



Complete Guide To Expat Taxes

FOR INDIVIDUALS

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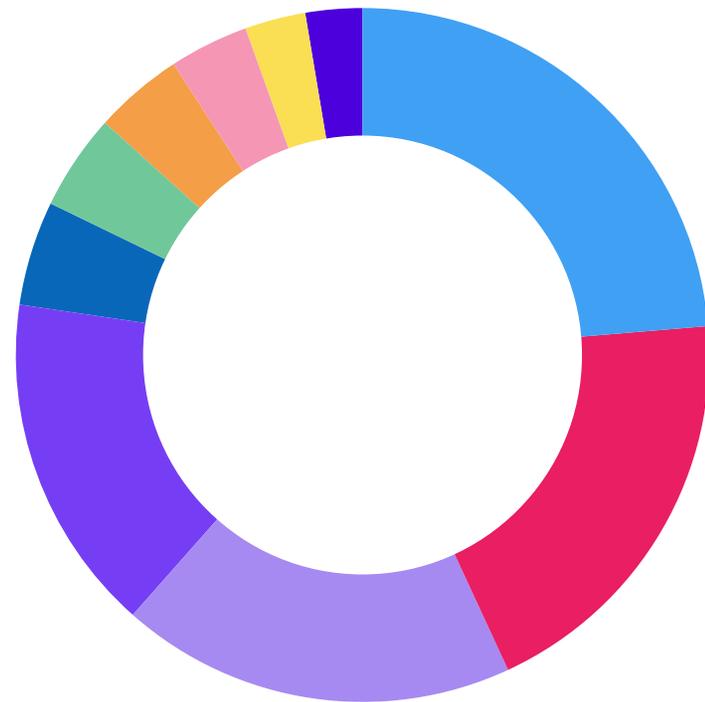
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You're an expat if...

An **expat** is officially defined as someone who is either permanently or temporarily living in a country outside their own - in this case, **any U.S. citizen** or **resident Green Card holder** who is currently living outside of the U.S.

U.S. Expats Residing in Foreign Countries

Mexico 899,311	Italy 170,000
Canada 738,203	United Kingdom 158,000
India 700,000	South Korea 140,222
Philippines 600,000	Germany 107,755
Israel 185,000	France 100,619



Source: <https://www.worldatlas.com/articles/countries-with-the-most-american-emigrants.html>

Filing Federal Taxes as an Expat

If your gross income is above the minimum filing threshold, you should be filing your taxes annually as a U.S. citizen or resident Green Card holder.

Filing Status	Age	Minimum Income Requirement
Single	Under 65	\$12,000
	65 or Older	\$13,600
Married Filing Separately	Any Age	\$5
Head of Household	Under 65	\$18,000
	65 or Older	\$19,600
Married Filing Jointly	Under 65 (both spouses)	\$24,000
	65 or Older (one spouse)	\$25,300
	65 or Older (both spouses)	\$26,600
Qualifying Widow(er) with Dependent Children	Under 65	\$24,000
	65 or Older	\$25,300
Self-Employed	Any Age	\$400



What to Include

Here's what you need to include when filing your expat taxes:

Your **worldwide income**, which includes your gross income and amount of salary or wages received *before* deductions, includes:

- ✓ **Bonuses**
- ✓ **Tips**
- ✓ **Investment Income**
- ✓ **Unearned Income**

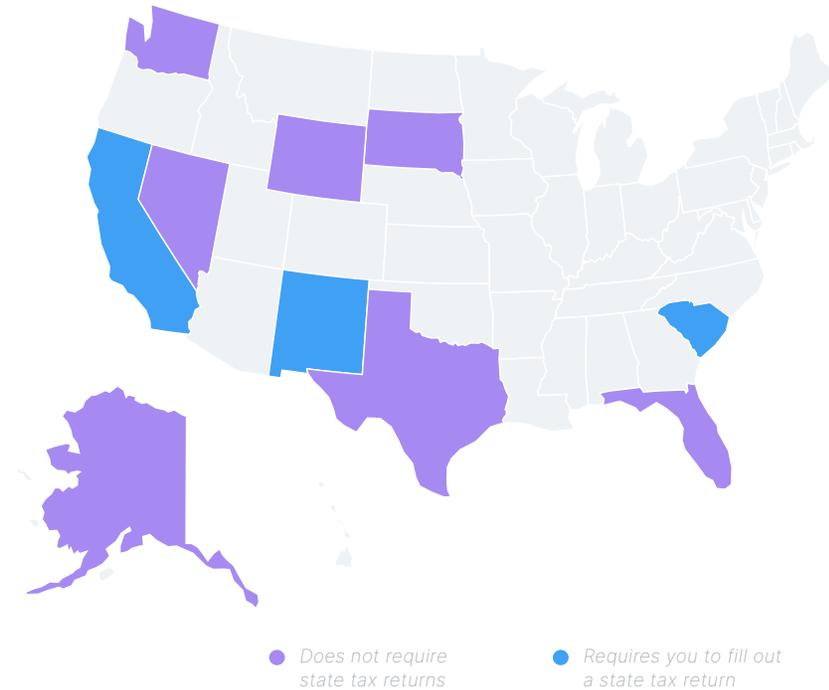
**Note: even if all of your income is from a foreign source, it is still a part of your worldwide income and therefore needs to be reported to the IRS.*



