



25 THINGS TO KNOW ABOUT US EXPAT TAXES



Greenback
Expatriate Tax Services®

1

You must file
if you have income



If your worldwide income exceeds the filing threshold (which varies by filing status), you must file a US Federal Tax Return each year.

INCOME



WAGES



INTEREST



DIVIDENDS



RENTAL INCOME

If you are self-employed, the threshold is \$400, regardless of filing status.

2

Expats receive an
automatic filing extension
until June 15th

US taxpayers living outside the US on the tax deadline of April 15th receive an automatic extension until June 15th to file.

However, you'll need to file any US taxes you owe by April 15th because you need to avoid penalties and are now a US resident.

If you move back to the US, you may still be eligible to use certain US expat deductions and exclusions that year

3

You can amend a previous return if you made a mistake

Mistakes happen.

If you find that you have failed to report some income on your return, or if you didn't take all the deductions allowed, you will need to file an amended return for that tax year using form 1040X.

Filing an amendment before the IRS catches a mistake is the best option, as the penalties are often less.

4

You can use deductions and exclusions **to avoid most double taxation.**

The US has put several important deductions and exclusions in place to ensure you aren't taxed twice on the same income.

Most expats are able to offset all of their foreign earned income with the following:



FOREIGN EARNED INCOME EXCLUSION



FOREIGN TAX CREDIT



FOREIGN HOUSING EXCLUSION

You must qualify as an official expat and have foreign earned income in order to use these money-saving exclusions, and you must file your tax return in order to prove that you are eligible for these benefits.

5

Reduce or eliminate US taxes with the Foreign Earned Income Exclusion

Reduce your US tax liability.

The FEIE limit for the 2023 tax year (Filed in 2024) is \$120,000. Thanks to inflation, the 2024 tax year (Filed in 2025) FEIE limit will increase to \$126,500 of foreign earned income from US taxation with the Foreign Earned Income Exclusion (FEIE)!

This is a common way expats reduce or eliminate their US tax liability.

You might also be able to exclude certain housing expenses, such as rent and utilities, using the Foreign Housing Exclusion.

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The Foreign Earned Income Exclusion **isn't automatic**

You must qualify to use the Foreign Earned Income Exclusion (FEIE), and you must also elect it by filing Form 2555.

Once you use the FEIE, it remains in effect and you will include it on your tax return each year thereafter. However, should you decide

that you no longer want to use it, you cannot claim the exclusion for the next five tax years without the approval of the IRS.

7

You must pass a residency test to use the Foreign Earned Income Exclusion

The Physical Presence Test requires that you are physically present inside a foreign country for 330 of any 365-day period.

Under the Bona Fide Residence Test, you must have lived overseas for at least one calendar year and have no immediate intention of moving back to the US (so overseas contractors and those on assignment won't qualify).

8

**Track travel time
carefully** to ensure you
qualify as an expat

Double check your work.

If you plan to qualify via the Physical Presence Test, count your travel days carefully. You must be physically present inside a foreign country for 330 FULL days, so any time you spent traveling in the air (or by sea) to or from the USA won't count. Keep track of the actual dates of travel.

A small error in calculation could cost you thousands of dollars on your US expat tax return!

9

File for an extension
if you need more time
to qualify

Many expats move abroad in the later part of the year and worry that they won't qualify for the Foreign Earned Income Exclusion (FEIE) and will miss out on substantial tax benefits.

If you expect to qualify for October 15th, or you do it in the near future, you can file Form 2350, which applies for an extension and buys you even more time.

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The Foreign Tax Credit
is another way to lower
your US taxes

There are more ways to lower your US taxes.

If you live in a high-tax country or your income exceeds the Foreign Earned Income Exclusion (FEIE), the Foreign Tax Credit (FTC) may help you offset or eliminate your US tax liability.

The FTC is a dollar-for-dollar credit on the taxes you pay to a foreign country. You must file Form 1116 to elect it.

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Excluded income can't
be offset with the
Foreign Tax Credit

You should know a few things about income exclusion.

If you choose to exclude some of your income with the Foreign Earned Income Exclusion (FEIE), you can't use the Foreign Tax Credit (FTC) on that excluded income.

For example, if your income is \$150,000 and you exclude \$108,600 of your income with the FEIE you have \$41,400 left over. You can only offset the taxes you pay on that remaining \$41,400. This prevents "double-dipping" in the eyes of the IRS!

12

Dependent children on your tax return may help reduce your taxes

Dependents can reduce your taxes.

The **Child Tax Credit** can be very beneficial for those with dependent US children (citizens or permanent residents)—and can sometimes even result in a refund! If you have a non-US child, it is up to you whether or not you declare them as a dependent to receive the credit.

In order to qualify for the credit, all dependent children must have a US Social Security number.

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Including non-US children on your US tax return **has long-term implications**

Dependents affect US tax obligations.

Children born to a non-US parent overseas can be reported on your US Federal Tax Return as a dependent. While the Child Tax Credit(s) you'll receive can be financially advantageous, remember that your dependents are now considered US persons and will forever have a US tax obligation unless they choose to renounce their citizenship once they reach adulthood.

