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2022 US Expat Tax Guide



UltimateGuide to US Taxes
as an American Abroad

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With tax season 2021 in the year 2022 up to and in full swing, it's essential that you, as an American abroad, are in the know about your US taxes. Knowing what to expect and when to act will save you a lot of money and time.

Please look at each section below, click on the information you are most interested in, and enjoy our ultimate expat guide. Our guide will help you become (and stay) tax compliant!

The Basics

Who Needs to File US Taxes?

- US citizens (living in the US or abroad) including Accidental Americans
- Green Card Holders
- Permanent Residents / Resident Aliens of the USA
- Non-Resident Aliens who have US income

Yeah, it's in your passport.

D. U.S. Taxes: All U.S. citizens working and residing overseas are required to file and report on their worldwide income. Consult IRS Publication 54, "Tax Guide for U.S. Citizens and Resident Aliens Abroad." available at <http://irs.gov/publications/p54/index.html>



Are you an Accidental American?

You may be an [Accidental American](#) and need to file US taxes if you were or are in the following situations:

- Born in the US to foreign parents
- Born outside the US to American parents who were unaware of their status as US citizens and claimed US citizenship for you
- Born abroad to at least one US citizen parent who claimed citizenship for you
- Obtained a US birth certification or citizenship around the time of your birth, even if you have been living abroad more than in the US

If you fall within any of the above points, you are a US citizen abroad and may be obligated to file and pay US taxes. Read more below ...

Your Tax Profile

As a US citizen abroad, you may or may not need to file US expat taxes as an American abroad. Depending on your status and gross income, this tax filing threshold will help you determine whether you need to file or not.

Pick Your Filing Profile

Single Filer

Not married (to a US Citizen or non-US Citizen) and filing by yourself.

Married Filing Jointly

Legally married (including common law), and your spouse files US taxes with you using either a SSN or ITIN.

Married Filing Separately

Married, however not filing with your spouse (i.e. they are non-US Citizen and don't want to file US taxes).

Head of Household

You are considered unmarried* and responsible for paying more than half in maintaining your household during the tax year (and includes paying more than half for rent/mortgage, groceries, household bills, repairs, etc).

You must also have a qualifying child or dependent, such as a biological or adopted child, and the child has lived with you for more than six months during the tax year, etc (click here for more information via the [IRS page](#)).

*You would still qualify as unmarried under this requirement if your spouse is a Non-Resident Alien (NRA).

Qualifying Widower

You have a dependent child, and retain the benefits from the Married Filing Jointly status for two years after your spouse, who you normally filed jointly with, passed away.

Check Your Gross Income:

Gross income is normally the total pay of what you gained from your employer (salary or wages), before taxes and other deductions. Your gross pay also includes all other compensation sources such as business income, pensions, dividends, interest, rental income, etc.

Once you know your tax profile and gross income, check to see if you need to file.

Confirm your **Martial Status**

We'll need to know a bit about your family situation as of 12/31/2021

<input checked="" type="radio"/> Single	<input type="radio"/> Married, in a Legal Partnership
<input type="radio"/> Legally Separated	<input type="radio"/> Widowed, Not Remarried

My marital status was different between 2018 and 2021

US Tax Filing Thresholds for your 2021 Tax Return



As an American abroad, you must file a federal tax return if you are:

Single

under 65 years old and gross income was at least \$12,550
 over 65 years old and gross income was at least \$14,250

Married Filing Jointly

under 65 (both spouses), and gross income was at least \$25,100
 65 or older (one spouse), and gross income was at least \$26,450
 65 or older (both spouses), and gross income was at least \$27,800

Married Filing Separately

at any age, and gross income was at least \$5*

Head of Household

under 65, and gross income was at least \$18,800
 65 or older, and gross income was at least \$20,500

Qualifying Widower

Under 65, and gross income was at least \$25,100
 65 or older, and gross income was at least \$26,450

*yes, five US dollars - no typo here

Get Organized

Once you are certain you need to file US taxes and you're ready to start filing through our app, please collect the following materials:

- Your [Social Security Number](#).
If you memorized it and don't have the card that is fine too.
- All documents with your sources of income (monthly paystips, invoices, receipts, etc)
- Monthly statements or end-of-year statements of your bank account to see if you had over \$10,000 combined from all your foreign financial accounts at any one time during the year.

Know the US Tax Deadlines

Owe taxes?

