



GMS Flash Alert

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United States – Social Security Agreement Signed with Romania

On March 23, 2023, Romania and the United States signed a Social Security Agreement and Administrative Agreement – a “totalization agreement.” The two countries had been negotiating the text of this agreement for more than 10 years.¹

WHY THIS MATTERS

In situations where a worker might be subject to the social security tax of both countries, a totalization agreement provides guidance regarding which country’s tax should apply. By allowing a person to remain covered by his or her home country’s tax, and exempt from the host country tax, for a period of time, continuity of coverage is provided, which can be a concern for mobile employees. Also, where a person has divided his or her career between the countries, totalization agreements provide for partial retirement and other benefits to be paid by both countries. In these ways, totalization agreements facilitate mobility between the two countries.

KPMG INSIGHTS

The Romania-United States Social Security Totalization Agreement will enter into force after it has been approved by both countries. Under U.S. law, totalization agreements are not considered treaties, so do not require ratification by the U.S. Senate. Instead, the U.S. president will transmit the text of the Agreement to the U.S. House of Representatives. If the House takes no action to block it, the Agreement will be considered approved by the United States. On average, U.S. totalization agreements have entered into force within a little less than two years from signing.²

The text of the agreement has not yet been made public.

For applicable social security rules and the liability (and future benefits) of mobile employees between the United States and Romania, in the absence of an in-force totalization agreement (the current situation), please consult with your usual professional tax adviser or a member of your KPMG LLP (U.S.) engagement team.

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FOOTNOTES:

- 1 See the [announcement](#) of the Agreement's signing by U.S. Ambassador to Romania Kathleen Kavalec.
- 2 See this U.S. Social Security Administration website [Status of Totalization Agreements](#).

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