

STUDIO PANAMA ITALIA OBSERVATORY

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The Panama Treaty Card

A Legal Pathway to Latin American Residency and U.S. International Tax Optimization for High-Income Americans, 2026.

Abstract

The United States is one of two countries in the world (with Eritrea) that taxes its citizens on worldwide income regardless of residence. The Foreign Earned Income Exclusion under Internal Revenue Code Section 911 allows qualifying U.S. citizens to exclude up to \$132,900 of foreign earned income from federal taxation in tax year 2026, plus a housing exclusion up to \$39,870 (with city-specific higher caps). The Republic of Panama applies a territorial taxation principle under art. 694 of the Código Fiscal: foreign-source income is not taxed. The combination of Section 911 FEIE and bona fide Panamanian residency, achieved through the Friendly Nations Visa (Executive Decree 197/2021) or the Qualified Investor Visa (Executive Decree 722/2020), produces a unique legal framework for high-income Americans. The One Big Beautiful Bill Act, enacted on 4 July 2025, has made the TCJA individual tax provisions permanent, providing a stable federal framework but leaving state income tax, FATCA compliance, and estate planning windows as live planning drivers. This working paper provides the operational protocol, four practical cases and a complete compliance checklist.

Suggested citation

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1. Executive summary (600-character lead)

A U.S. citizen who establishes bona fide residency in the Republic of Panama and qualifies under IRC Section 911 may legally exclude up to \$132,900 of foreign earned income from U.S. federal tax in 2026, plus a housing exclusion of up to \$39,870 in standard locations (substantially higher in high-cost cities), while Panama's territorial tax system (art. 694 Código Fiscal) does not tax foreign-source income at all. Panamanian residency is reached through the Friendly Nations Visa (Executive Decree 197/2021), the Qualified Investor Visa (Executive Decree 722/2020), the Pensionado programme or the Digital Nomad route. The One Big Beautiful Bill Act of 4 July 2025 has made the TCJA federal rates permanent: the planning window is stable and the strategy is no longer driven by scheduled sunsets but by structural optimization.

Primary sources. U.S.: Internal Revenue Code Section 911 (foreign earned income), Section 901 (foreign tax credit), Form 2555, IRS Publication 54. Panama: Código Fiscal art. 694 (territoriality), Ley 3 de 2008 (immigration framework), Decreto Ejecutivo 197 of 7 May 2021 (Friendly Nations), Decreto Ejecutivo 722 of 15 October 2020 (Qualified Investor). U.S. framework: One Big Beautiful Bill Act, Public Law signed 4 July 2025.

1.1 Intended audience

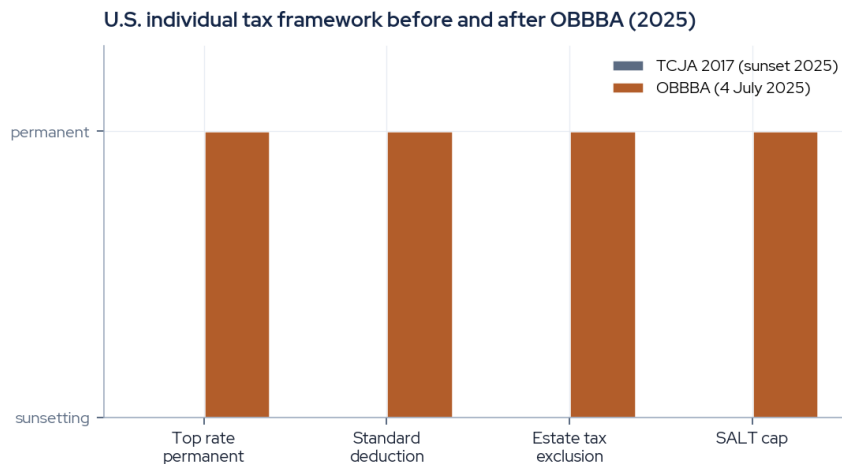
This manual addresses high-income U.S. citizens in four operational profiles: the remote knowledge worker earning \$200,000–\$400,000 from U.S. or foreign clients; the founder of a U.S. C-Corporation who can split personal residency from corporate management; the registered investment advisor or professional consultant operating internationally; and the retired HNWI with portfolio income, estate planning needs and lifestyle objectives. For each profile the manual identifies the most appropriate Panamanian residency pathway, the FEIE qualification path (Bona Fide Residence vs Physical Presence), and the ongoing compliance burden.