If you have taxes owed, you normally need to pay by **April 15th** .

Because the 15th this year falls on a US Holiday, you will have until April 18th 2022 to pay your 2021 taxes.

Need to file taxes?

US American expats have the opportunity to file later in the game due to an automatic extension to **June 15th**. This automatic extension is only filing, not for payment of taxes owed.

Need an Extension?

If you can't file by that date, or need more time, [you can file for a free tax extension \(Form 4868\) at MyExpatTaxes](#) (do so before your filing deadline!) for the **October 15** deadline.

Final tax deadline for US expats?

That would be **December 15**, which you can apply for before the October 15 deadline. This extension requires a special mailed request to the IRS.

2020 & 2021 Pandemic and Taxes

Coronavirus & Stimulus Check Information

Due to the coronavirus pandemic, the US government has issued three total rounds of stimulus payments in order to offer some economic relief to American citizens in this trying time. If you haven't yet received your stimulus tax benefits, it's not too late to fix or claim at least a portion of the payments.

In order to qualify for the latest (3rd) round of payments you need to meet the following requirements :

- You filed a 2020 US tax return to the IRS
- Are not dependent of another taxpayer
- Have a Social Security number
- Have adjusted gross income up to: \$75,000 for individuals, \$112,500 for head of household filers, and \$150,000 for married couples filing joint returns

You can claim any missing 3rd round Stimulus Payments on your 2021 Tax Return.

Need to claim missing 1st and 2nd round Stimulus Payments? You'll be able to do that on your 2020 Tax Return.

Want more information on how to get the Stimulus Check? [Read this blog](#).

Need to know your Stimulus check status? [Visit this IRS page here](#).

Filing & Paying Taxes Support

Paying Taxes on

Foreign Income and US Income

In this section, you'll learn about filing and paying taxes for US expats. Plus, foreign income and the exact forms you need in order to file your expat taxes, and what to do if you've made a mistake on your tax forms as an American expat.

Factually stating, living as a US citizen abroad does not prevent you from your US tax duties. Filing an annual tax return if you make over the filing threshold is an obligatory task to do. Plus, you may be liable to pay US taxes, which we'll get into below.

Any foreign sourced income you make is able to be taxed at the same marginal rate as any other regular income being earned within the country.

To avoid double taxation - which is when the US and foreign country you live in both place tax on your income - the IRS allows expat tax benefits. The Foreign Earned Income Exclusion (FEIE) can exclude up to \$108,700 of foreign earned income for tax season 2021 (in year 2022). The Foreign Tax Credit can be used as a credit for specific types of incomes - unique to each foreign country, allowing you to offset US income taxes with the income tax you paid to a foreign country

To learn more about paying taxes on US and Foreign income, [please see this blog here](#).

In addition to those two commonly used expat tax benefits, there are also a number of US tax treaties that prevent double taxation on certain types of income.

US Tax Forms for Filing

As a US American abroad, these are some of the most common forms you will be using to **optimize your US expat taxes**

- [Form 1040](#) - US Individual Income Tax Return +
 - Form 1040, Schedule 1 (For Foreign Earned Income Exclusion)
 - Form 1040, Schedule 2 & Schedule 3 (For Foreign Tax Credit)
- [Schedule A](#) - Itemized Deductions
- [Schedule B](#) - Interest and Ordinary Dividends
- [Schedule C](#) - Business Income
- [Schedule D / Form 8949](#) - Capital Gains Income
- [Schedule E](#) - Worldwide Rental Income
- [Schedule SE](#) - Self-Employment Tax (For those who cannot use a Totalization Treaty)
- [Form 2555](#) - Foreign Earned Income
- [Form 1116](#) - Foreign Tax Credit
- [Form 8812](#) - Additional Child Tax Credit (For US Tax Refunds for Families Abroad)
- [Form 8833](#) - Treaty-Based Return Position Disclosure (For Tax Treaty Benefits)
- [\(FBAR\) / Form 8938](#) - Report of Foreign Bank and Financial Accounts / FATCA
- [Form 4868](#) - Application for Automatic Extension of Time To File U.S. Individual Income Tax (If you need the extra time!)

Don't worry if you feel like you have to manually fill them all out. Our expat tax software has all the forms you need and makes the US tax filing process much faster.

What happens if you made a mistake when filing?

