

PANAMA

Special Report



Taxes In Panama:
The Tax Guide For Doing Business In Panama...



PSR
PANAMA
SPECIAL REPORT

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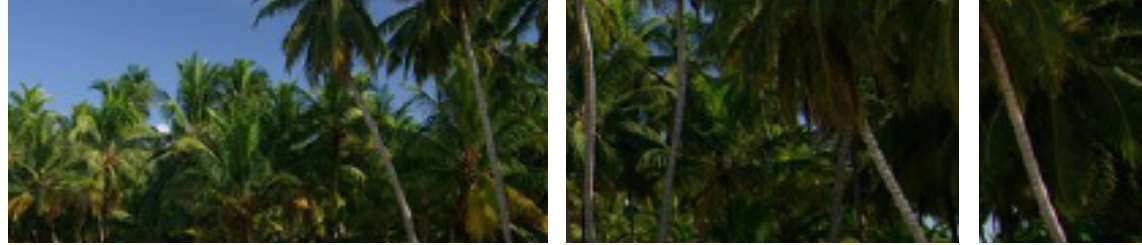
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Your Tax Guide For Living, Investing, And Doing Business In Panama

By Lief Simon

Panama continues to be one of the best options for going offshore. As a resident of Panama, you pay no tax on foreign-earned income, nor on bank interest, certificates of deposit, wealth, inheritance, or U.S. Social Security. Property taxes are low, and newly built units are granted exemptions of up to 15 years.

Panama's *pensionado* program grants retirees a one-time US\$10,000 exemption on importation of household goods and a US\$20,000 exemption every two years on importation or of a new car. Income earned in Panama is taxed in Panama (but could be exempt from U.S. tax if you qualify for the Foreign Earned Income Exclusion) at a progressive rate from 15% to 25%.

For the entrepreneur, Panama's business-friendly tax code provides many advantages. Panama's corporate tax rate is 25%, but, depending on the type of business you start, you could qualify for 10 years of tax exemption. Set up a Panamanian corporation that does business outside Panama, and you could have zero tax liability in Panama.

Other business incentives in Panama include exemptions for those who start a tourism-related business. These can enjoy 20-year exemptions on tax associated with the importation of building materials, furniture, equipment, and vehicles and 20-year exemptions on property tax. Set up your business in one of the free trade zones, such as the City of Knowledge, Colon FTZ,

Continued on page 2...

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or Panama Pacifico, and you could enjoy import and export duty exemptions, reduced income tax rates, and no taxes on foreign trade operations or dividends, to name a few of the benefits of these specially designated investor-friendly locations.

All those tax benefits should sound great to anyone looking to live, invest, or retire in Panama. However, remember: If you're an American in Panama, you have two tax obligations to address—one (potentially) in Panama... and a second back in the States. The IRS continues to complicate and confuse us poor Americans abroad, adding ever-greater layers of paperwork to our annual filing burdens. The exception is for retirees overseas who are simply that—retired. If you move to Panama in retirement and don't work, otherwise earn an income, receive investment yields, nor realize capital gains, your tax return could look no different from the one you filed while living in the United States.

That is, an American in Panama whose only income is from pensions and/or Social Security may not have to file any more forms with the IRS than he did before he moved outside the United States. The one additional form you may have to file in this case could be the Foreign Bank Account Report (FBAR) if you hold more than US\$10,000 in (one or more) offshore bank accounts. Note that you file this not with the IRS but the Treasury Department. More on this below.

If you work or run a business in Panama, you will have more forms to complete... and if you invest, you likely will have additional forms to file, even if you're still living in the United States.

The filing challenge and obligation are critical to understand and respect. However, because you must file additional forms as an American overseas does not mean you necessarily owe anymore or even any tax. The worst-case scenario should be that, as an American living or investing in Panama, you owe as much tax as you would have owed if you hadn't moved or invested outside the United States.

The first and perhaps most straightforward step anyone could take toward internationalizing and diversifying his life would be to open a bank account. So we'll start there.

If You Have A Foreign Bank Account

In this case, your U.S. filing obligations come down to the FBAR, which is officially FinCEN Form 114. This form must be filed electronically through [this site](#).

As an American, you must complete this form if you have one or more financial accounts outside the United States with an aggregate balance at any time during the year of US\$10,000 or more. One account with US\$10,000 in it for just one day triggers the requirement. So does 10 accounts with US\$1,000 in each for any particular day. The number of accounts isn't the trigger, and neither is the amount in any one account. It's the aggregate highest value on any given day. Meet this criterion, and you have to complete and file the FBAR.

Note, however, that the FBAR isn't an IRS form; it's a Treasury Department form. The due date for the FBAR isn't April 15, and you don't send it to the IRS with your tax return. The FBAR is due June 30 for the previous calendar year, and no filing extension is available.

The information required for the FBAR includes the bank name, address, account number, and the highest balance in the account during the year. That information is required for all accounts that you have a financial interest in. You also have to report accounts you have signing authority for but no financial interest in, unless that account is reported by someone else on your behalf.

Certain exceptions can be found on the IRS's FBAR guidance page [here](#).

The signatory thing can cause problems. Most people aren't aware of this point. It means that, if you're an expat working for a company in Panama and you have signatory authority over the company's local bank account, you have to report the account if the company isn't reporting it.

You can save time if you have 25 or more offshore accounts to report. In that case, you don't have to complete the account details on the form. You just check the box indicating that you have more than 25 accounts. You're still required to maintain the information that would have been included on the form had you filled it out in full, but, for some reason that no one seems to understand, if you exceed the magic number 25, you don't have to provide individual account data on the FBAR.

Note that, even if you don't meet the requirements for filing the FBAR, you still have a filing requirement if you hold any bank account in Panama. In that case, you must tick a box on Schedule B of the 1040 Form. Many people don't realize this, and it is one easy way for the IRS to get you for noncompliance.

If You Have Foreign Financial Assets (Including Financial Accounts Reported On The FBAR)

You get to file Form 8938 if you have foreign financial assets that meet the threshold. It's possible to meet the requirements for Form 8938 without meeting the requirements for the FBAR and vice versa. You have to look at each reporting threshold individually.

If you're living in the United States, you are required to complete Form 8938 if you have foreign financial assets of more than US\$50,000 on the last day of the year or of more than US\$75,000 at any point during the year. These are the amounts for single filers. The amounts double for married couples filing joint returns.

If you live in Panama, or anywhere outside the United States, the threshold amounts move to US\$200,000 on the last day and to US\$300,000 during the year for singles and double that for married filing jointly.

Foreign financial assets are "any financial account maintained by a foreign financial institution" and "to the extent held for investment and not held in a financial account, any stock or securities issued by someone that is not a U.S. person, any interest in a foreign entity, and any financial instrument or contract with an issuer or counterparty that is not a U.S. person."

Assets don't have to be reported on this form if they are reported elsewhere... specifically on Form 3520 for foreign trusts, Form 5471 for foreign corporations, and a few other more obscure forms.

One thing to understand is that, even if you're not required to complete a Form 5471 for shares you hold of a foreign corporation, you still have to report the existence of those shares if you meet the overall value threshold for Form 8938. Invest US\$50,001 as a minority shareholder in a private company in Panama, and you have to report it. Invest US\$10,001 in five different private companies outside the United States, and you have to report all five investments... and any offshore bank accounts even if the bank account balance falls below the FBAR threshold of US\$10,000.

Two foreign assets specifically exempt from Form 8938 are real estate held in your own name (if the property is held in an entity, that entity must be reported on the form somehow) and precious metals. The IRS gives guidance [here](#), stating that precious metals held directly aren't reportable. Offshore attorneys and tax

experts still debate as to what "held directly" means. It's generally accepted, though, that metals in allocated accounts (that is, metals you own identified in a vault as yours) aren't reportable.