Filing State Taxes as an Expat

Some states will require you to fill out a state tax return while others do not.

Check with the laws in the state where **you most recently resided**. **You might need to file a non-resident state income tax return**. Many states make it easy to renounce your residency if you can prove you have been living somewhere else for an extended period of time.



States that do not require state tax returns

- Alaska
- Florida
- Nevada
- South Dakota
- Texas
- Washington
- Wyoming

States that do require you to fill out a state tax return

- California
- South Carolina
- New Mexico



Deadline for Filing Expat Taxes

U.S. taxpayers automatically receive an extension to **file** their taxes until June 15th. Expats are able to further extend their deadline by filing Form 4868 by June 15th. If the Form is filed by the June 15th deadline, October 15th becomes the new deadline to file for expats.

Just keep in mind - if you owe any tax payments to the IRS, these will start accruing interest on April 15th regardless of when you file.

Amend a return

Made a mistake? Don't worry! In the event that you reported something incorrectly in a previous year, you can always amend a return by filing Form 1040X.

Tax exemptions for expats

There are **two** main tax exemptions or credits you can claim if you are an expat:

Foreign Earned Income Exclusion (FEIE) and **Foreign Tax Credit**.



FEIE

The **FEIE** is based on foreign earned income. There are two tests for eligibility:

Bona Fide Residence Test

- Prove that you are a resident of a foreign country for an uninterrupted period that includes an entire tax year.
- The Bona Fide Test indicates your intention to stay in the foreign country by establishing your residence there. Under this test, you are able to leave the country for brief trips to the U.S. or elsewhere and still qualify.

Physical Presence Test

- Prove that you have been physically present in a foreign country for 330 days during a period of 12 consecutive months. The 330 days do not have to be consecutive.
- This test is based on how long a person stays in a foreign country and not the kind of residence established. Therefore, this test is useful for individuals who are staying in a foreign country but do not intend to establish a residence there.

**Tip: if you need some more time in a country to qualify under the FEIE, you can apply for an extension until October 15th or file Form 2350 to do so.*

Taxes you can eliminate with FEIE

For the 2019 tax year, you may be able to exclude up to **\$105,900** of earned income for free with the Foreign Earned Income Exclusion.

This is the most common way expats can reduce their U.S. taxes.

Elect the FEIE by filing Form 2555 or 2555-EZ.

**Note: qualifying for the FEIE will exempt you from the Affordable Care Act.*





Foreign Tax Credit

The Foreign Tax Credit can further help eliminate your tax burden if you live in a country with high taxes.