1.2 Why the strategy works after OBBBA

Three structural elements make the Panama Treaty Card a stable long-term strategy rather than a tactical response. **First**, the OBBBA of 2025 has eliminated the TCJA sunset uncertainty: the 37% top federal rate, the increased standard deduction, the \$15 million estate tax exclusion (\$30 million joint) effective 1 January 2026 and the \$40,000 SALT cap through 2028 are now permanent or extended, removing the panic-driven planning of 2024. **Second**, IRC Section 911 is a permanent statutory provision indexed annually for inflation: \$130,000 (2025), \$132,900 (2026), and it will continue increasing. **Third**, Panama's territoriality principle has been in force since 1956 and is part of the country's constitutional fiscal identity, not a temporary incentive. The combination produces a robust, durable framework.

2. The U.S. tax framework after OBBBA (2025)

The One Big Beautiful Bill Act, signed into law on 4 July 2025, made permanent most of the TCJA individual tax provisions that were scheduled to sunset on 31 December 2025. The federal ordinary income tax rates remain at the seven-bracket structure of 10%, 12%, 22%, 24%, 32%, 35% and 37%. For tax year 2026 the top 37% bracket begins at \$640,600 for single filers and \$768,600 for joint filers. The standard deduction is permanently elevated to \$15,750 (single) and \$31,500 (joint), indexed to inflation.



Pre: provisions scheduled to sunset 31.12.2025. Post: One Big Beautiful Bill Act made TCJA permanent (top rate 37%, \$15M/\$30M estate exclusion, \$40K SALT cap 2025-2028).

Figure 1. The OBBBA of 4 July 2025 has converted the TCJA temporary provisions into permanent rules, removing the sunset uncertainty that drove planning in 2024.

2.1 Federal income tax: stable framework, citizenship-based taxation

The United States is one of two countries worldwide (the other being Eritrea) that taxes its citizens on worldwide income regardless of residence. A U.S. citizen residing in Panama, London or Tokyo remains liable to file Form 1040 annually and to report worldwide income. The OBBBA has not changed this foundational principle: citizenship-based taxation continues to be the U.S. system. What changes for the resident abroad is the ability to use legal exclusions and credits to reduce or eliminate the resulting U.S. tax liability.

2.2 Estate tax planning window

Effective 1 January 2026 the OBBBA increases the federal estate, gift and generation-skipping transfer tax basic exclusion to \$15 million per individual and \$30 million for married couples. The exclusion is indexed to inflation. For high-net-worth Americans this represents a permanent and substantially elevated planning window, but does not eliminate the need for cross-border structures, particularly where Panamanian or other foreign entities, foundations or trusts are involved. State estate taxes remain separately applicable in numerous jurisdictions.

2.3 State income tax: the live planning driver

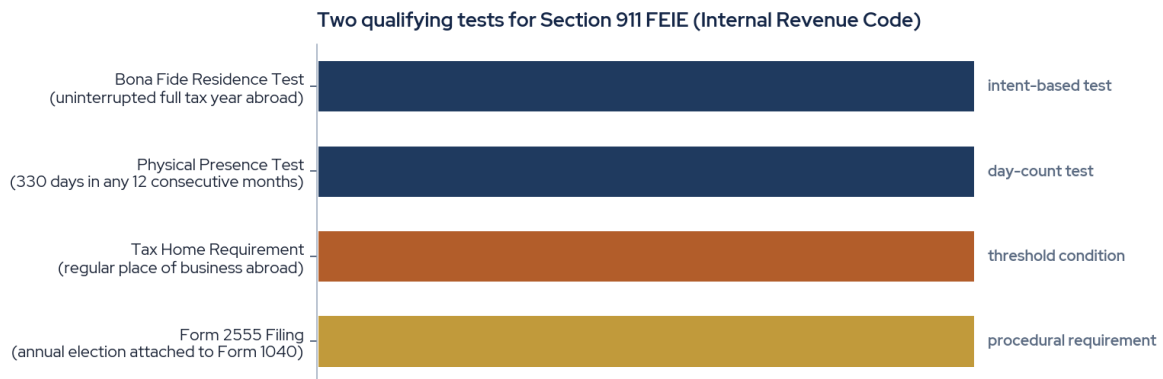
While the federal framework is stabilised, state income tax remains a significant variable. California (top rate 13.3% including the 1% mental health surtax), New York (10.9% top rate plus New York City taxes), New Jersey (10.75%) and Oregon (9.9%) impose substantial burdens on residents. Cessation of state residency is achieved through state-specific tests that differ from federal rules. Establishing genuine Panamanian residency, with

documentation of physical presence, family ties and intent, is the cornerstone of any state residency termination.