If You Own Rental Property

Does owning property in Panama trigger some IRS reporting requirement? It depends.

You have no reporting requirement for real estate overseas... unless the property you own is generating rental income. In that case, you must complete Schedule E on the 1040, just as you would if you owned rental property in the United States. You are able to take deductions for mortgage interest, if you have paid any, as well as depreciation on the property and the furnishings... again, just as you would for U.S. rental property.

In addition to depreciation and other normal deductions, such as mortgage interest (note that you won't receive a 1099-B from the foreign bank for this; you'll have to ask the bank to send you a letter detailing the exact amount of interest you paid for the calendar year), utilities, and property and rental management expense, you will also be able to deduct the cost of checking up on your rental property, i.e. the plane fare to get to Panama, etc.

Deducting the cost of checking up on your rental property can also apply to other real estate investments, including agricultural investments. If you fly down once a year to Panama to check on your farm, that's an expense against the income from that property.

Depending on the net income from your rental(s), you may not have to file a Panamanian tax return. Panama has a minimum threshold of US\$11,000 for the amount of taxable income that must be earned before any tax is due. That threshold may be higher than your net rental income if you have only one rental in the country, depending on the size of the property.

If You're Paying Tax In Panama (Understanding Foreign Tax Credits)

If you're earning money in Panama, taxes paid in Panama on income that is also taxable in the United States is generally recoverable as a foreign tax credit or a tax deduction. Normally, taking the credit is more beneficial, as the credit is a direct dollar-for-dollar reduction on the U.S. side. (Well, they say it's dollar-for-dollar, but sometimes it's not, depending on the outcome

of a complicated calculation and where and how the money was earned.)

If you have interest income on your foreign savings account, any taxes (typically withholding taxes taken by the bank) can be applied to your U.S. tax return through the foreign tax credit form ([Form 1116](#)). The same goes for taxes on earned income... but those credits will get complicated if you're eligible for the Foreign Earned Income Exclusion.

If You Hold An Offshore Corporation

Again, setting up a Panama corporation is typically the most tax-efficient approach for the American operating a business outside the United States. Corporations can be an effective choice for holding assets, as well, but other entities are generally better, depending on the specific purpose.

With a Panama corporation, a U.S. person can operate a business outside the United States with two main benefits from a U.S. tax perspective. First, living and working outside the United States as an employee of the offshore company, you can avoid paying Social Security and Medicare taxes in the United States. Being paid by a company outside the United States, your own or someone else's, means the company (and therefore you, as well) aren't obliged to pay those taxes.

The second benefit is that all profits in the company from active income are tax-deferred until they are paid out of the company in the form of salary or dividends to you. This allows the company to hold net profits, which can be reinvested in the company, meaning the potential for much faster growth than if the company had to pay taxes on all profits every year.

You need, though, to be careful about the amount of retained earnings. At some point, you could end up with more income from passive activities than is allowed, meaning the company's net income, or part of it, could be taxable. The passive activity rules are one reason why using another kind of asset-protection entity makes sense for holding passive investments.

Shareholders of foreign corporations are required to file an information form ([Form 5471](#)) each year. Generally speaking, you are required to file the form if you acquire 10% or more of any foreign corporation or if you acquire additional shares of a corporation in which you already owned shares that put you over the 10% threshold. In either case, you have to file the Form 5471 only for just the year in which the event occurs.

Be An Individual—Don't Hold Your Real Estate In A Corporation

Many real estate agents and attorneys in Panama will suggest you hold your purchases in a corporation. Historically, this recommendation had some tax planning value in Panama. Panama used not to tax capital gains on the sale of company shares, but did charge tax on the gains when selling property.

When the Panama government changed the rules for taxing capital gains to include company shares, the advantage of holding property in a corporation and selling the corporation rather than selling the property directly, disappeared.

You can still avoid the 2% transfer tax on real estate by using a corporate structure. However, for Americans, this can create tax issues Stateside. First, if you set up a Panama corporation, you have to start filing Form 5471. A Panama corporation can't be disregarded for U.S. tax purposes which means you have to file Form 5471 rather than the simpler Form 8858.

Additionally, it means your rental income and your capital gains taxes will be taxed under the Passive Foreign Income Company rules rather than at your personal tax rates. You don't want that.

If you want to organize your property holdings in Panama to avoid local probate and have some asset protection, the better thing for an American to do is to use a non-Panamanian entity that is a pass-through entity... a Nevis LLC does the trick.

You can still avoid the 2% transfer tax on property in Panama by simply selling the LLC that holds the property (assuming that's all the entity holds). Panama doesn't require a foreign entity to be registered in order for it to hold title to property (although some attorney's will tell you it does so they can charge you for registering the foreign entity...tell them no thanks).

In other words, if you acquire 10% of a Panama corporation in 2011, then you file the 5471 with your 2011 tax form, but you don't have to keep filing the 5471 if the corporation isn't what is called a controlled foreign corporation (CFC), or, more appropriately, a U.S.-controlled foreign corporation.

If the corporation is a CFC, then anyone owning 10% or more of the voting power must file Form 5471 every year in which they retain that level of ownership or more. The instructions for this form are [here](#).

Form 5471 is informational only. No taxes are due with the form.

If You Have An Offshore Trust

Two IRS forms are required for reporting associated with a foreign trust: [3520](#) and [3520-A](#).

Form 3520 reports the transactions that the trust makes... as when a U.S. person creates a foreign trust or when a U.S. person receives a distribution from a foreign trust. Form 3520-A addresses the informational reporting requirements when a foreign trust has a U.S. owner.

The filing requirements for foreign trusts are complicated to say the least, but, generally speaking, you'll need to file one or both of these forms if you are a U.S. person who has created a foreign trust and/or if you are a U.S. person who is a beneficiary of a foreign trust.

I've prepared these forms for others, and I'd say even if you do your own taxes, they are something you want to pay a professional to deal with... at least the first year so you can better understand what gets reported and how. The required information flow can get complicated.

The other forms required of the American in Panama, depending on what he's doing and how he's earning his income—the FINCen 114 (FBAR), the 1116, the 2555 (there's an EZ version), and even the 5471—aren't too much for anyone who has done his own taxes in the past to deal with. In fact, TurboTax takes care of everything until you get to forms 5471 and 8858. Those you'll have to complete by hand, as you would the 3520 and 3520-A, if you were to decide to take those on.

The actual good news is that, as I explained at the start, none of this applies to you if all you have is retirement income. In that case, you are excused from all this agony.

No Tax On Agro Profits In Panama


The number of quality agricultural investments being offered in Panama is on the rise. With a rapidly growing population and global food shortages on the horizon, it doesn't take a genius to see investing in agriculture is a good idea. Investing in agriculture here in Panama is even smarter. The Panamanian government has recognized the vast potential of the sector and implemented a number of policies to incentivize research and investment.

The key benefit for investors in turn-key projects is that profits from Agricultural investments are tax-exempt in Panama up to US\$300,000 per annum. Land registered for agricultural use is also exempt from property taxes up to US\$100,000.

Forestry projects in Panama are a wise investment too, particularly if the land involved is certified reforested by Panama's National Environmental Authority. Reforested land is totally exempt from property taxes. And, again, when harvest time comes around, you won't have to pay tax in Panama on your income.

Agriculture is a broad sector that also encompasses aquaculture, aviculture, fisheries and livestock projects as well as the processing of the resulting products. All of these industries enjoy a number of benefits including exemption from tax on income earned from exports and a flat 3% import duty on materials and equipment.

Companies specializing in the export of nontraditional agricultural products also have the opportunity to negotiate tax credits for exported products.