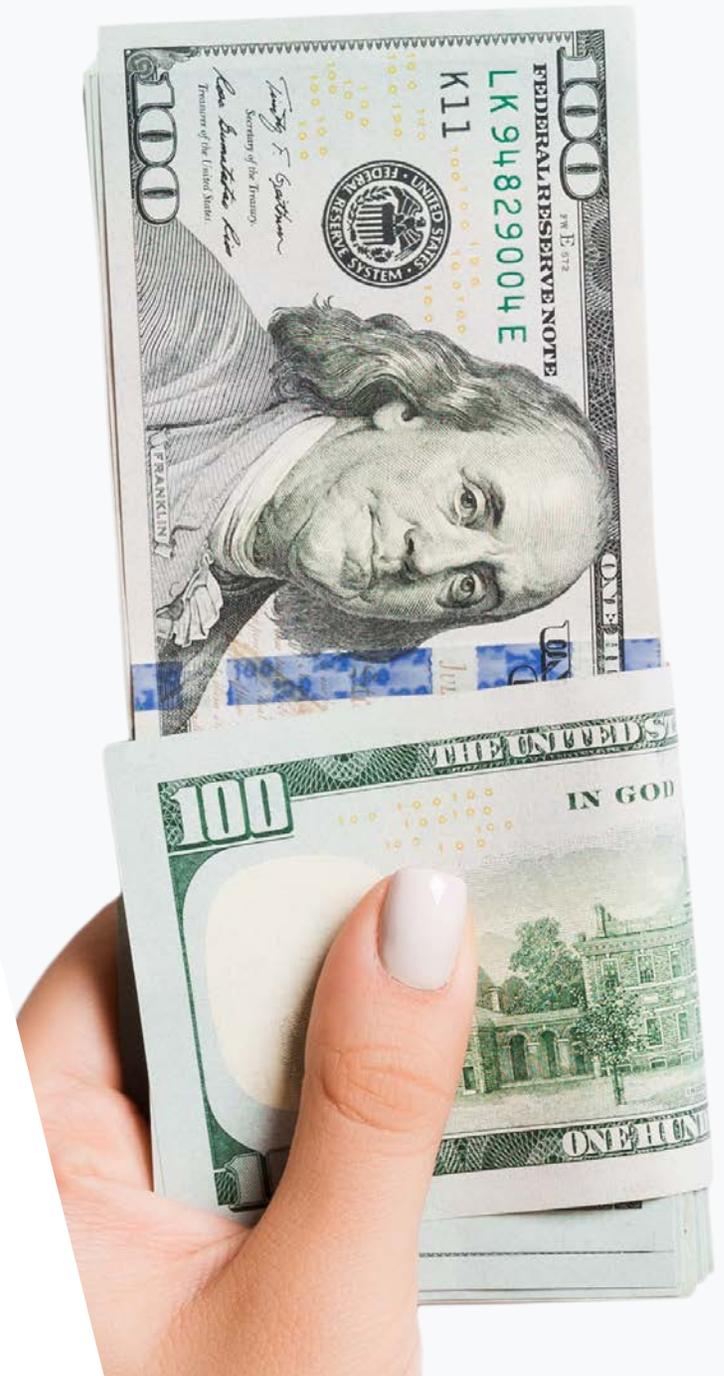
The Foreign Tax Credit is a dollar-for-dollar credit on the taxes you pay to a foreign country. This only applies to taxes paid on income **left over** after the FEIE has been applied.

Other Deductions & Exclusions

There are two other exclusions and deductions that can ease an expat's tax burden.

The **Foreign Housing Exclusion** is an exclusion from gross income for your housing expense if you primarily pay taxes in a foreign country and you qualify for the FEIE under the Bona Fide Residence Test or physical presence test.

The **Child Tax Credit** ("CTC") can be claimed if you have a qualifying child under the age of 17. The maximum tax credit allowed under the CTC is \$2,000. Your qualifying child must have a Social Security Number before the due date of your tax return.





The FBAR / FATCA

The Foreign Bank Account Report (FBAR), also known as FinCEN 114, is an informational return that is reported to the IRS for any foreign bank accounts you are the account holder for or have signature authority over.

The Foreign Account Tax Compliance Act (FATCA) is intended to prevent U.S. taxpayers from hiding money in offshore accounts. You may have to file this in addition to the FBAR depending on your filing status and residency. It is always best to discuss with a Tax Pro what your reporting status might look like.

Completing an FBAR Report

Any U.S. citizen or Green Card holder who owns one or more foreign financial accounts with a combined total of \$10K or more needs to complete an FBAR informational return. The United States government does this to make sure money isn't being hidden in offshore accounts.

This is filed to the U.S. Treasury Department's Financial Crimes and Enforcement Network using the FinCEN Form 114. Failing to file can result in penalties of up to \$10,000 per violation. As long as you file and are upfront about your finances with the government you're in the clear.

TD F 90-22.1
Rev. January 2012
Department of the Treasury

REPORT OF FOREIGN ASSETS AND FINANCIAL INTERESTS (FBAR)
Do NOT file with the IRS

Do not use previous editions of this form

Part I Filer Information

2 Type of Filer
a Individual b Partnership c Corporation d

3 U.S. Taxpayer Identification Number 4 Foreign identification (Country)
a Type Passport
b Number

If filer has no U.S. Identification Number complete Item 4.

6 Last Name or Organization Name

9 Address (Number, Street, and Apt. or Suite No.)

10 City 11 State 12 Zip/Postal Code

Does the filer have a financial interest in 25 or more financial accounts?
 Yes If "Yes" enter total number of accounts
If "Yes" is checked, do not complete Part II or Part III, but retain records of this information)
No

Information on Financial Account(s) Owned Separately
Return value of account during calendar year reported

16 Type of account a Bank b Securities c Other—Enter type below

Financial institution in which account is held

18 Number or other designation 19 Mailing Address (Number, Street, Suite Number) of financial institution in which account is held

21 State, if known 22 Zip/Postal Code, if known 23 Country

45 Filer Title, if not reporting a personal account 46 Date (MM/DD/YYYY)

Department of the Treasury, P.O. Box 32621, Detroit, MI 48232-0621

Do not report a financial interest in, signature authority, or other authority over one or more financial accounts in foreign financial institutions if the aggregate value of such accounts does not exceed \$10,000. See Instructions For Definitions.