The [IRS Form 1040X](#) can be your saving grace to amending a mistake via your federal tax form. This form can correct forms 1040, 1040-A, 1040-EZ, 1040-NR, or 1040-NR EZ. Plus you can change the income amounts that were previously adjusted by the IRS, and make a claim for a carryback from a loss or unused credit.

Form 1040X allows you to file for an amendment within three years from the original due date you submitted your return. For example, you made a mistake on your 2019 tax return (due July 15th, 2020), you have until July 15th, 2023 to make the necessary changes.

Additionally, the IRS uses a highly intelligent technological system to process tax returns. It can identify missing income, mathematical errors, required schedules, and more. So if you made a mistake on one of your tax forms, the IRS system can accordingly adjust the income/numbers, and you will receive a notification that changes have been made.

Then, if you missed filing a tax schedule, the IRS will notify you in two ways: Send you a request to file the schedule, or will ignore your missing schedule and process your return.

If you made a mistake or put in the wrong information through the MyExpatriateTaxes process, we will help you amend your taxes in our middle or higher tiers of service.

Expatriate Tax Benefits

Avoid Double Taxation with these Expatriate Tax Benefits

Double taxation happens when your income taxes are paid twice on the same source of income. For example, you could be working as a sales manager in Amsterdam as a US citizen. Then when tax season hits, you have to pay Amsterdam taxes and US taxes from the same source of money. This is double taxation, but because there are expatriate tax benefits and treaties that can help prevent you from being double taxed.

The US actually has effective [tax benefits and tax treaties](#) to prevent American expatriates from being double taxed. They are as follows:

Foreign Earned Income Exclusion:

The Foreign Earned Income Exclusion, or FEIE, is also known as Form 2555 by the IRS. This expatriate benefit allows you to exclude up to a certain amount of foreign earned income from your US taxes. In 2022, for the 2021 tax year, you can **exclude up to \$108,700 of foreign earned income**. Make sure you convert your foreign currency to US dollars to see if you make under the limit (or MyExpatriateTaxes' software can do the conversion for you!).

Am I Eligible to Use FEIE?

You can use the bona fide residence test OR physical presence test to determine whether you are eligible to use the Foreign Earned Income Exclusion or not.

- **Bona Fide Residence Test:**

Were you a registered resident and subject to local income taxes in your host country for at least a full calendar year? Then you can claim the FEIE for up to the maximum amount (\$108,700).

- **Physical Presence Test:**

You will need to be outside of the US for 330 full days in a consecutive 12 month period, that begins or ends in the tax year. If yes, you qualify for the FEIE. Depending on your qualifying period, you may have to prorate the maximum FEIE amount you can take.

Are you qualified to use the FEIE? If so, you may also be eligible for foreign housing deductions, which can help you reduce your tax liability even more! For example, the Foreign Housing Exclusion can exclude qualified housing expenses like rent, utilities, or repairs from taxation.

How do I calculate my foreign earned income, for the exclusion?

- Let's say you earned \$113,900 as a foreign income. Subtract the maximum exclusion rate (\$107,500) from your yearly salary. This leaves \$6,400 that becomes taxable by the IRS.

The taxable amount is taxed at the rate applied to what you originally earned - known as the stacking rule. Any other income from pension funds, interest, capital gains, etc cannot be excluded from the IRS foreign income exclusion. Plus, you can increase your foreign exclusion with [qualified housing expenses](#) as well.

The FEIE amount is prorated based on the number of your qualifying days, so the maximum FEIE amount is available for those who use the Foreign Earned Income Exclusion for the entire tax year.

Need an FEIE extension?

If you need more additional time to file, because you may have moved abroad near the deadline, you can file an extension (Form 4868) through us.

Foreign Tax Credit

The FTC, or Foreign Tax Credit is a [dollar-for-dollar reduction from the IRS](#) towards your foreign earned income. This means, for example, if you paid 300 US dollars (after conversion) to the Icelandic government as a resident of the foreign country, you can take a 300 US dollar credit and apply it to any US taxes you owe.

What about the Foreign Earned Income Exclusion? As an American expat you cannot take this tax credit from the income you excluded from the FEIE.

You can avoid double taxation with the Foreign Tax Credit by the following ways:

- Identify which of your income is foreign sourced
- Check if your income is general, passive or falls into another foreign tax credit category
- Calculate the maximum amount of foreign tax credit you can claim on your federal tax return through Form 1116
- Keep records of all unused foreign tax credit for the next tax year. These credits are available to carryover for ten years.

