



BDO Seidman, LLP
Accountants and Consultants

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Issue:
**U.S. & Mexico Sign
Social Security
Agreement**

International Tax Alert

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Please contact:

Jack Frame

330 Madison Ave

New York, NY 10017

Phone: 212-885-8125

Fax: 707-982-0633

Email: jframe@bdo.com

Date\Timing:

U.S. and Mexican government officials signed an agreement on June 29, 2004 to end double Social Security taxation. The agreement must still be reviewed by Congress and approved by the Mexican Senate before it becomes effective. This will likely not occur before sometime late in 2005.

Affecting:

The agreement will apply to about 3,000 U.S. citizens working for U.S. companies in Mexico and to about 10,000 Mexicans working for Mexican companies in the U.S.

Details:

The agreement sets out to eliminate double Social Security taxes that could be payable on the same income at the same point in time. For example, in the current environment, U.S. employers with U.S. citizen employees working in Mexico are required to contribute to both the U.S. and Mexican social security systems. The new agreement will ensure that individuals and their employers are required to pay into only one social security system.

An employee who qualifies as a “detached worker” under the agreement will obtain a “certificate of coverage” from the home country social security tax authorities. The home country employer will then continue to impose social security taxes on total earnings in order to exempt the individual from social security taxes in the host country.

The agreement will also serve to consolidate benefits coverage for individuals who have worked in both the U.S. and Mexico during their careers.

If you have any questions about the implications for your firm of this new agreement, please call us.