S. real estate and business); • Schedule NEC (income not effectively connected with a U.S. trade or business); and • Schedule OI (other information, such as whether one is claiming a benefit under a tax treaty). Not required are Schedule B (interest and dividends); Form 1116 (foreign tax credit); Form 2555 (foreign earned income); and Form 8938 (FATCA information)
Income Tax Rates	After allowable deductions, worldwide ordinary income for single filers is taxed at graduated rates of: 37% for incomes over $626,350 35% for incomes over $250,525 32% for incomes over $197,300 24% for incomes over $103,350 22% for incomes over $48,475 12% for incomes over $11,925 10% for incomes up to $11,925	Would be taxed on two kinds of U.S. source income:[5] 1. Income that is "effectively connected" with trade or business in the United States, which is, after allowable deductions, taxed at the same rates that apply to U.S. citizens (i.e., the column at left).[6] 2. Fixed, determinable, annual, or periodical **(**FDAP) income or gains from U.S. sources not effectively connected with trade or business in the U.S., which are taxed at 30% (or

[5] Effectively connected vs. FDAP income rules are complex. Consult a tax professional.
[6] See Effectively Connected Income Site.

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	Except for 37% bracket, above amounts are the same for married filing separately and doubled for married filing jointly. 37% bracket: $375,800 for married filing separately and $751,600 for married filing jointly. For head of household, the amounts are the same as listed above, except for 10/12% bracket, $17,000, and 22% bracket, $64,850	lower rate per treaty).[7] Deductions and netting not allowed.[8] Exceptions for interest and capital gains noted below.
Net investment income tax	Tax of 3.8% on interest, dividends, capital gains, rents, royalties and annuities, if total income is above $125,000 for married filing separately, $200,000 for single or head of household, or $250,000 for married filing jointly.	None
Interest	Interest is taxed at ordinary income tax rates.	Interest from U.S. bank deposits and most U.S. debt securities that is not "effectively connected" with U.S. trade or business is not taxable.
Capital Gains	Short term capital gains taxed at ordinary income tax rates. Long term capital gains taxed at • Single: Zero (<$48,350); 15% (up to $533,400); and 20% (above that);	Capital gains on personal property, which includes securities, not "effectively connected" with U.S. trade or business, are considered to be "non-U.S. source," hence not taxable, with certain limited exceptions.

[7] See Government Publication 901 for general information about tax treaties. See Tax Treaty Table for specific treaties.
[8] See FDAP Site.

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	• Head of household: Zero (<$64,750); 15% (up to $566,700); and 20% (above that); • Married filing separately: Zero (<$48,350); 15% (up to $300,000); and 20% (above that); • Married filing jointly: Zero (<$96,700); 15% (up to $600,050); and 20% (above that).	
Gains on Sale of U.S. Real Property	Disposition of U.S. real property: • Primary residence: Exclusion of up to $250,000 ($500,000 for joint filers) of gain. Excess gain is taxed at long-term capital gains rates. • Non-primary residence: All gain subject to the capital gains tax.	Disposition of U.S. real property is subject to withholding of 15% of sales price (for sales to buyers who intend to use it as a residence, no withholding under $300,000, and 10% between $300,001 and $1,000,000), under Foreign Investment in Real Property Tax Act (FIRPTA) rules. Gain would be taxed the same as a U.S. citizen. FIRPTA withholding is used as a credit.
Dividends	Qualified dividends taxed at 0%, 15% or 20%, depending on taxable income and filing status. Nonqualified (ordinary) dividends taxed at ordinary income tax rates.	30% withholding and 30% tax rate on U.S.-source dividends, which may be reduced under tax treaties.[9]
Royalties	U.S.-source royalties taxed at ordinary income tax rates.	30% withholding and 30% tax rate on U.S.-source royalties, which may be reduced under tax treaties.[10]

[9] See Tax Treaty Table for details.
[10] See Tax Treaty Table for details.

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Social Security Benefits	One may choose how much to be withheld from Social Security benefit payments. Depending on total income, up to 85% of Social Security benefits taxed at ordinary income tax rates.	85% of Social Security benefits subject to 30% withholding and 30% tax rate, which may be reduced or exempt under tax treaties.[11]
Retirement Plan Distributions	Private and public pension benefit payments are taxed at ordinary income tax rates. IRA (for which contributions were made with pre-tax income) distributions are withheld at a minimum of 10% and are taxed at ordinary income tax rates. 401k distributions are withheld at 20% and are taxed at ordinary income tax rates.	30% withholding and 30% tax rate on pension payments, which may be reduced under tax treaties.[12] Distributions of 401k and IRA (for which contributions were made with pre-tax income) are withheld at 30%, unless recipient is entitled to a lower rate of withholding. 401k and IRA distributions are taxed at ordinary income tax rates.
Standard Deduction	Standard Deduction: • Married couples filing jointly - $31,500 • Head of household - $23,625 • Single and married filing separately - $15,750 plus $1,600 for married seniors and $2,000 for unmarried seniors. Low-income seniors have an additional $6,000 standard deduction per person (with a phase out at higher income) for tax years 2025-2028.	No standard deduction. Must itemize on Schedule A.

[11] See Tax Treaty Table for details.
[12] See Tax Treaty Table for details.

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FEIE Foreign Tax Credits	Tax liability is reduced by the foreign earned income exclusion of $130,000. Tax liability is reduced by foreign tax credits.	Foreign earned income exclusion and foreign tax credits are not applicable as foreign income is not taxed in the U.S.
Tax Treaties	Tax treaties do not relieve U.S. citizens living in a treaty country from double taxation due to the Saving Clause, which allows the United States to tax its citizens as if the treaty did not exist. Some tax treaties have exceptions to the saving clause for some types of income.	The Saving Clause would not apply. Will benefit from the provisions of any tax treaty within the jurisdiction of his/her residence. In order to benefit from treaty benefits, existing form (W-8BEN) needs to modified or new form made.
Small Businesses Outside the U.S.	Small businesses outside the United States are subject to taxation via controlled foreign corporation rules, Subpart F and “Net CFC Tested Income” (formerly called GILTI) rules. Form 8865 – Return of U.S. Persons With Respect to Certain Foreign Partnerships Form 5471 – Information Return of U.S. Persons With Respect To Certain Foreign Corporations.	None.
Other Forms	Form 3520, to report foreign trusts, as well as gifts and inheritance above $100,000 received from nonresident aliens. Form 8621, to report passive foreign investment companies (PFIC), which are usually foreign mutual funds.	None.

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	Report of Foreign Bank and Financial Accounts (FBAR), to report foreign bank accounts above $10,000.	
Estate and Gift Tax	Annual exclusion for gifts: $19,000. Estate tax filing is required and estate tax payable if the gross estate is valued at more than $13,990,000.[13] The tax rate is 40%.	Current gift and estate tax rules are under a different Subtitle of the Tax Code and therefore would remain unaffected. Therefore, although NRAs are subject to these taxes only on U.S. assets, with an exemption of only $60,000, electors of RBT would still be subject to these taxes on their worldwide assets with an exemption of $13,990,000.

[13] For year of death in 2025.