Additionally, if you have US-sourced income from business trips or other reasons, that you believe should be considered foreign-sourced, look at your country's tax treaty for guidance.

Tax Treaties

Essentially, the US and certain foreign countries have all agreed to reduce or completely eliminate dual income taxation for Americans living and working abroad.

Tax Treaties are especially helpful when determining how to declare income such as pension, social security benefits, alimony, etc., which cannot be excluded via FEIE and are not subject to local income tax in your resident country.

Tax Treaties are different than Totalization Agreements (see below), and through treaties, residents, such as Americans living in foreign countries, are taxed at a reduced rate or exempt from US taxes in certain income items from sources in the US. Rates and specific items of income vary between each foreign country. If the foreign country you're living in does not have the treaty with the US, you may be double-taxed. This is paying tax on income for both the US and the foreign country.

To see if your country has a tax treaty with the US, [please visit this page](#).

Totalization Agreements (US Self-Employment Tax)

The Totalization Agreements is a result of the US and IRS coming together with 26 countries around the world to place measures for preventing dual social security taxation for Americans abroad.

Americans who reside in countries such as France, Germany, Belgium and Australia, are able to avoid dual social security taxes because they can choose the country they pay Social Security into. For the full list of the other countries included and not included on the Totalization Agreement list, please [visit this link](#).

Plus, these agreements for US citizens abroad factor in where you were hired, where your employment is sourced, and how long you were planning to stay abroad. These agreements help American expats avoid foreign social security costs if they do not plan to stay overseas for more than 5 years and/or they are sent overseas on a short-term contract.

If you do not plan to return to the US as an American expat, especially after 5 years, you can pay normally into the social insurance of the foreign country you are living in. After all, you will want to be covered based for retirement and health care from where you live.

Save Even More Money with Your US Taxes

Other Ways to Reduce US Taxes

The Child Tax Credit & Additional Child Tax Credit

The US provides financial assistance to parents in the form of tax credits and refunds, regardless of where they live and work.

The Child Tax Credit is normally the non-refundable portion of this credit, while the Additional Child Tax Credit just refers to the refundable portion. In this sense, additional does not mean an additional credit or additional child!

MyExpatTaxes specializes in getting US Expats their due Additional Child Tax Credit, even if that means amending prior year returns. [Read more here](#) to see if you are eligible for this refund.

For 2021, there are a LOT of changes to the (Additional) Child Tax Credit due to the pandemic. We'll put side by side the changes

	Tax Year 2020	Tax Year 2021
Max Age Limit	17	18
Child Tax Credit	\$2,000	\$3,600 for under 6 \$3,000 for 6 and over
Additional Child Tax Credit	\$1,400	\$3,600 for under 6 \$3,000 for 6 and over
Other Dependent Credit	\$500	\$500

Max Age Limit: Only qualifying children dependents under the max age limit are eligible for the (Additional) Child Tax Credit. If your child was UNDER the max age limit on December 31st of that tax period, they are eligible. Otherwise, they will fall into the "Other Dependent" Credit bucket.

For example, your child turned 18 on December 1st, 2021. They are not UNDER 18, so they are not eligible for the (Additional) Child Tax Credit on your 2021 Tax Return.

Child Tax Credit:**For 2020 Tax Returns**

A \$2,000 tax credit can be claimed by American expat families for each of their dependent children who have valid US Social Security Numbers, and are under the age of 17.

For 2021 Tax Returns

A \$3,600 tax credit can be claimed by American expat families for each of their dependent children who have valid US Social Security Numbers, and are under the age of 6.

A \$3,000 tax credit can be claimed by American expat families for each of their dependent children who have valid US Social Security Numbers, and are under the age of 18.

Additional Child Tax Credit:**For 2020 Tax Returns**

If families do not owe US taxes then a max of \$1,400 of the \$2,000 credit per qualifying child is refundable.

For 2021 Tax Returns

For those who have lived in the US for more than half of 2021:

If families do not owe US taxes then the entire amount of the Child Tax Credit is refundable, so up to \$3,600 per qualifying child under age 6 and \$3,000 per qualifying child between age 6 and 17 (under age 18).

For those who have NOT lived in the US for more than half of 2021:

If families do not owe US taxes then a max of \$1,400 of the \$2,000 credit per qualifying child is refundable.

This means you might be able to get money back even if you don't pay any income taxes to the US. The team at MyExpatTaxes can quickly figure out if you can get this refundable credit of up to \$1,400 per child per year!