Numerical illustration. A California resident earning \$400,000 of foreign earned income while living in Panama can: (i) exclude \$132,900 under FEIE; (ii) apply Foreign Tax Credit to remaining \$267,100 (no Panama tax on foreign-source income, so no FTC available, but the exclusion reduces taxable amount); (iii) terminate California residency, eliminating roughly \$48,000 of state tax. Combined federal savings on the excluded amount can exceed \$35,000 annually at marginal rates.

3. IRC Section 911 Foreign Earned Income Exclusion

Section 911 of the Internal Revenue Code allows a qualifying U.S. citizen or resident alien to elect to exclude from gross income up to a specified annual amount of foreign earned income, plus an additional housing exclusion. The exclusion is claimed by attaching Form 2555 to the annual Form 1040. The election, once made, remains in effect for subsequent years unless revoked with IRS consent.



Source: Internal Revenue Code Section 911, IRS Publication 54, Form 2555 Instructions (tax year 2026).

Figure 2. Section 911 FEIE requires the satisfaction of either the Bona Fide Residence Test or the Physical Presence Test, together with the tax home requirement, and annual filing of Form 2555.

3.1 Foreign earned income exclusion: 2026 limits

For tax year 2026 the FEIE limit is \$132,900, up from \$130,000 in 2025. The increase reflects the annual inflation indexing under IRC Section 911(b)(2). The exclusion applies to wages, salaries, professional fees, self-employment income, bonuses earned abroad and certain employer-provided housing benefits. Passive income (dividends, interest, capital gains, rental income) is NOT eligible for the exclusion. Both spouses may each claim a separate exclusion if both individually meet the qualification tests: a married couple earning foreign income abroad can therefore shelter up to \$265,800 in 2026.

3.2 Foreign housing exclusion

In addition to the earned income exclusion, Section 911(c) allows a foreign housing exclusion equal to qualifying housing expenses that exceed a base housing amount of 16% of the FEIE (\$21,264 for 2026), subject to a standard cap of 30% of the FEIE (\$39,870 for 2026). The IRS publishes higher caps for approximately 137 high-cost cities, including London, Singapore, Hong Kong, Tokyo, Sydney, Geneva and Dubai. For Panama City the standard limit applies. The housing exclusion is reported in Part VI of Form 2555 for employees, or as a housing deduction in Part IX for self-employed taxpayers (Schedule 1 adjustment).

3.3 Bona Fide Residence Test

The Bona Fide Residence Test requires the taxpayer to be a **bona fide resident** of a foreign country for an uninterrupted period that includes an entire tax year. This is an intent-based and facts-based test: the taxpayer must demonstrate a settled residence abroad, not merely an extended visit. Relevant factors include the nature and length of stay, the establishment of a foreign home, family presence, social and economic ties to the foreign country, and the absence of an intent to return to the United States. A taxpayer who satisfies BFR may make brief trips to the United States or elsewhere without disqualification, provided the intent to return to the foreign residence is clear.

3.4 Physical Presence Test

The Physical Presence Test requires the taxpayer to be physically present in a foreign country or countries for at least **330 full days** during any 12 consecutive months. The 12-month period need not coincide with the calendar year. A full day means a continuous 24-hour period. Days of travel between two foreign countries count as foreign days; days spent in U.S. airspace or international waters do not. The PPT is a pure day-count test, simpler to administer than BFR and preferred for taxpayers in transition or with frequent travel patterns. For long-term Panama residents the BFR Test is generally more appropriate.

Tax home requirement. In addition to BFR or PPT, the taxpayer must have a tax home in a foreign country. The tax home is the general area of the taxpayer's regular place of business, employment or post of duty, regardless of where the family is maintained. A taxpayer with a tax home in the United States cannot claim FEIE even if BFR or PPT is technically met. The tax home condition is satisfied where the work is physically performed, or where the business or employment is based.