The safest thing (the thing I strongly recommend) is to engage professional help from the beginning and, meantime, over time, to train yourself on which forms you need and what information they require. Even if you never plan to prepare your own taxes as an American living, working, or doing business in Panama, you should educate yourself to help ensure that your tax return is prepared correctly and compliantly every year. Ultimately, as far as the IRS is concerned, your tax returns are your responsibility. 

The Foreign Earned Income Exclusion

How It Could Lead To Tax-Free Living In Panama

By Lief Simon



Reducing your tax burden is a key advantage of heading offshore, and Panama, with its foreign-resident-friendly tax system, is a great place to lighten your load.

Foreign residents only pay tax here on money earned inside the country. When it comes to taxation, this is as good as it gets for the foreign resident or retiree. While you might not be able to avoid your obligations in the United States, you can rest easy knowing you won't be taxed twice. For citizens of other countries, say, the U.K. or Canada, it's possible to live entirely tax-free.

U.S. Internet entrepreneurs or those who earn income outside of Panama and the United States could avail of the Foreign Earned Income Exclusion (FEIE) and be exempt from U.S. tax.

The FEIE is meant to mitigate how the United States taxes its citizens on their worldwide income. It is the biggest tax benefit you have as an American working and earning income overseas... if you qualify.

You could end up paying less in total tax if you're working and qualify for the FEIE. Even a retiree could end up paying less if you move from a state that would have taxed your pension income; in Panama, U.S. pension income, as with any foreign-source income, is tax free.

If You Have Earned Income In Panama (Taking The FEIE)

To qualify for the FEIE, you must pass one of two tests—the physical presence test or the bona-fide resident test. In some cases, such as a temporary

assignment in Panama, you will have to qualify under the physical presence test even if you can prove compliance with the bona-fide resident test.

The physical presence test is fairly black and white. To qualify for the FEIE this way, you have to be in a foreign country for 330 days in a 12-month period. The wording of the rule is such that it's not days outside the United States but days in a foreign country. This seemingly small twist can create a problem for people working in maritime industries (days in international waters aren't days in a foreign country) and for all those people living on the lifestyle cruise ships that travel the world from port to port.

For ordinary people, it means a day traveling through the States to go from Panama to Europe can be two days not in a foreign country as a day is counted from midnight to midnight.

Nevertheless, even given the tight definition of days in a foreign country, it should be fairly straightforward to determine whether you pass this test or not. If you do, then you qualify for the FEIE.

The second test, the bona-fide residency, isn't as black and white. Holding a residency permit for another country, such as Panama, is only the starting point of qualifying for the FEIE under this test. You also have to show that you are truly a resident of Panama... not just the holder of a permit to live in the country. This can be done by not owning a home in the United States... and/or by investing in a home in Panama.



Having kids who go to school in Panama, owning a car, having a local driver's license, being a member of local organizations... all these kinds of things help toward creating bona-fide residency.

If you pass the bona-fide residency test, then you don't have to worry about how many days you're in Panama (or how many days you're in the United States). You qualify for the FEIE regardless of your comings and goings day-to-day... except in the case of a temporary assignment, in which case, as I've mentioned, you'll have to meet the physical presence test.

Additionally, even if you're a bona-fide resident of another country, any work you do in the United States is not eligible for the FEIE. An example would be a vice president of Latin American operations for a U.S. company going to the States for two weeks training.

The salary that relates to those two weeks isn't eligible for the FEIE. Probably that person has earned income above the annual limit (which is US\$99,200 for 2014 and US\$100,800 for 2015), so this point likely wouldn't affect his tax situation.

Nevertheless, it's worth noting.

The FEIE is calculated on [Form 2555](#). You'll have to include information about your earnings, decide which test you want (or need) to qualify under, and your employer's information. It's a fairly straightforward form.

Your earned income is indicated on your 1040 Form under wages (or, if you are self-employed—which, as I'll explain shortly, is generally a bad idea from a tax perspective—on your Schedule C), but you'll enter a negative amount on line 21 for the amount calculated on Form 2555 as your FEIE. In other words, it's an above-the-line exclusion that reduces your adjusted gross income, phasing out many credits and deductions. Some credits and deductions add back in the amount of your FEIE in the worksheets to calculate them, but not all.

In addition to the FEIE, if you're working and receiving earned income in another country, you may also qualify for the Foreign Housing Exclusion (FHE). You calculate this on Form 2555. The FHE applies if you are renting your residence while earning income in a foreign country. A base amount of 16% of the FEIE is used to reduce your actual rental expense; this amounts to US\$15,872 for

2014. The IRS limits your qualifiable rental expense to 30% of the FEIE, or US\$29,760, unless you live in a high-cost destination. This means up to an additional US\$13,888 that can be excluded from your income for U.S. tax purposes for tax year 2014 (assuming you don't live in a high-cost location).

Why is self-employed a bad idea? If you're self-employed as the sole proprietor of a business and working and living overseas, you'll not only pay Social Security and Medicare taxes as you would if you were in the United States (both the employer and employee parts), but you'll also have your FEIE reduced by your business expenses.

Overall, from a tax point of view, you're much better off setting up a foreign corporation in a place like Panama for your non-U.S. business. The cost to set up a Panama corporation can run as little as US\$1,000. The annual cost to maintain the corporation will run around US\$500. Even assuming you use a service to set up the corporation that charges you an excessive fee of US\$5,000 to establish a simple offshore entity, you'll save money in the short- and long-run, having US\$32,000 of foreign earned income that can flow through your Panama corporation. **ESR**

A Quick Guide To Conquering Contadora

By Joey Bonura



Contadora Island is located on the Pacific side of Panama in the Archipelago of the Pearl Islands—it's just one of 365 islands in the chain. This small island is home to beautiful beaches, a few seasons of *Survivor*, and one of my favorite getaways in Panama.

During my parents' recent trip to Panama, a trip to Contadora was at the top of our tourist to-do list. I've been several times now (my mom was actually with me on my first trip last year), so I feel like I have a good lay of the land.

Here are my insider tips to conquering this stunning and secluded island retreat...

Getting There

By ferry: Two ferry services make trips to Contadora, Ferry Las Perlas and Sea Las Perlas. I've used both and find Ferry Las Perlas to be more comfortable.



Ferry disembarking on Contadora

Ferry Las Perlas leaves from Trump Ocean Club every day at 8 a.m. and costs US\$95 round trip. Sea Las Perlas leaves from Balboa Yacht Club on the Amador Causeway every day at 7:30 a.m. and costs US\$90 round trip. Both services take approximately an hour and 40 minutes to arrive to Contadora.

By air: Panama's local airline, Air Panama, also offers quick flights to Contadora. The flights leave from the Albrook Airport and land at Contadora Airport approximately 20 minutes later. The round-trip cost is about US\$155.

Where To Stay

Contadora is a rugged island with little infrastructure and few amenities. If you opt to rent a house or condo, you'll be responsible for bringing your own food and drink to the island with you. Some rentals offer "pantry services," either stocking the kitchen for you before you arrive or arranging for you to receive goods while on the island (brought in on the morning flight each day).

While house and condo rentals are often spectacular, many with pools, hot tubs, golf cart, and private boat rentals included, they require a lot of legwork on the part of the renter.

Because rentals require so much prep-work of the visitor, hotels are a much more turn-key option and often the easier choice... but all hotels on Contadora are basic.

Gerald's Bed and Breakfast: Gerald, a German expat, has lived on Contadora for over 20 years, running glass bottom boat tours, the B&B, and his restaurant. A chef himself, Gerald oversees his kitchen as well as managing the hotel day-to-day. Because he's so hands-on, this is a well-run establishment with good food and good service. It's a favorite breakfast spot even for visitors not staying at the B&B.