Foreign Housing Exclusion

The Foreign Housing Exclusion allows US citizens abroad to deduct any excess of housing expenses, paid by the employer over 16% of the Foreign Earned Income Exclusion (FEIE) amount of that year (\$108,700 in 2022 for the 2021 tax year). Qualified housing expenses over \$17,392 might be eligible for US tax exemption. However, there is a limit to how much foreign housing expenses you can deduct (more below).

In addition to foreign housing expenses, you can also get an exclusion from the following: home utilities, personal property insurance, accessory rentals, and household repairs. The exclusion does not include furniture you purchase online, domestic labor, and mortgage payments.

Qualify for the Foreign Housing Exclusion

To qualify for this expat tax benefit, you need to be qualified for the FEIE through this:

- [Pass the Physical Presence Test](#) or the [Bona Fide Resident Test](#)
- To pass the Physical Presence Test: You need to be outside of the US for 330 full days in a consecutive 12 month period, that begins or ends in the tax year.
- To pass the Bona Fide Rest Test: You need to be a resident in a foreign country and be subject to local income taxes for at least a full tax year.

Once you are certain you qualify for the FEIE, you can fill out Form 2555 informing the IRS of which test you qualify under. Or better yet, fill it out electronically through our software!

The MyExpTax software can determine if you qualify for this exclusion and receive a refund. Want to learn more about the Foreign Housing Exclusion tax benefit? [Read this](#).

Foreign Bank Account

Your Foreign Bank Account and FATCA

FATCA stands for the Foreign Account Tax Compliance Act. This federal law requires foreign financial institutions, like banks, to report back the data of US account holders, while also requiring US citizens to disclose this information themselves. It's a means to prevent illegal money laundering abroad.

[Every foreign bank](#) that allows a US American to open an account must be able to comply with the FATCA laws. Which means it is possible to get rejected by a foreign bank because you are a US citizen and the bank does not want to be involved.

If the bank allows you as an expat the access to a foreign bank account, you will need to fill out and sign lots of paperwork. Some of the papers give the US Department of Treasury access to peek into your bank account. It is a standard procedure we US expats must get used to.

Form 8938

Under FATCA, Form 8938 is required to be filled out if the total value of all your specified foreign financial assets in which you have an interest of is more than the appropriate reporting threshold. The threshold starts at \$200,000 for US taxpayers living abroad.

According to the IRS, **taxpayers living abroad** must file Form 8938 if you also must file an income tax return and...

- Are married and filing a joint income tax return with the total value of specified foreign financial assets being more than \$400,000 on the last day of the tax year, or more than \$600,000 at any time during the year. *These thresholds also apply if only one spouse resides abroad. Married individuals who file a joint income tax return for the tax year will file a single Form 8938 that reports all of the specified foreign financial assets in which either spouse has an interest.*
- OR you are not a married person filing a joint income tax return and the total value of your specified foreign financial assets is more than \$200,000 on the last day of the tax year or more than \$300,000 at any time during the year. - [Source](#).

For more information on which forms you need to fill out for the FATCA, please [read this post](#).

The FBAR and Its Importance

The FBAR stands for the Foreign Bank Account Report. It's a form that US Americans abroad are required to fill out if you have a bank (or any other financial) account established overseas. This is a purely informational form and you shouldn't be taxed on your foreign bank accounts. The FBAR is purely informational for the US tax authorities and is operated by the Financial Crimes Enforcement Network (FinCEN), which is part of the US Department of Treasury.

How do you determine whether you need to file an FBAR or not?

As long as you have a foreign bank account as an American abroad, you need to check your bank statements. **An FBAR is required every year if you have over \$10,000 total from all your foreign financial accounts at any one time during the year.** This means if you had \$10,010 for one day, you still need to file an FBAR. Submit the FBAR via the BSA E filing system or better yet - through the MyExpatTaxes software!

The FBAR is due on April 15th every year to coincide with the tax date for Americans both inland and overseas. However, if you missed out on the filing date, there is no reason to stress. The FBAR has an automatic extension to file until October 15th of that tax year.

Completing the FBAR

To file successfully, you'll need to [Form 114](#), the Report of Foreign Bank and Financial Accounts. **This is already included in the MyExpatTaxes flat fee of 149 Euros per year with your federal tax return.**

The FBAR can be known as a daunting form, which is why we want to make it easier for you and encourage you to sign up through our app and file electronically. Our support team can assist you every step of the way.