4. Panama's territorial taxation framework

Article 694 of the Código Fiscal of Panama provides that taxable income is income produced from any source within the territory of Panama, irrespective of the place where it is received. Income produced outside Panamanian territory is not subject to Panamanian income tax. This territoriality principle has been a constitutional feature of Panama's fiscal system since the original Código Fiscal of 1956 and has been consistently maintained through subsequent reforms.

4.1 What constitutes Panama-source income

Panama-source income includes income from real estate located in Panama, from goods or capital used economically within Panama, from services performed within Panamanian territory, from professional or technical activities carried out in Panama, from interest paid by Panamanian financial institutions or by Panamanian-source obligations, and from dividends distributed by Panamanian companies on Panamanian-source profits. The decisive criterion is the territorial source of the underlying economic activity, not the nationality or residence of the payer or recipient.

4.2 Foreign-source income: explicit exclusion

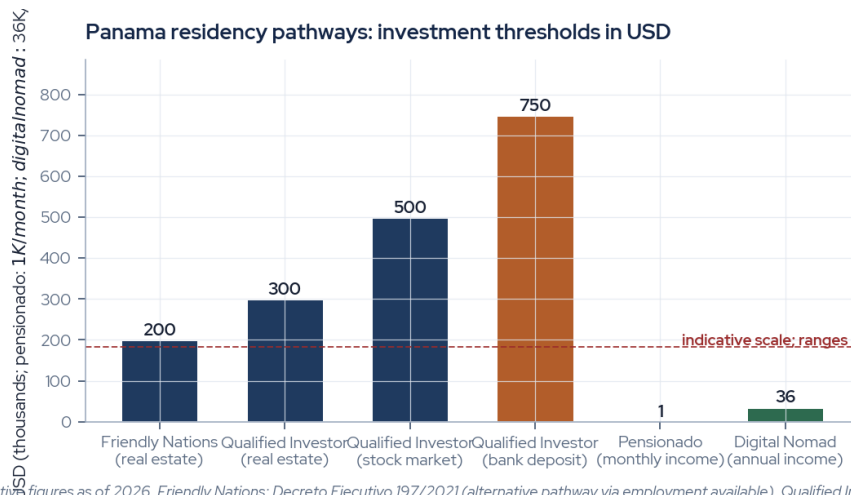
Foreign-source income earned by a Panama resident is specifically and explicitly outside the Panamanian taxable base. This includes salaries paid by foreign employers for work performed remotely from Panama (subject to careful characterisation), professional fees from foreign clients for services delivered to recipients outside Panama, dividends from foreign companies, interest on foreign bank accounts and foreign-issued securities, capital gains on foreign assets, and rental income from foreign real estate. The combination with Section 911 FEIE is mechanically simple: Panama imposes no tax; the United States allows exclusion up to the annual cap; the result is legal optimization of the global tax burden.

4.3 The 'Panama Treaty Card' concept

While the United States and Panama have a Tax Information Exchange Agreement (TIEA, signed November 2010, effective April 2011) and Panama participates in the Common Reporting Standard (CRS) and FATCA, the two countries do not have a comprehensive double taxation treaty. The 'Panama Treaty Card' is therefore a working metaphor: the legal optimization rests on the cumulative application of (i) U.S. domestic law (Section 911 FEIE, Section 901 FTC), (ii) Panamanian domestic law (territoriality under art. 694 Código Fiscal), and (iii) the residency framework established by Panamanian immigration decrees. The card is composed of these three legal instruments combined.

5. Panamanian residency pathways for U.S. citizens

Panama offers six principal residency pathways relevant to U.S. high-income individuals. The choice depends on the investment profile, the desired path to citizenship and the operational flexibility required.



Indicative figures as of 2026. Friendly Nations: Decreto Ejecutivo 197/2021 (alternative pathway via employment available). Qualified Investor: Decreto Ejecutivo 722/2020.

Figure 3. Investment thresholds across the six principal Panamanian residency pathways. The Friendly Nations Visa offers the lowest entry threshold for U.S. citizens.