My parents and I stayed at Gerald's Bed and Breakfast during our trip, and we found the rooms to be comfortable. We paid US\$113 a night for a room that fit three people and included breakfast for all of us.

The B&B is a popular choice. It's located just a few meters from the ferry drop-off, making it easy to access for first-time visitors. Perched above Playa Galeón, you're just steps from the beach here and within walking distance to neighboring beaches.

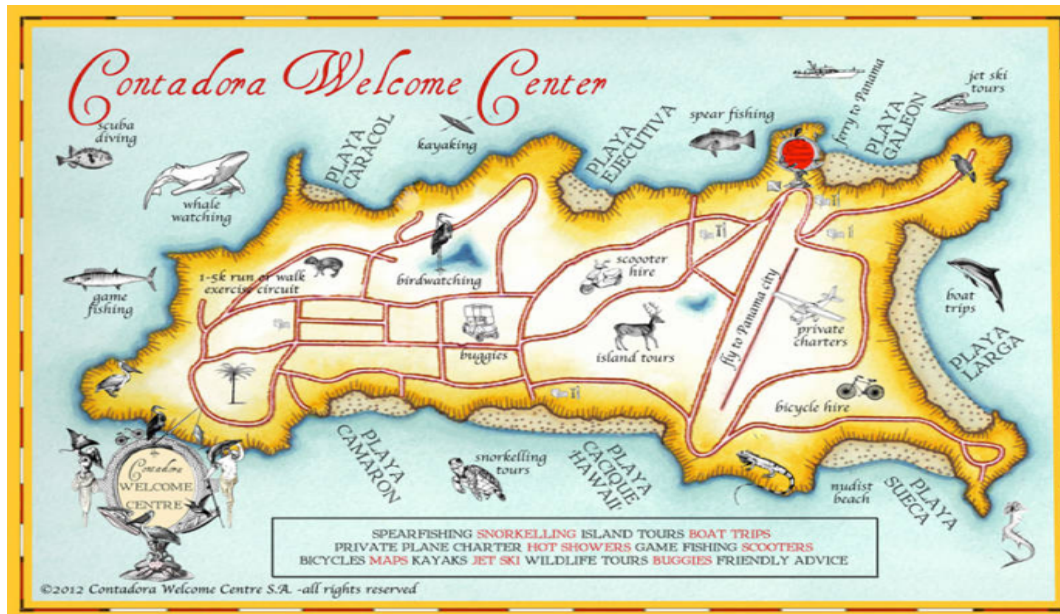
Casa del Sol: This rental company offers a wide variety of housing options—bed and breakfasts, apartments and condos, lofts, and entire houses. They also include a golf cart with most of their rentals, which makes it much easier to get around the island. The company also offers free transfers to and from either the ferry or the airport. If you're going to rent on the island, this is one of the more turn-key options.

I rented an entire house from Casa del Sol during a visit to Contadora last year with a group of friends and found everything as advertised. These rentals aren't cheap (they start at US\$350 a night and run up to US\$700 a night), but they are a good value for what you're getting—especially when you go in a group and split the cost.

Super Centro Pacifico Hostel: This is the most affordable place I have been able to find on Contadora, with rooms that fit up to four people for US\$75 a night. The rooms are probably as basic as it gets, but who cares. You're on an island—go enjoy the beach. For reservations, contact Ezequiel Vega at 6612-5535.

The Point: My mom and I stayed at The Point during our first trip to Contadora. It's a nice little hotel with a large swimming pool and is next to a great beach.

Perla Real: Beautiful hotel with modern accommodations and a hot tub.



Map of Isla Contadora

Be sure to check Airbnb and VRBO for listings in The Pearl Islands. There are some great properties for rent privately, if you take the time to hunt for them.

How To Get Around

The island isn't big, so it is walkable, but having a golf cart makes it a lot easier to get around. You can rent these from the Contadora Welcome Center for around US\$80 a day or use the taxi service—they come and pick you up for US\$7. Call 6742-1802, and someone will arrive within a few minutes. Of course, the ideal scenario is a golf cart that is included in your accommodation rental.

Where To Hit The Surf

Playa Cacique: Also known as Hawaii Beach, this paradise offers a long stretch of smooth white sand and gentle waves.

Playa Galeón: My mom's favorite beach because the waves are minimal, the sand is smooth, and the water is clear. Only downside is that, at times, there can be a lot of boats around.



Playa Cacique



Playa Galeón

Playa Larga: This is a beautiful long beach. And, while it's a little rocky, the water is clear, with minimal waves... Between the abandoned Contadora Resort ruins that surround it and the rusting ferry left on the beach, it's a little eerie (or the ultimate adventure beach, depending on your view). The abandoned ferry is said to have been left behind by drug smugglers who

abandoned their cover boat there after it sprang a leak. Who knows if that's the truth, but it's left open and is a popular tourist sight. You can climb aboard and walk through the tilted ship, but do so at your own risk: This is a rusty metal boat after all.

The resort ruins span the length of the beach. The beachfront rooms are now wall-less, meaning you can meander in and out of the ground floor of the hotel, an interesting, if melancholy tour. Just beware that it's more than a little scary after dark... it could be the set of a horror movie.

This is definitely one of the more interesting beaches on the island.



Playa Larga

Playa Ejecutiva: I was disappointed to find my once favorite beach Playa Ejecutiva to be covered in trash, dead fish, and debris this time around. It could have been the time of year and ocean currents, but, less than a year ago, the beach was immaculate.

Where To Eat

Casa Tortuga: A unique dining experience where Italian chef Piero cooks for you in his own home. The menu is different every day and is at a set price of around US\$35, including appetizer, main course, and desert. He also makes some pretty amazing pizzas that you can order to go during the day or have instead of the main menu for dinner. He also includes complimentary



The author with Casa Tortuga owners

shuttle service to and from your hotel as part of the dinner. For reservations, contact Piero at 6715-2223.

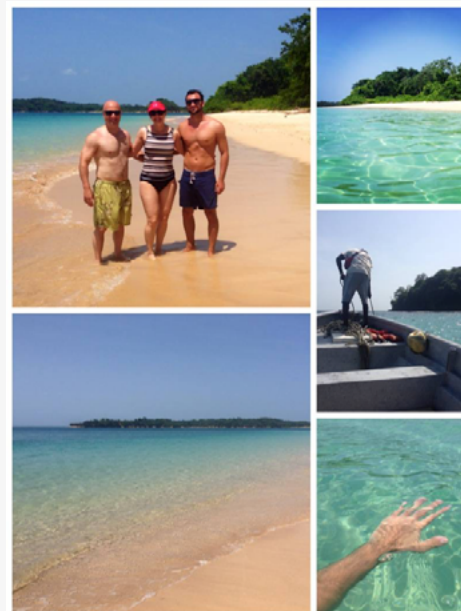
Gerald's: We ate here several times because the restaurant was located where our bed and breakfast was, but this is a go-to restaurant for most visitors, especially those renting units. They serve pizzas, German dishes, and a few other international dishes. They also have a full breakfast every day, making it a popular morning spot for renters who aren't into cooking. Play a round of putt-putt while you wait for your food.

Rincon Hot Stone: We ate here for lunch one day. They offer large portions of grilled seafood, chicken, and steak.

What To Do

Island tour, snorkeling, and fishing: I highly recommend checking out some of the surrounding islands while you are there. The cost of the tour is US\$35 an hour (you could probably negotiate this), and you can set it up with one of the guys in the little boats at Playa Galeón. They will take you to the surrounding islands, and you can choose to snorkel, fish, or just relax on the beach. We visited Isla Chapera and Isla Mogo Mogo (Survivor was filmed here), and

they were some of the most beautiful beaches I have ever visited. We had the islands completely to ourselves, to boot.