Renouncing US Citizenship

Want to Renounce your US Citizenship?

While renouncing your US citizenship is possible, it's not recommended. If you give up your citizenship, finding a job in the US will be difficult, and you may lose the opportunity to pass your citizenship on to your children who could gain US tax benefits. Also, as we have seen throughout the last couple difficult years (2020,2021), when borders and economies close, US citizenship may prove to be especially useful.

The [US Citizenship laws and policies](#) have certain requirements in order for you to renounce responsibly.

All US expats must do four things to relinquish citizenship:

- Have to be tax compliant for five years (no skipping filing and paying taxes!)
- Appear in person before a US consular or diplomatic officer (US Embassy or Consulate)
- Sign an oath of renunciation in person
- Pay a \$2,350* exit fee

*This fee is subject to change anytime!

Renouncing your US Citizenship does not mean you are quite done yet with US taxes though. You will still need to file a final US tax return with the exit form 8854 and comply with all the requirements, otherwise you might be stuck still needing to file US taxes even without US citizenship.

Retiree Support

Retired or Planning to Retire?

If you are planning to retire, you need to know that Americans, both in the US and abroad can gain retirement benefits from the IRS. But this can only happen if you have paid into your Social Security (SS) account over time.

To determine if you are eligible to receive Social Security benefits, much of it will depend on your citizenship, residency status and the agreement the US has with the foreign country you reside in.

The IRS will need coverage in your account (40 credits), or ten years of work that was paid in your SS account to start giving you benefits.

Must-Do for Retirees

If you plan to move abroad and start life as a US retiree, you'll need to do a file a few things for the Social Security Administration:

- Change of address
- Work outside of the US
- Any Marriage or Divorce Paperwork
- ... [and more](#)

If you do fail to report changes to the administration, this could result in benefits stopping or overpayment charges. So it's best to make sure you share the changes with the SS office as soon as you can.

Payments Stopping?

If you are not eligible to receive Social Security, any payments from the IRS will stop after you have been living outside the US for six months. But if you are living in a foreign country which is on the Totalization Agreement list, you can still receive SS benefits as a retiring American abroad. Then, however long you've been outside the US won't matter.

Otherwise, if you are a US citizen living abroad in one of the countries not on the Totalization list (ie: restricted countries), your Social Security payments are withheld until you move to a country on the list, or come back to the US.

Retired Widow

If you are an American abroad who is also a widow (survivor), or a dependent from a deceased taxpayer, you made to meet additional requirements to receive SS benefits, like:

- Being a resident in the foreign country for at least five year
- Having authorization to receive benefits from an individual that died working for the US military
- [Lived in a country on the Totalization list](#)

Get Your SS Payments Online

You can take advantage of online payments, to get faster direct deposits instead of waiting for a paper check in the mail. By having a SS account online, you can prevent future checks from getting lost or stolen. Abroad, your US Consulate can provide more information regarding relevant Federal Benefits Unit offices closest to you. Unlike US tax refunds, US Social Security Benefits can be deposited to a Foreign Bank Account.

Taxable Retirement Benefits

Factually, all Social Security retirement benefits you receive as an American abroad may be taxable income on your US taxes. Meaning, no matter where you live in the world as a US citizen or Greencard Holder, your SS benefits may be taxed.

So plan wisely, we say. SS benefits can be up to 85% taxable on your US taxes. Plus, this can bring a tax liability within the country you are living in. It is even more so if there is no clause between your host country and the US on the American Tax Treaty regarding country taxation rights on SS payments.

Social security benefits are not eligible for the FEIE (Foreign Earned Income Exclusion), due to your SS money not being foreign earned.

Self-Employment Support

Self-Employment Taxes

If it is certain you work for yourself and are in control of the services you perform, then you are self-employed and income you receive from this specific work is subject to self-employment tax. If you are not sure if you are self-employed, [check out this post here](#).

Self-employment tax is essentially Social Security and Medicare taxes. It does not include any other taxes you as a self-employed individual may be required to file.

Social Security taxes help pay for retirement, disability and survivorship. Medicare helps pay for health insurance and benefits you as a US expat can receive when you become a senior.

Filing Taxes as a Self-Employed Person

The threshold to file taxes is very low. As a self-employed person, you need to file if your net earnings of the year were at least \$400. You'll need to file Schedule C, a form that reports to the IRS your profits and/or losses from your company.