WORK REDUCTION ACT NOTICE

Public Law 90-579 (Privacy Act of 1974), notice is hereby given that the authority to collect information on TD F 90-22.1 (e) is Public Law 91-506; 31 USC 5314; 5 USC 501; 31 CFR 1010.350 (formerly 31 CFR 103.24).

The information is to assure maintenance of reports where such reports or records have a high degree of value to the investigations and proceedings. The information collected may be provided to those officers and employees of the Department of the Treasury who have a need for the records in the performance of their duties. The records may be referred to in the United States upon the request of the head of such department or agency for use in a criminal, tax, or administrative proceeding. Information collected may also be provided to appropriate state, local, and foreign law enforcement and intelligence agencies for their official duties. Disclosure of this information is mandatory. Civil and criminal penalties, including fines of up to \$500,000 and imprisonment of not more than five years, are provided for failure to file a report, supply false information, or failure to report. Disclosure of the Social Security number is mandatory. The authority to collect is 31 CFR 1010.350. The Social Security number will be used as a means to identify the individual who files the report.

With this collection of information is 75 minutes per respondent or record keeper, depending on individual circumstances. An estimate of this burden estimate, and suggestions for reducing the burden should be directed to the Internal Revenue Service, Department of the Treasury, Paperwork Project, 1111 Constitution Avenue, N.W., Room 5145, Washington, D.C. 20542, Lanham MD 20706.

Cat. No. 12006D

Form TD F 90-22.1 (Rev. 1-2012)



Owning and Operating a Business as an Expat

I'm an expat that runs a business

Every country will have different rules and regulations when it comes to handling your taxes. Since worldwide income is what the U.S. uses to calculate your taxes, your foreign business income will also be reported to the IRS when you do your taxes.

Haven't Filed in Years?

I haven't filed a U.S. tax return in years

The IRS has historically been lenient when it comes to expats who have not filed in a while, however, you should begin working on filing your taxes for the years you missed as soon as possible.

Begin by discussing your situation with an expert who can guide you through the years of back taxes you will have to file to get back on track. At Taxfyle, we can connect you to our network of CPAs skilled in this exact tax situation.



Social Security

Social security benefits for expats

Regardless of where you live or work, as a U.S. citizen you are required to pay into social security. Therefore, all citizens are eligible for social security benefits, regardless of expat status.



Paying Social Insurance Taxes in Multiple Countries

Paying social insurance taxes for both my host country and the U.S.

This is the case for many expats who pay into Social Security as well as their host country's social insurance. The U.S. has an agreement with the following countries to avoid dual taxation:

Countries with Social Agreements

Australia	Italy
Austria	Japan
Belgium	Luxembourg
Brazil	Netherlands
Canada	Norway
Chile	Poland
Czech Republic	Portugal
Denmark	Slovak Republic
Finland	Slovenia
France	South Korea
Germany	Spain
Greece	Sweden
Hungary	Switzerland
Iceland	United Kingdom
Ireland	Uruguay

Source: https://www.ssa.gov/international/agreements_overview.html



Renouncing Citizenship

Renouncing my citizenship to avoid paying taxes

While it is certainly possible, renouncing your U.S. citizenship is not as easy as it seems. For starters, you will need to make sure you've paid off any taxes you owe to the IRS before you are able to fully renounce your citizenship. You must be able to prove tax compliance for 5 full years before your date of renunciation. In addition, you might also be subject to an exit tax based on your net worth and current income.

Claiming Dependents

If you have a U.S.-born child who qualifies as a dependent, you can claim that child as a dependent even when you're overseas. Oftentimes, this is beneficial because it could give you a tax refund.

If you have a child born to a non-U.S. parent, you may still be able to list that child as a dependent on your U.S. federal tax return. However, if you do this, the child will be considered a U.S. citizen, and will have a U.S. tax obligation unless they renounce their citizenship as an adult.



If you've made it to the end of this guide, congratulations!
You are officially on your way to becoming an expat tax expert.

Still have questions about expat taxes?

[Join our community of expats](#) on Facebook to discuss U.S. taxes with other expats and ask your toughest questions to our expert CPAs.

Ready to file? [Download the app](#) and get your taxes filed for you.

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