Isla Chapera and Mogo Mogo

Whale-watching tour: The Contadora Welcome Center arranges two whale-watching tours each day, with prices starting at US\$50 a person.



Isla Chapera

Above all, remember to relax. Contadora is not a party destination full of bars and entertainment options. It's a place to go off the grid, read a book, and recharge. Enjoy a few days of having nothing to do. 📖📺

Joey Bonura is from Louisville, Kentucky, and moved to Panama in 2011 to finish his degree in international business. He enjoyed the hot tropical weather and the lifestyle on offer in Panama City so much that he decided to make this his permanent residence. He has been managing our social media at Live and Invest Overseas since 2013.



Panamanian Comfort Food

If you'd like to reward yourself after a hard day working on your tax return, or you're looking for an excuse to take a break, a serving of Sopa Borracha could be just the thing.

Sopa Borracha translates literally as "drunken soup," and, while in this case the name actually refers to a sponge cake, drunken soup is a pretty accurate description of the fruity alcoholic syrup that sets this dessert apart.

To Serve

Cut the sponge in to squares and place them in a deep dishes or glasses. Pour the syrup over the cake and let it soak well. Decorate with nonpareils and serve.

Ingredients

Sponge Cake

- 3 cups flour
- 12 eggs
- 1 cup sugar
- 2 teaspoons baking powder
- Pinch of salt
- 1 tablespoon lemon zest or vanilla essence

Syrup

- 2 cups of raisins
- 2 cups of prunes
- 2 cups of rum
- 2 cups of Muscat wine
- 2 cups dry sherry, brandy, or port wine
- 1.5 cups of sugar
- 2 cinnamon sticks
- 12 cloves
- 4 lemon slices
- 2 cups of water

Instructions

Sponge Cake

1. Beat egg whites until stiff, adding egg yolks and sugar gradually.
2. Fold the sifted flour, salt, and baking powder gently in to the egg mixture.
3. Add lemon zest or vanilla essence to taste.
4. Line a cake tin with wax paper and pour the mixture in.
5. Bake for 45 minutes at 350 degrees Fahrenheit or until a wooden skewer comes out clean. Leave to cool.

Syrup

1. Soak prunes and raisins overnight with rum, sherry, and muscatel. They should be plump and juicy in the morning.
2. In a small saucepan, bring water, sugar, cinnamon, cloves, and lemon slices to the boil. Simmer until the mixture thickens to a syrup, then strain.
3. When the syrup is cool, stir in the marinated fruit.

Expat Interview: James Archer

Growing Profits In Panama

James Archer has been in the emerging market investment and real estate industry for the past 10 years. He started his career at a private boutique investment firm in London, where he specialized in raising start-up capital for small and midsize enterprises in his home country, the U.K. James has held several management positions since, including head of new business for one of the largest U.K. online specialist retail firms, before returning to his passion for emerging market real estate. Prior to joining Live and Invest Overseas as sales director of the real estate division, James was the global head of sales and marketing for a fast-growing agricultural investment firm. James is a seasoned expat, having lived abroad on and off for the past decade in Dubai, Spain, Australia, the Netherlands, and Panama, where he currently makes his home and works from the Live and Invest Overseas Panama City headquarters.

With Live and Invest Overseas, James is focused on scouting out and then carrying out due diligence on potential real estate investment opportunities for our readers. A proven talent with an impressive track record, James' experience across varied investment platforms allows him to create individual portfolios that dove-tail with individual investors' requirements, from short- to long-term and from income generation to appreciating assets.

James has been based full-time in Panama since 2011, and, when he's not working, you will find him exploring the natural beauty of that country's islands, beaches, and mountain regions.

Matt Chiliak: Can you tell us a little bit about the agricultural landscape in Panama?

James Archer: Well, I'm sure that most people are aware of Panama being a producer of some of the finest coffee in the world, which comes from the

mountains in Chiriquí, with Geisha coffee winning many awards in recent years. The other primary crops of Panama are banana, rice, sugar cane, beans, and corn, amongst other crops. Generally, though, I would say Panama's agriculture sector is heavily underdeveloped and relies far too much on imports.



Matt: What do you believe is the major cause for the underdevelopment of Panama's agricultural sector?

James: Unfortunately, it isn't one simple thing—there are many issues weakening the sector, and Panama isn't alone. A lot of countries have these same problems. It's no secret that Panama has experienced its strongest growth period in history over the last ten years, which has led to an exponential level of foreign direct investment.

One of the strongest industries that has benefited from this is the real estate sector. This has meant land prices increasing at, for farmers, an alarming rate each year. When you consider that a developing country's average farm size globally is 1.6 hectares, it's very hard for farmers to increase their holdings, especially as financing for agriculture is hard to come by. Financial institutions will lend against the asset (the land), but this is only a part of the cost. Often, implementation and maintenance before production are the larger financial commitments.

The younger generations are also less inclined to enter the farming sector, as many see it as unglamorous. They are more interested in becoming lawyers, doctors, and so forth.

Matt: Do you see this changing?

James: Hopefully, yes. In Panama there are a lot of initiatives to help farming, mainly based around tax exemptions. There are also some great companies trying to make a difference here, such as [Simply Natural Investments](#) with their organic mango, avocado, guando and pasto farms, which are not only helping the local food situation but are also now the largest USDA certified organic farm in Panama. But there is a lot more to do.

Matt: You mentioned organics, is that an area that is increasing in Panama?

James: Yes and no. The demand has most certainly increased, mainly due to the influx of expats that, I would say, understand the importance of organic food for health far more than the local population. We are starting to see some of the major supermarket chains starting to stock organic produce, with Riba Smith being probably the largest. Again, these are nearly all imported products. In terms of demand, Panama is increasing.

In terms of growing, Panama needs to develop much further. Also, the education on food is still in its infancy here, and I would say they are still 10 years behind the developed nations on understanding the importance of knowing more about where your food is coming from. With time, I believe this will change.

Matt: So are more farmers in Panama moving into organic growing to supply this demand?

James: On a very small scale yes, but, unfortunately, not on any greater level other than the company I mentioned above. There is a long way to go here. Personally, I believe the misperceptions that chemicals are easier and cheaper have come from North America. A real program of education for farmers and ways to be “greener” if not even fully organic is needed. From what I hear, the government is aware of this, and, from a well-respected person in agriculture here, I know of one change that, if it was introduced, would be amazing for the country as a whole. Unfortunately, I have been sworn to secrecy for the time being and also wouldn’t want to mention it, as I only believe these initiatives will happen once I see them actually being implemented.

Matt: What about the meat and poultry sectors in Panama?

James: Well if you had the opportunity to visit Cerro Azul, you would see a lot of chicken farms from Melo in that area. Beef in Panama has a reputation for being quite tough, and I can’t really argue with that. Although I do buy fillet mignon in my local supermarkets, and it’s great for me, but some of the other cuts can be a bit on the chewy side. The difficulty here is the weather conditions. If you have driven around the interior of the country, you will notice that most are Brahma cattle. They are really the only ones that can survive the quite harsh tropical climate, but there is a lot of access here to Argentinian, Paraguayan, and U.S. beef imports, so there is a lot of choice.

There is also a fair amount of pork here, but no British bacon, so I obviously am left a bit disappointed.

Matt: So what does the future look like for agriculture in Panama?

James: I think it looks brighter but with a long way to go. Demand is increasing, but Panama still heavily relies on imports, which needs to be addressed. The new government seem to be aware of this and are doing what they can to address this problem. I hope it does improve because, not only from a local consumption level but also from an export level, with the Panama Canal, Panama is primed to be a significant supplier to North America especially—but really anywhere. The area I see that the biggest opportunities lies is in specialty tropical fruits. It really could be such a great strategically located supplier, but there is a lot more needed to be done. Some companies are taking up this initiative, and there are some exciting projects happening and beginning. We were lucky enough to have at our recent conference two of the biggest U.S. distributors of organic produce, who flew in to speak on this subject. It really emphasized how important they see Panama’s potential being.