5.1 Friendly Nations Visa (Executive Decree 197/2021)

The Friendly Nations Visa, restructured by Executive Decree 197 of 7 May 2021 and Executive Decree 226 of 20 July 2021, is available to citizens of approximately 50 nations with strategic ties to Panama, including the United States. The current programme requires demonstration of economic ties to Panama through one of three pathways: real estate investment of at least \$200,000 (mortgageable, unlike the Qualified Investor pathway), employment with a Panamanian company registered with Social Security, or a fixed-term bank deposit. The visa grants a two-year temporary residency, convertible to permanent residency upon continued compliance, and eligibility for Panamanian citizenship after a further five years of permanent residence. Government fees total approximately \$1,050 per applicant.

5.2 Qualified Investor Visa (Executive Decree 722/2020)

The Qualified Investor Visa, created by Executive Decree 722 of 15 October 2020, grants direct permanent residency through qualifying investment in one of three categories. Real estate investment requires a minimum of \$300,000 in Panamanian property free of liens (the threshold was originally subject to phase-in arrangements). Stock market investment requires \$500,000 through Panamanian licensed brokers. Fixed-term bank deposit requires \$750,000 maintained for at least five years. The programme is designed for serious capital investors who prefer direct permanent status without the two-year temporary phase. Processing time is faster than Friendly Nations, often completed within 30 to 60 days.

5.3 Pensionado, Digital Nomad and complementary routes

The Pensionado programme is open to retirees with a verified lifetime monthly pension of at least \$1,000. The Digital Nomad visa, created in 2021, is a short-term residency for remote workers and freelancers with annual income of at least \$36,000, private medical insurance and proof of foreign employment or foreign-owned business. Additional routes include the Forestry Investment Visa, the Self-Economic Solvency Visa and Reforestation Visa, each tailored to specific investment or activity profiles. For most U.S. high-income clients

the Friendly Nations or Qualified Investor routes are the primary choice.

Compatibility matrix: Panama residency pathways and U.S. tax optimization profiles

Section 911 FEIE eligible	good	good	good	good	good	good
Bona Fide Residence path	medium	good	medium	limited	medium	medium
Citizenship in 5 years	good	good	good	limited	good	medium
Estate planning advantages	good	good	medium	limited	medium	medium
	Friendly Nations	Qualified Investor	Pensionado	Digital Nomad	Forestry Visa	Self-Solv Financial

Qualitative assessment Studio Panama Italia, 2026. All pathways are FEIE-compatible if tax home and BFR/PPT conditions are met.

Figure 4. Compatibility matrix between Panamanian residency pathways and U.S. tax optimization objectives. Studio Panama Italia qualitative assessment, 2026.

6. Four practical cases

The following four cases illustrate how the Panama Treaty Card framework applies across distinct U.S. high-income profiles. Each case identifies the optimal residency pathway, the FEIE qualification route, the entity structure and the ongoing compliance burden. Case studies are illustrative and require individualised legal advice.

6.1 Case A. Remote technology worker, \$300,000 annual income

Profile: 38-year-old software engineer, U.S. citizen, employed by a U.S. corporation, fully remote with no required office presence. Annual W-2 income of \$300,000. Currently resident in California. Single, no dependents. **Strategy:** relocate to Panama under the Friendly Nations Visa via real estate investment (\$200,000 condominium in Panama City). Establish BFR by living in Panama for an entire tax year. Coordinate with employer for foreign assignment letter, foreign social security treatment and ITIN of dependent if applicable. Terminate California residency through documented severance: sell or rent out California property, change driver licence, voter registration, vehicle registration. **U.S. tax result:** \$132,900 excluded under FEIE in 2026; housing exclusion of approximately \$15,000–\$25,000 depending on Panama City rent. Effective federal liability reduced from approximately \$78,000 to approximately \$45,000. California tax of approximately \$25,000 eliminated. Total annual savings: approximately \$58,000.

6.2 Case B. Founder of U.S. C-Corporation, \$500,000 W-2 plus equity

Profile: 42-year-old founder of a Delaware C-Corporation in the SaaS sector, sole shareholder, W-2 salary of \$500,000, QSBS-eligible equity, occasional U.S. board meetings. Married, two children, currently resident in New York. **Strategy:** Qualified Investor Visa via \$300,000 real estate investment in Panama. Establish BFR for both spouses; relocate children with international school enrolment. Maintain U.S. C-Corp; consider establishing Panama subsidiary for non-U.S. operations. Careful management of corporate management location to avoid shifting U.S. tax residency of the corporation itself. Coordinate U.S. board meetings via written consent or videoconference. **U.S. tax result:** each spouse can claim FEIE up to \$132,900 if both have qualifying foreign earned income; family aggregate exclusion potentially \$265,800. New York state tax of approximately \$54,000 eliminated. QSBS exclusion preserved on eventual sale (subject to specific rules). Ongoing compliance includes Form 5471 if a Panama subsidiary is created and meets the CFC thresholds.

