

## **The Merchant Marine Industry**

### **Question**

There is a per diem of \$40/day meal allowance for my port. My ship gives me a daily allowance of \$18 but meals cost \$25. Can I deduct the \$40/day on my tax return?

### **Answer**

You will be allowed to deduct \$7/day (\$25-\$18). That is the actual out of pocket expense that you have incurred. A per diem is allowed in each port. However, the IRS and tax court have upheld that mariners/seafarers must incur and pay expenses that exceed the ship's allowance in order to take deductions, and they must retain supporting documentation to substantiate their claim.

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### **Question**

I work on board "The World", a private residential mega yacht that is based in Florida. We sail around the world and I work for 8-9 months of the year. I have an apartment in New York. Do I have to pay New York state income tax? I have been told yes I do; and no I don't. I am not clear about my tax-filing situation.

### **Answer**

You have made the right decision to contact us before you file your tax returns. Sailors ask us those questions all the time. Your tax home (residence) or "LEGAL DOMICILE" is in New York. Therefore, you will be required to file a New York State Tax Return. The Yacht Company (Your Employer) is based in Florida; but Your tax home / residence or "LEGAL DOMICILE" is not in Florida. It is in New York.

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### **Question**

I am a sailor onboard a merchant ship that flies a foreign flag. The ship does not berth in U.S. ports or travel in U.S. waters. I hold citizenship in the USA and the UK. I live in the UK with my wife and children and I haven't traveled to the USA or lived there last year. Do I have to file a U.S. Income Tax return?

### **Answer**

You are a U.S. citizen and you are required to file a U.S. tax return every year. U.S. citizens are generally taxed on their worldwide income. Also, income earned by a U.S. citizen sailing in international waters is considered U.S. income regardless of where the sailor/seafarer lives. However, you are qualified for the Foreign Earned Income Exclusion and/or the foreign tax credits for taxes that you have paid in the UK.

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