Matt: Any last tips for our readers?

James: Yes, when I first arrived in Panama three-and-a-half years ago one of my frustrations was that herbs were hard to come by in the supermarkets or often on the shelf one week and off the shelf the next week. So I started growing my own at home. It’s fantastic and easy to do, so my suggestion is start with a couple of your favorite herbs in the garden or on the window sill. You won’t regret it. 🌿

Panama City Hosts The Global Property Pros

Live and Invest Overseas hosted the [Global Property Summit](#). During the three-day event, with the help of more than three dozen global property pros, we looked at the world map strictly in the context of potential for profit.

We considered all forms of global property assets, with investment options for every level of individual investor, including someone with as little as US\$500 to get started at this.

The bottom line is diversification. With a piece of property in another country, you achieve diversification of market, of economy, of political regime, and of currency.

We took some photos of the summit to give you an idea of what it was like, and, if you think you'd like to learn more, be sure to check out the [Your Dream Home Overseas: The How To Buy, Own, And Profit From Foreign Property Program](#).





Pictures © J. Keith Howie

An important focus during the presentations was agriculture. As we discussed with the help of agricultural and other industry experts, an investment in productive land is the biggest opportunity of our age. Two offers made that don't require hefty initial investments were for Panamanian agriculture.

- [Mango plantation in Panama](#) — You could invest in 1 hectare of land planted with mango trees for US\$36,500. The projected average annual return over 20 years is 17%. Cash flow from yields begins in year four. Thereafter, you should receive payouts of US\$10,000 per year per hectare purchased...
- [Teak plantation in Panama](#) — You could invest in a 15-year-old teak plantation for US\$15,200 (for US\$18,000, it includes a residency visa). Projected annualized returns are 11%...



Another investment opportunity in Panama is a Caribbean coastal development. [Sarani Resort](#), set to open in October, is a casual but elegant resort and spa off Panama's northwest coast near Bocos del Toro.



Set on 75 acres of secluded island property surrounded by the warm and crystalline waters of the Caribbean, an established developer is building a hotel and residential villa resort on the island of Pastor.



Right now the developer is pre-selling units and guaranteeing to repurchase those units within three years according to the scheduled price increases which net investors annualized returns of 16%.





Los Islotes

Another investment opportunity is this five-star beach community, [Los Islotes](#), on Panama's Azuero Sunset Coast. You could own a lot in this full-amenity, master-planned oceanfront community for as little as US\$29,000...

Just offshore Los Islotes are three small islands, from which the property takes its name. Beyond them, each evening, is the sunset. This coast is the only place in Panama where you can watch the sun set over the water, for it's the only stretch of Panama's coast that faces west.

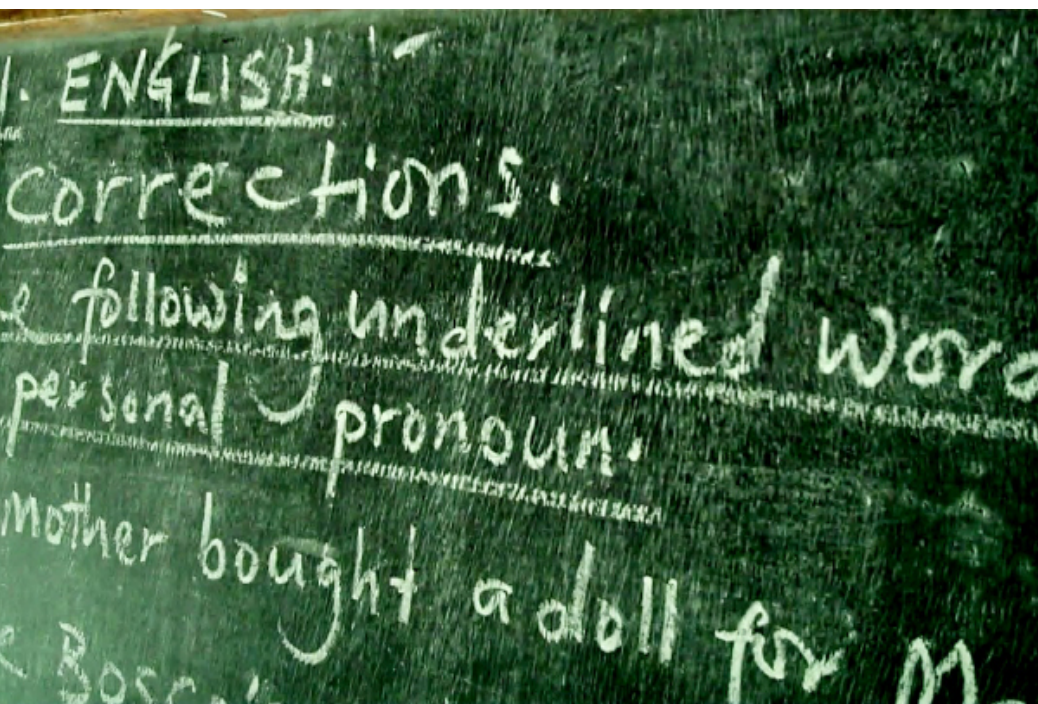
Planned community amenities include a gatehouse, a beach club, three pools, an equestrian center, tennis courts that will double as basketball courts, a fitness center, parks, hiking trails, and riding trails.

Los Islotes is the gold-standard private residential community on this coast. Nothing else in the region compares.



How To Teach English In Panama

By Rebecca Adams



Teaching English in Panama is a fantastic way to meet people, learn about the culture, and earn some money locally. Nearly all Panamanians want to learn English, and for many it's a job requirement. Teachers are in demand in Panama, so it isn't difficult to find a position in a school or become a private tutor.

1. Get Certified

The most sought-after candidates in Panama have a qualification such as Teaching English as a Foreign Language (TEFL), Certificate in English Language Teaching to Adults (CELTA), or Teaching English to Speakers of Other Languages (TESOL).

Certification can be quick and easy, and there are plenty of options for how to go about it—you could attend a night class or study at university before leaving

home, get it online, or begin classes once you arrive.

To get a TEFL certificate in Panama, visit [ELS Language Centers](#) in Paitilla. Regular courses are taught on a four-week cycle. The 130-hour program includes 10 hours of assessed teaching practice, classes addressing cultural differences and learning styles, and advice on how to present your CV to Panamanian employers.

If you prefer to study from the comfort of home, try [TEFLonline](#) or [LoveTEFL](#), but beware that presenting in front of a class full of students is different to presenting in front of your cat.

2. Market Yourself Correctly

Once you're qualified you'll need to look at your CV and add or highlight some relevant experience. Most adult students

in Panama are looking to improve their English for professional reasons—they want to expand their employment prospects or qualify for promotions that require English proficiency. Any experience that speaks to your professionalism or business vocabulary, for example if you've given presentations, spoken at conferences, written for a company website, or compiled reports, could set you apart from other candidates. Whether you're applying for a job within a school or advertising yourself as a tutor, highlight these important teaching assets.

Perhaps, though, your target audience isn't the adult or professional world, but children. Plenty of privileged Panamanian families hire private tutors—and natural English speakers, at that—so that their children will speak fluently and without an accent. If you don't have experience as a teacher in your home country, think outside the box. Have you been a nanny or babysitter? Have you coached a school sports team or been a camp counsellor? When it comes to working with children, references are often the most powerful tool in your marketing arsenal. Arrange some written testimonials before you leave home and make sure your references are happy to respond to emails or phone calls from potential employers.