You are both employer and employee and need to pay tax separately after calculating your net profit. The process is similar to what wage earners in the US do to withhold their pay.

To file your self-employment taxes, use Schedule SE on Form 1040 or 1040-SR. Our app also has these forms, which you can easily and online in no time. You can also deduct any employer-equivalent portion from your self-employment tax.

Foreign Corporation

If you own a foreign corporation, you'll probably need to fill out Form 5471. If you are involved in a foreign partnership, you'll probably need to file Form 8865.

These forms can be quite complex and incur high penalties. They are offered as additional services to our DIY Tax Software.

Paying for Social Security and Medicare Taxes

In 2022, for the tax year 2021, the [IRS states that US expats who are self-employed](#) will be taxed at 12.4% on \$137,700 of earnings, that can be offset through tax provisions. Then, 2.9% is an additional tax for all earnings to take for the Medicare portion. Therefore, we suggest you budget for about 15.3% of self-employment tax from your net profit.

You can calculate your net profit through Schedule C, and then continue with Schedule SE (or use our app!).

Other Important Info

Your host country that you live in as an American abroad has their own laws regarding social security, health and other fees. It's imperative you check if your country is on the tax treaty Totalization Agreement list. You'll have to see what other legal measures you need to take to make sure your foreign taxes are properly handled.

Are you subject to US self-employment tax?

- If living in totalization treaty country, self-employed AND you are registered in that social security system = NO
- If living in a non-totalization country and self-employed = YES

Reduce your Self-Employment Taxes

It's possible to reduce your self-employment taxes through deducting all your business expenses. How to do it? Many different ways, for example:

- For business meetings and events you commute to
- Section 179 deduction for specific fixed assets from your business
- Home office expenses

and more, our software includes all common self-employment business expense categories.

Unfiled Tax Returns

Penalties for Not Filing

Penalties can get serious if you are an American living abroad, and you failed to file on time. For US expats it's June 15th of every year, with an option to request for an extension.

Unfortunately, if you do not file and the IRS catches you, these are potential penalties:

- Paying a fee of \$10,000 or 5% will be tacked on interest on your taxes until it reaches 25%
- [You won't be able to renew US passport](#) if you are on the hook for a high tax bill

Did you forget or not know how to file? If you were innocent in the matter, you can use the [Streamlined Filing Procedure](#) to get back on track.

To learn more about how the IRS calculates penalties, [please click here](#).

Filing For Previous Years and Back Taxes

Did you miss filing one, two or more tax returns? You could have a backlog of unfiled tax returns on queue, which you'll need to do something about. As an American expat or Green Card Holder living abroad, if you forgot or didn't know you had to file US tax returns and the FBAR annually, there's a tax amnesty solution for you.

[The Streamlined Procedure](#) allows you to avoid tax penalties and fees and put you back on the IRS good list. It's a specific process to walk through, where you will need to have information from the last three years (yearly salary, investments, etc).

Qualify for the Streamlined Procedure

Your actions must be innocent for not filing tax returns in the past. This could mean you didn't know how to file, were unaware of this tax obligation, or forgot. You'll need to sign a statement stating this fact on Form 14653 (or via our expat tax software) when you start filing through this program.

Requirements to File Back Taxes:

You are eligible to use the Streamlined Procedure if you fall within the following guidelines:

- You did not live in a home in the US for the last three years
- Were living outside of the US for at least 330 days in the year
- You have not filed a federal tax return in the last three years
- Haven't filed amended or delinquent tax returns in the past
- Haven't filed the FBAR within the last six years

What do you need for the Streamlined Procedure?

- Three years of back tax returns (not including this year's return)
- Six years of FBAR reports (not including this year's report). FBARs are only required if you have had over \$10,000 in all your foreign financial accounts at any time during the year
- Signed statement on the Certification by U.S. Person Residing Outside of the U.S.

How Much Does it Cost?

Our expat tax software and [Streamlined Procedure service](#) has one of the most affordable packages for Americans abroad. Even if you have a more extensive or complex tax situation, we will not increase our fees for you.

It is a total of 696 Euro including VAT broken down into the following ways: 4 years of tax returns at 149 Euro each (including this tax year's return), plus six years of FBAR reports (if need be), and 100 Euro for extended support that will guide you through the process and make sure all your questions are answered. We say that's pretty reasonable!

[Start Filing Today](#)