6.3 Case C. Independent advisor / professional consultant, \$250,000 1099 income

Profile: 50-year-old registered investment advisor or professional consultant operating internationally, self-employed, \$250,000 of 1099 income from various foreign and U.S. clients, no fixed office, currently resident in Florida (no state income tax). Married, spouse not working. **Strategy:** Friendly Nations Visa via real estate investment. Establish BFR with Panama as principal residence and tax home. Reorganise client engagement structure to ensure services rendered are characterised as performed in Panama for FEIE purposes (factual analysis of where work is physically executed). Consider Panama Sociedad Anonima as professional vehicle if appropriate. **U.S. tax result:** FEIE of \$132,900 plus housing exclusion. Self-employment tax (Social Security + Medicare, approximately 15.3%) is NOT excluded by FEIE: this remains payable on net self-employment income. Florida has no state tax, so no state savings. Federal income tax savings of approximately \$35,000 to \$42,000.

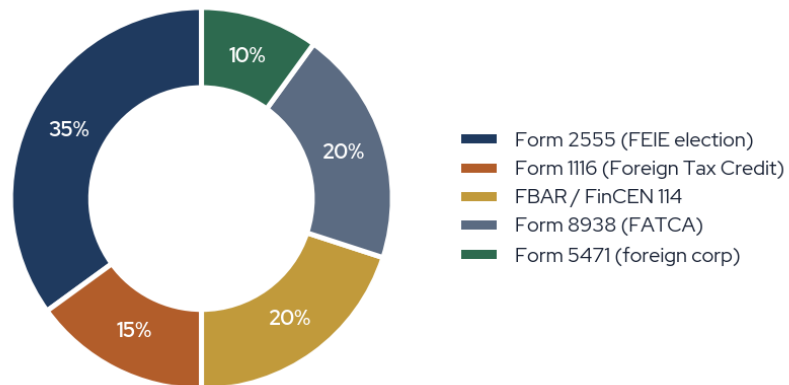
6.4 Case D. Retired HNWI, \$5 million liquid portfolio

Profile: 65-year-old retired executive, U.S. citizen, \$5 million liquid investment portfolio (mixed equities, bonds, alternatives), \$200,000 of annual portfolio income (dividends, interest, capital gains), \$80,000 pension. Married. Currently resident in New Jersey. Estate planning concerns. **Strategy:** Qualified Investor Visa via real estate investment or stock market portfolio. FEIE does NOT apply to portfolio income (passive income is excluded from Section 911). The strategy is focused on (i) state tax termination (New Jersey state tax of approximately \$19,000 eliminated), (ii) cost of living arbitrage, (iii) Panama Private Interest Foundation as estate planning vehicle complementary to U.S. estate framework, (iv) lifestyle and quality of life. **U.S. tax result:** portfolio income remains fully taxable in the U.S. at preferential capital gains and dividend rates. Estate exclusion of \$30 million joint preserved. Panama PIF provides additional asset protection and succession planning. Combined annual savings approximately \$25,000 to \$35,000 plus significant lifestyle and protection benefits.

7. Ongoing U.S. compliance for Panama-resident citizens

U.S. citizens residing in Panama (or anywhere abroad) face an extensive annual compliance burden under U.S. law. Failure to comply carries substantial civil and criminal penalties, including penalties for unintentional violations. The compliance map below identifies the five principal annual obligations.

Annual U.S. compliance obligations for a Panama-resident U.S. citizen



Estimated percentage breakdown of annual administrative burden; varies by structure (LLC, C-Corp, S-Corp, foundation).

Figure 5. Estimated administrative burden composition. Form 2555 is the largest single item; FBAR and FATCA together account for approximately 40% of the work.