The best times to search for teaching or tutoring jobs in Panama are typically February through March and then again in July and August. All schools, including those for adult learning, are closed over Christmas, but things pick up again in February—it's also the time when schools discover that some of their teachers have decided not to return for the new year. In July and August, head teachers look for staff to see them

through the third trimester and on until Christmas.

You can try to apply for jobs or advertise your services before arriving, but don't expect to get far. Skype interviews and international appointments are still rare here; you are much more likely to get a job once you're on the ground in Panama and can interview in person. Few employers in Panama hire someone on the promise of an eventual move. Start your research and put a plan in place before taking off, but save your energy for after your arrival.

And don't be discouraged when you arrive, apply, and find that your emails and phone calls still go unanswered. This is typical. If you are serious about finding a position, you need to approach schools directly and be tenacious—follow up, follow up, and follow up again.

If you are interested in casual, one-on-one tutoring, word of mouth is the best way to find clients. You can put up posters in your apartment building or neighborhood, or even advertise in a local paper, but these advertisements are everywhere and you'll have trouble standing out. Connecting with other teachers is also useful, they may have a timetable clash, or be moving on, and recommend your services to their students.

Unless you find a job at an elementary school, you'll need to be prepared to teach outside of regular working hours—early mornings, evenings, and weekends make up the bulk of the in-demand English classes.

3. Be Prepared And Stay Connected

The typically irregular class hours should leave you plenty of time in the middle of

(Un)Common Challenges

The public school system in Panama encourages a quiet classroom. Students are not supported to speak up. You might expect adults, who are paying for lessons out of their own pockets or who have to pass exams in order to be promoted, to be proactive in lessons. You'd be wrong; it's not how kids are taught here. Students here need a great deal of encouragement to participate in discussions or ask questions.

Students also need at least as much encouragement to arrive to class on time and to put their phones away. This is where staying connected with other tutors and teachers around the world really pays off. If you are looking for strategies to build student confidence and class interaction, or you're worried about discipline, you'll find a wealth of resources online. Try [ELS HQ](#) or [Edutopia](#) For personal advice from more experienced peers, or join one of the many of ESL teacher groups on Facebook.

the day for all the class planning you'll need to do...

There are several sites on which English teachers from around the world share worksheets, lesson plans, and tips for addressing difficulties. Some of the best are [Busy Teacher](#), [Dave's ESL Café](#) and [ESL Printables](#).

These sites are also a way to keep connected with the other teachers and the industry, learn new teaching methods, discover new teaching tools, and get acquainted with the world of global English tutoring.


Many language schools in Panama are not as well-equipped as you might expect. Precious equipment such as whiteboard markers, colored pencils, posters, books, and photocopying are often a luxury in schools here, so be prepared—you may need to bring your own supplies.

Private tutoring is a good option for picking up extra cash and filling your spare hours without too much obligation. Keep in mind that, while it might be easier to plan a curriculum for one student, it can be difficult to keep things interesting without the range of

interactions that happen in the classroom. You'll also need to consider things like location—will you travel to the student's home or meet in a cafe or library? If you are not following a standardized program think about how you will measure the student's success? Will you write an exam? Or report on progress informally?

4. Get Paid

Usually a tutor or teacher is only paid for lesson time, so when you receive an offer or need to suggest a rate, factor in your planning and grading time, and, if your classes are in more than one location, your travel time.

Students expect to pay more for private tutoring, but you are at the mercy of their schedules and cancelations are commonplace, which can be frustrating and leave you out of pocket. Arranging to have the student pay by month rather than after each class is a good way to alleviate those issues. 

Rebecca Adams is a New Zealander living in Panama City. She has visited more than 35 countries around the world and is actively working to up that number.

Obamacare—Another Good Reason To Go Offshore

By Tom Rowley, Ph.D., CPA



Here's a piece of good news for expats who have established bona-fide residence in another country or spent 330 days outside the United States in the past year. You are deemed to have minimum health care whether you actually have health insurance or not. You simply claim exemption code "C" in part III of the new tax Form 8965, which is attached to your personal income tax return. The form is due whenever your tax return is due, including extensions. For expats who live outside the United States, the automatic extension to June 15 can be extended to Oct. 15 if you formally request the extension prior to June 15.

Compliance reporting is even easier if you and all the members of your tax household had minimum health insurance coverage the entire year. In this case, simply check yes on line 61 of Form 1040 and you're done.

Compliance with the law and the penalties gets more complicated, unless

Congress takes action to modify the Affordable Care Act (ACA), better known as Obamacare, as it was the main focus of Obama's legislative agenda.

First, the rules of the game.

In March 2010, the U.S. Congress passed two wide-sweeping laws, both containing new tax provisions required as a result of Congress establishing that any new law had to include a way to pay for the benefits proposed in the respective legislation. One known as the HIRE Act is the source of the now famous FATCA rules that expats have been struggling to deal with for the past two years. The second is the Patient Protection and Affordable Care Act, promptly signed into law by President Obama.

The original law was designed to come into full effect in four years, tax year 2014, which was hoped to be a sufficiently long enough delay for the IRS, which is charged with administering

the ACA, to provide required regulations and to create the related tax regulations, forms, and instructions necessary for taxpayers to comply with the new law. The delay was also expected to be sufficient for the government to properly set up exchanges and mechanisms for the public to register for the new government insurance plans and related subsidies, known as Premium Tax Credits.

By September 2013, the president and Congress had agreed to 14 amendments and modifications in addition to 5 executive actions to delay various aspects of the ACA. The first modification occurred within a month of signing the law and that was to recognize that veterans covered by TRICARE had the minimum essential coverage. On July 2, 2013, the employer mandate to provide "minimum essential coverage" to employees was extended a year and has been subsequently extended until 2016.

A number of benefits under the ACA were to take effect immediately or within the first six months. Among them are many popular features including a prohibition on insurers from excluding coverage of preexisting conditions for children, extending the age to 26 for young adults to stay on their parents' plans, requiring prevention and wellness visits for beneficiaries under Medicare and a rebate check of US\$250 to Medicare beneficiaries to cover the so-called donut hole in coverage, preventing insurers from cancelling policies when claims are filed except in cases of fraud or intentional misrepresentation of facts, and no lifetime limits on benefits. A small

business tax credit for 35% of the cost of employee insurance was to take effect in 2010 and increase to 50% in 2014.

In addition, the ACA included improved access provisions. One was a provision to provide US\$11 billion for community health centers to provide access in communities where it was needed. Another was to provide investment in training programs to increase the number of primary care doctors, nurses, and public health professionals. There is no evidence that Congress has provided any of the funding resolutions necessary to provide either of these proposed benefits.

One benefit touted repeatedly in the debate leading up to the passage of the bill by the president and advocates of the ACA, the ability to keep your doctor and your plan if you like them, has turned out to be a false promise.

Included in the ACA were limits on the proportion of premium payments to insurers that could be used for overhead to 15% for large groups and 20% for individual and small group providers. The way the law was written was to require that at least 80% of the premium income be shown to go to the benefit of the policyholders, but the real effect of the requirement was to limit what the insurance companies could pay their executives and distribute to their shareholders.

The industry reaction to these provisions has been wholesale termination of coverage and access by insurers leaving the marketplace and significant increases in premiums to pay for the added benefits being levied by those insurers who have remained in the market.

Individual Taxpayer Compliance Requirements

If you and your tax household had medical health insurance coverage for the entire year, all you have to do is to check a box on Form 1040. Indicate yes and you're done with your ACA compliance. If you have health insurance from a government agency under Medicare or TRICARE for veterans, that is deemed adequate and all you have to do is check the box on line 61 of page two of the Form 1040. Note that this line is located in the "Other Taxes" section of the personal income tax return where you would report any self-employment Social Security tax due, any tax on household employees or retirement accounts, or the net investment income tax calculated on Form 8960 and shown on line 61.