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FBAR must be filed if
foreign account
balances exceed the
reporting threshold

FinCEN Form 114, also known as the **FBAR (Foreign Bank Account Report)**, is part of the US initiative to thwart tax cheats hiding money abroad

If the total balance of all your foreign bank accounts exceeds \$10,000 at any point—even for just one day or a minute—you are required to file the Foreign Bank and Financial Accounts Report (FBAR). This report must be submitted electronically via the BSA e-filing system and is filed separately from your tax return.

15 The FBAR deadline
now falls **on Tax Day**

**The FBAR deadline is April 15th
(consistent with this year's Federal income
tax due date), with the same options of
extensions for filing as your tax return.**

Expats will get an automatic 2-month extension to file,
with an optional additional extension to October 15th.

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You may need to
file FATCA Form
8938

FATCA, Foreign Account Tax Compliance Act, is similar to FBAR in that it is intended to prevent US taxpayers from hiding money in offshore accounts.

Married taxpayers living abroad with financial assets of more than \$400,000 on the last day of the tax year or more than \$600,000 at any time during the year will need to file FATCA Form 8938 to report all of the specified foreign financial assets in which either spouse has an interest. These thresholds apply even if only one spouse resides abroad.

Single taxpayers living abroad with foreign financial assets of more than \$200,000 on the last day of the tax year or more than \$300,000 at any time during the year will also need to file Form 8938.

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Get caught up on
your tax returns and
**FBAR forms without
penalties**

Expats who fear harsh penalties may be hesitant to get caught up on delinquent returns.

But with the IRS amnesty program, the Streamlined Filing Procedures, you can become compliant with no late filing or FBAR penalties!

Simply file the last 3 years of tax returns and the last 6 years of FBARs and you will be caught up. It's the perfect program for expats who were unaware of their US tax filing obligations.

18 Renouncing citizenship
may not help you avoid
US taxes

Renouncing your citizenship may not be the best option for you.

Many frustrated expats are considering citizenship renunciation to avoid the burden of filing US taxes. Before you can renounce, you must prove that you have been compliant on US taxes for the 5 years prior to your date of renunciation.

Depending on your income and net worth, you may be subject to an 'exit tax' when you renounce. It's the IRS' way of making sure you don't renounce just to skip out on a tax debt!

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You can still receive
Social Security benefits
when you retire abroad

Retiring abroad may not mean you have to give up your benefits.

If you are considering retiring abroad, rest assured that you can collect your Social Security benefits in just about any country in which you choose to live. There are only a handful of countries where you cannot receive your benefits, but you can always collect all monies owed to you when you move to a country that allows US Social Security payments.

20

Social Security
benefits may be
taxable in the US

Social Security benefits may be taxable.

Expat benefits vary in taxability; some are taxed, others are not. You are required to declare Social Security benefits as income on your US tax return. If you have additional income, your benefits may be subject to tax, but only up to 85% of your Social Security benefits are considered taxable income.

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Totalization Agreements
determine to which
**country you pay Social
Security taxes**

The US has agreements with **30 countries** that outline which country should receive your Social Security payments.

The agreements generally allow for the credits you earn in one country to be usable for the calculation of benefits in the other. This

is an important point, as without such an agreement, you could be forced to pay into two systems—and only receive one benefit!

22

Income earned in the US by US expats **is not automatically excluded** from taxation

Income earned in the US is subject to US taxes.

Income earned on US soil is not foreign earned income and therefore cannot be excluded from US taxes with the Foreign Earned Income Exclusion. However, if you are required to pay taxes on that income to another country, you may be able to use the Foreign Tax Credit as a dollar-for-dollar credit to offset the US taxes you owe.

23

Rental income must
be reported **on your
US tax return**

You must report all rental income (foreign and domestic) to the IRS, but many expenses related to the property can offset tax liability.

Repairs to your property are deductible but improvements are not. How do you know the difference?

Repairs restore the property to its original state but improvements increase the value of the property.

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Some states require you **to file a state tax return** even while living abroad

There are only a handful of states that require you to file a non-resident State Tax Return.

If your most recent or current residence is in California, New Mexico, North Carolina, New York, or Virginia, you are likely required to file a State Tax Return.

In most other states you will not, but it is important to check with your particular state to be certain.

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Expatriate Entrepreneurs
Are Required to Pay a
Self-Employment Tax
tax return even while
living abroad

In addition to income taxes, you must also pay the self-employment tax, even while living abroad.

This tax is designed to replace the Social Security and Medicare taxes that would typically result from an employer-employee relationship. The rate for the self-employment tax is 15.3%. This requirement cannot be erased through the FEIE or the Foreign Tax Credit. (However, the many expat tax benefits available can still help you lower your US tax bill.)

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Have Additional Questions About US Expat Taxes?

While this is not a comprehensive list of everything you need to know, it gives you an overall idea of the forms, deadlines, and other tax considerations you need to think about when filing US expat taxes.

Greenback is happy to help! We are happy to review your specific situation and guide you through which deductions and credits can save you the most money.

Contact us at Help@greenbacktaxservices.com
with any questions that you have or
get started on your US expat taxes today!

Never worry again if your US expat taxes are done right.



Greenback Expat Tax Services®

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