7.1 Form 2555. Foreign Earned Income Exclusion

Form 2555 must be filed annually attached to Form 1040 to claim the FEIE. The form reports foreign earned income, qualifying dates and the test used (BFR or PPT), and computes the housing exclusion. Missing the form means the exclusion is not allowed even if substantive eligibility exists. The election, once made, remains in effect until revoked with IRS consent. The automatic extension to 15 June is available to taxpayers abroad on the regular 15 April due date; further extensions to 15 October are available with Form 4868.

7.2 Form 1116. Foreign Tax Credit

When foreign tax is paid (for instance, on Panama-source income from a Panamanian business or property) the Foreign Tax Credit under Section 901 may be claimed via Form 1116. The FTC and the FEIE are mutually exclusive on the same dollar of income, but may be combined where income types differ: FEIE on foreign earned income, FTC on foreign-source passive income. Careful planning of the FTC limitation calculation (separate baskets for general, passive, branch and other categories) is essential. For Panama residents earning purely foreign-source income with no Panama tax, FTC is generally not used.

7.3 FBAR / FinCEN Form 114

A U.S. person with aggregate signature authority or beneficial interest in foreign financial accounts exceeding \$10,000 at any point during the calendar year must file FinCEN Form 114 (the FBAR) by 15 April with automatic extension to 15 October. The reporting threshold is per person, not per account, and applies to the aggregate of all foreign accounts. Penalties for non-wilful violations can reach \$10,000 per violation (indexed); wilful

violations can reach the greater of \$100,000 (indexed) or 50% of the account balance, with criminal exposure in egregious cases.

7.4 Form 8938. FATCA Statement of Specified Foreign Assets

Form 8938 is filed with Form 1040 by U.S. taxpayers who hold specified foreign financial assets above the applicable threshold. For taxpayers living abroad the threshold is \$200,000 at year end or \$300,000 at any time during the year (single), and \$400,000 / \$600,000 (joint). The form duplicates much FBAR information but is filed with the income tax return rather than FinCEN. Reporting covers foreign bank accounts, foreign-issued stocks and bonds, interests in foreign entities, foreign trusts and foreign pensions.

7.5 Form 5471. Information Return for Foreign Corporations

A U.S. person who is an officer, director or 10% shareholder in a foreign corporation must file Form 5471 with Form 1040, reporting the foreign corporation's accounts, ownership structure and transactions with related parties. The form is highly complex, with multiple schedules and categories. Penalties for non-filing start at \$10,000 per form per year. Panama Sociedades Anonimas held by U.S. citizens commonly trigger this requirement. The interaction with Subpart F, GILTI and Section 962 election adds further complexity. Professional preparation is essential.

8. Frequently asked questions

Does the OBBBA change the Foreign Earned Income Exclusion?

No. The OBBBA of 4 July 2025 did not amend IRC Section 911. The FEIE remains in force as a permanent statutory provision, indexed annually for inflation: \$130,000 in 2025, \$132,900 in 2026, and increasing in subsequent years.

How many days can I spend in the United States while claiming FEIE?

Under the Physical Presence Test, you can spend up to 35 full days in the United States per qualifying 12-month period (since you must be physically present abroad for 330 full days). Under the Bona Fide Residence Test the count is less rigid: brief trips for business or personal reasons are permitted provided your intent to return to your foreign residence is clear and your tax home remains abroad.

Is FEIE available for U.S.-source income?

No. FEIE applies only to foreign earned income, meaning income earned while you are physically working in a foreign country. Income from work performed in the United States, even by a Panama resident during a U.S. trip, is U.S.-source and not eligible for exclusion.

Can I claim FEIE on dividends or capital gains?

No. FEIE applies only to earned income (compensation for services). Passive income (dividends, interest, capital gains, rental income, royalties) is not eligible. Such income remains subject to U.S. tax according to general rules, though preferential capital gains and qualified dividend rates may apply.

Does Panama require physical residence to maintain status?

Panama does not impose a strict day-count requirement to maintain permanent residency status, but residents are expected to maintain genuine ties and avoid extended absences. For citizenship eligibility (5 years post-permanent), evidence of presence and integration is reviewed.

Does Panama tax foreign-source income?

No. Article 694 of the Panamanian Código Fiscal establishes the territoriality principle. Income from sources outside Panama is not subject to Panamanian income tax, regardless of the residency status of the recipient.

What about self-employment tax?