If you have coverage by a government-sponsored program, eligible employer sponsored plan, or an individual market plan for all or some months during the year, you will receive a new form from your insurer or employer, the 1095-B Health Coverage Form. If you have coverage under any general health insurance plan, whether you purchase it yourself or it is provided by your employer, just check the box and move on to other more useful things.

If you didn't have health insurance in one of these ways, the ACA calls for you to contribute to the overall government cost of providing health care to the people. The U.S. Supreme Court upheld the "shared responsibility payment" as a legitimate right of Congress to levy a tax, never mind that the administration and all ACA advocates repeatedly proclaimed it was not a tax. The ACA advocates who

wrote the law carefully labeled things in such a way so as to avoid using the word "tax," but the IRS and the Supreme Court both have acknowledged that the penalty is simply a tax. Congress has estimated that it will generate US\$46 billion from the individual mandate tax penalty over 10 years.

Another revenue-producing aspect included was a net investment income tax of 3.8% on net investment income starting in 2013. The net investment tax is based on the lesser of your net investment income or any excess of Modified Adjusted Gross Income (MAGI) over a specific threshold for the tax year. Complex calculations made using tax programs that investor's accountants and tax professionals pay good money to use will be able to determine accurately whether this tax applies to any specific set of circumstances.

If you are living outside the United States, you need to be aware that the determination of MAGI includes adding back the amount deducted under the Foreign Earned Income Exclusion (FEIE). So if you were, for example, to have two earners claiming the full FEIE in 2014 (US\$99,200), you may well be subject to this tax as the threshold is a MAGI of US\$250,000 on a joint return. In this case, modest net investment income could get swept into the tax. Congress estimates revenue from this provision at US\$123 billion in net investment tax over 10 years.

However, if you are a bona-fide resident outside the United States or were out of the country for 330 days during the year, you are deemed covered under ACA. It doesn't really matter if you had health insurance or not. You are

exempt; just check the box on Form 8965 with code “C” and you’re off the hook on the shared responsibility payment.

Of course, it isn’t actually that simple. Form 8965 requires that you provide the name, Social Security number, and exemption code for each member of your tax household. The tax household is you and your spouse if you file a joint return and any dependents you claim.

However, if you are a resident of the United States and do not have minimum essential health insurance coverage, you are responsible for paying the shared responsibility payment penalty. For 2014, it was relatively inexpensive, 1% of your household income above a certain threshold that is determined by the number of exemptions.

Specifically, for 2014, the maximum amount per adult was US\$95, and, for any member of the tax household under the age of 18, the tax is just US\$47.50. Further, the tax is allocated on a monthly basis so if you didn’t have health coverage in just one or two months the tax bite could be as little as US\$7.90 for an adult or US\$3.95 for a child. The shared responsibility payment jumped to US\$285 per adult in 2015 and to US\$695 in 2016.

Another Way To Pay Nothing

There is another way to avoid paying anything. If your income is insufficient to require you to file an income tax return, you are exempt from paying any shared responsibility payment and you do not have to file any compliance report at all. The group

touted as most likely to benefit from the availability of the ACA, those low-income individuals, are practically exempt from any compliance reporting.

Compliance Requirements For Employers

Among the other ways that the ACA was expected to be paid for by the public included a tax on employers who failed to provide coverage for their employees if they had more than 50 full-time equivalent employees on staff. Congress estimated that the employer mandate penalty payments would yield US\$106 billion.

Employers provided forms that look like 1099 to their employees starting in 2014 and beyond.

Form 1095 B was not required for 2014. This form will provide information about whether the taxpayer’s spouse and dependents had qualifying coverage by a government-sponsored program, employer-sponsored plan, or individual market plan.

If you had health coverage through Medicare, Medicaid, or the VA, there is no document to be provided. The government excluded their own health services from the burdens of additional compliance reporting. If you have Social Security and Medicare A is being deducted, you need no additional support in your files to substantiate, if ever asked. Just check the box “Full Coverage” on line 61 of Form 1040.

Starting in 2015, employers must file a new Form 1095-C indicating whether they provided qualifying health coverage.

The ACA defined a large employer as one with 50 or more full-time or full-time equivalent employees. Employers who meet these requirements are required to provide insurance for their employees or pay a penalty. The ACA determination of full time is any individual who works more than 30 hours a week, a significant change from the long-held benchmark that full-time work is 40 hours per week. Additionally, a combination of employees working 120 hours a month is treated as one full-time equivalent employee. So a fast-food restaurant, for example, might have five or six full-time managers or shift supervisors and dozens of part-timers who work no more than 15 or 20 hours a week. Three teenagers working 10 hours a week for four weeks totals 120 hours, qualifying them as one full-time equivalent employee.

What is the bottom line for taxpayers? Expect slightly higher fees for professional tax preparation to ensure that you are properly reporting and disclosing your health coverage and whether your investment results are subject to any additional donations to the U.S. Treasury. If your personal tax advisor is not asking you about these items, you may want to ask if he is staying current on the tax law and maybe consider finding a new personal tax advisor. **ESF**

Tom Rowley is an international tax expert who has lived and worked in Latin America for more than 10 years.

Tom helps entrepreneurs launch their new lives and businesses overseas, guiding them in maximizing the U.S. tax benefits of living and operating a business abroad, building a “portable” business, liberating themselves and their assets, and taking their IRA or 401k offshore.

A red and orange leather passport cover is centered on a dark, textured wooden background. The cover has a red upper section and an orange lower section. The word "PASSPORT" is embossed in black on the orange section. The red section contains white text: "Long-Term Living In Panama" in a large font, followed by "Read all about visas, residency, and citizenship options in Panama [here.](#)" in a smaller font. A white document is tucked into the top of the cover.

**Long-Term Living In
Panama**

Read all about visas, residency,
and citizenship options in
Panama [here.](#)

PASSPORT



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Every month, subscribers to the ***Panama Letter*** receive an honest, current, and complete introduction to one of the places we've identified as offering tremendous advantages for the would-be retiree, investor, or part-timer in Panama. These are the locations that should be on your radar, either for your immediate retirement or as places to invest today as part of a longer-term plan in Panama.

Each of these comprehensive reports addresses not only the pros, but also the cons of each destination featured. This is critical if you want to make a smart, informed choice. You'd be hard-pressed to find this information anywhere else in the world.

This is Panama without the sugar coating. From a team of expats, investors, and businesspeople with, together, many decades of experience spending time and making money in the Hub of the Americas. Let us show you why, after considering the whole world, we've chosen to be here.

Our network of contributors will provide you with all the tips, tricks, and firsthand insider intelligence you need to follow in their footsteps, including these popular features in every issue:

- Broad **budget comparisons**, to help you thin-slice the cost of living in this Little country with big upside. Whether it's the cost of bread and milk, furniture and maid service, or rent and utilities, we'll have you covered...
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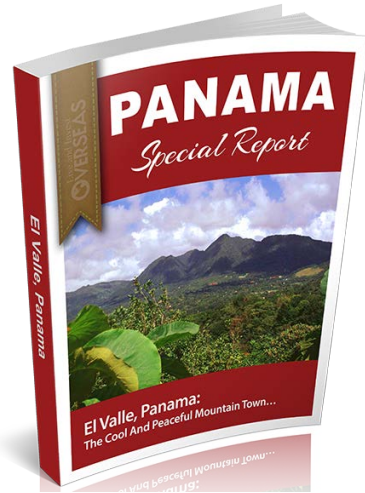
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