



Potential Tax Impacts of Changes to U.S. Citizenship Rules

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A recent U.S. Citizenship and Immigration Services ("USCIS") policy update changes how children of certain U.S. government employees and members of the U.S. armed forces who are employed or stationed outside the United States can obtain U.S. citizenship. Previously, such children born outside the United States were considered "residing in" the United States and thus were automatically considered U.S. citizens at birth. The policy update, effective October 29, 2019, no longer considers children who are living abroad with a parent who is a U.S. government employee or U.S. service member as "residing in the United States" for purposes of acquiring citizenship automatically at birth. Parents of such children will be required to file certain forms to obtain U.S. citizenship for these children.

Failure or delay in obtaining U.S. citizenship for a dependent child may affect the parent's ability to claim certain tax benefits. For example, an individual taxpayer is allowed a child tax credit for each "qualifying child." For tax years beginning after December 31, 2017 and before January 1, 2026, the credit amount equals \$2,000 for each qualifying child. Section 24(c)(2) of the Internal Revenue Code provides an individual is not a qualifying child unless he or she is a U.S. citizen, a U.S. national, or a U.S. resident alien for the tax year in which the taxpayer seeks to claim the credit. Failure or delay satisfying the definition of a qualifying child may also affect a parent's ability to access the Household and Dependent Care Credit. Loss or delay of these benefits could have a significant impact on these families.

U.S. government employees and members of the armed services currently stationed overseas should fully understand the new USCIS policy changes to avoid losing or delaying key tax benefits provided to parents of dependent children.