Self-employment tax (Social Security 12.4% on income up to the wage base, plus Medicare 2.9% with no cap, plus 0.9% Additional Medicare Tax above \$200,000) is NOT reduced by FEIE. Self-employed Americans abroad remain liable for SE tax on net self-employment earnings unless a Totalization Agreement applies. There is no U.S.-Panama Totalization Agreement currently in force.

Will FATCA reach my Panama accounts?

Yes. Panama signed a Model 1 FATCA Intergovernmental Agreement with the United States and Panamanian financial institutions report U.S. account holder information to the Panamanian tax authority, which transmits it to the IRS. Filing FBAR and Form 8938 accurately is essential.

Can I keep my U.S. brokerage account?

Many U.S. brokers restrict accounts for clients with non-U.S. addresses. Before relocating, verify your broker's policy and, if necessary, consolidate with a broker that accommodates non-resident U.S. citizens. Consider keeping a U.S. address (parent, sibling, mail forwarding service) where appropriate and compatible with state residency termination strategy.

What is the Panama Private Interest Foundation?

The Panama Private Interest Foundation, governed by Law 25 of 1995, is a unique civil law entity designed for asset holding, estate planning and succession. Unlike trusts it has no settlor or beneficiary in the common-law sense but a founder, a foundation council and named beneficiaries. For U.S. citizens it is reportable under Forms 3520/3520-A and may give rise to tax obligations depending on structure. Specialist legal advice is required.

9. Official sources

Legislative, administrative and other authoritative sources referenced in this working paper are listed below for direct verification.

United States primary law

Internal Revenue Code, Section 911 (Citizens or residents of the United States living abroad), Section 901 (Foreign Tax Credit), Section 877A (Expatriation tax). Title 26, United States Code (available at usc.house.gov).

One Big Beautiful Bill Act, H.R. 1, 119th Congress, signed into law 4 July 2025 (available at congress.gov).

Tax Cuts and Jobs Act of 2017, Public Law 115-97, as extended and made permanent by the OBBBA.

United States Treasury and IRS guidance

IRS Form 2555 (Foreign Earned Income) and Instructions, current revision (irs.gov).

IRS Form 1116 (Foreign Tax Credit) and Instructions.

IRS Publication 54 (Tax Guide for U.S. Citizens and Resident Aliens Abroad), current revision.

IRS Revenue Procedure 2025-32 (inflation adjustments for tax year 2026).

IRS Notice 2026-25 (housing cost adjustments under Section 911 for tax year 2026).

Form 8938 (Statement of Specified Foreign Financial Assets) under FATCA, Form 5471 (Information Return of U.S. Persons With Respect To Certain Foreign Corporations).

FinCEN Form 114 (Report of Foreign Bank and Financial Accounts), filed electronically at bsaeiling.fincen.treas.gov.

Republic of Panama primary law

Codigo Fiscal de la Republica de Panama, Ley 8 de 1956 with subsequent amendments, art. 694 and related provisions on territorial taxation (available at gacetaoficial.gob.pa).

Ley 3 de 22 de febrero de 2008, Migration Law of the Republic of Panama, framework for residency programmes.

Decreto Ejecutivo No. 722 of 15 October 2020 (Panama Qualified Investor Visa).

Decreto Ejecutivo No. 197 of 7 May 2021 (Friendly Nations Visa restructured) and Decreto Ejecutivo No. 226 of 20 July 2021 (further amendments).

Ley 25 of 12 June 1995, Private Interest Foundation.

International framework

United States and Republic of Panama, Agreement on Tax Information Exchange (TIEA), signed 30 November 2010, in force 18 April 2011.

OECD, Common Reporting Standard. Panama implementation framework via Ley 51 of 2016 and subsequent regulations.

FATCA Model 1 Intergovernmental Agreement between the United States and Panama, signed 27 April 2016.

Studio Panama Italia sources

Studio Panama Italia (2026), Working Paper Osservatorio No. 4, *Multi-jurisdictional Architecture 2026: the 3+1 Model*, May 2026.

Studio Panama Italia (2026), Working Paper Osservatorio No. 5, *Italian Tax Residency Reform 2024-2026: Compliance Manual for Italian Expatriates Worldwide*, May 2026.

Proprietary operational data, sixteen years of activity (2010–2026) on Panamanian immigration procedures and international tax structuring.

Disclaimer

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