2024

US Expat TAX Guide

The Ultimate Guide to US Taxes for Americans Abroad

my expat taxes

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2024 US Expat Tax Guide

It's 2024, and the US Tax season for 2023 is up to and in full swing. We at MyExpatTaxes want to ensure 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 money and time.

This guide aims to help you become (and stay) tax-compliant! We know no one likes filing a tax return, but at least we can make the process as painless as possible!

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

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/or 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.

Your Tax Profile

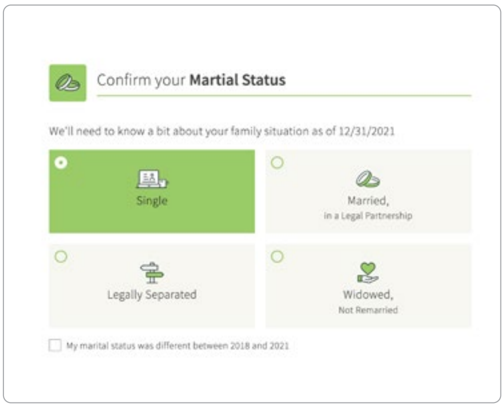
As a US citizen abroad, you may or may not need to file US expat taxes as an American abroad. Depending on your status and gross income, this tax filing threshold will help you determine whether or not you need to file a US tax return.

Pick Your Filing Profile

These filing profiles are put in place by the IRS.
Select the one that fits your particular situation best.

Single

You are not married (to a US Citizen or non-US Citizen) and filing for yourself.



Married Filing Jointly

You're legally married (including common law), and your spouse files US taxes with you using either an SSN or ITIN.

Married Filing Separately

You're married. However, you're not filing with your spouse. For example, they are a non-US Citizen and are not required to file a US tax return.

TAX TIP: Most expats married to non-US citizens will use this filing status.

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. (read more about the head of household on the IRS page).

*Under this requirement, You would still qualify as unmarried 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, whom you normally filed jointly with, passed away.

Check Your Gross Income:

Gross income is normally the total pay that you gain 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, you can check to see if you must file a US tax return as an expat.

US Tax Filing Thresholds for your 2023 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 $13,850

over 65 years old and gross income was at least $15,700

Married Filing Jointly

under 65 (both spouses), and gross income was at least $27,700

65 or older (one spouse), and gross income was at least $29,200

65 or older (both spouses), and gross income was at least $30,700

Married Filing Separately

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

(yes, five US dollars - no typo here)

Please note the STANDARD DEDUCTION though, is the same as for Single above even though the Filing Threshold is lower.

Head of Household

under 65, and gross income was at least $20,800

65 or older, and gross income was at least $22,300

Qualifying Widower

Under 65, and gross income was at least $27,700

65 or older, and gross income was at least $29,200

Get Organized

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

- Your Social Security Number.
- All documents with your sources of income (monthly payslips, invoices, receipts, etc).
- Monthly or end-of-year statements for your foreign bank or investment accounts to see if you had over $10,000 combined from all your foreign financial accounts at any time during the year.

Know the US Tax Deadlines

Owe taxes?

You'll need to pay by **April 15th** if you have taxes owed.

TAX TIP: There is no expat extension for PAYING taxes. If you believe you must pay taxes, we recommend filing and paying by the standard April 15th deadline.

Need to file taxes?

US expats can file later in the game due to an automatic extension granted to anyone living outside the United States. Expats have until **June 15th** to file their return. This automatic extension is for filing only, not for payment of taxes owed.

Need an Extension?

If you can't file by the June 15th expat tax deadline, requesting an additional extension is easy. MyExpatTaxes offers FREE tax extension filing to all users – even those not paying users. To file Form 4868 for free with MET, log in or create a free account and submit your extension.

Once your extension is approved, you'll have until October 15th to file your US tax return.

TAX TIP: You need to request your extension BEFORE your regular deadline. For most expats, this date is June 15th.

Final tax deadline for US expats?

That would be **December 15th**. If you still need additional filing time, apply for this extension before the October 15th deadline. This extension requires a special mailed request to the IRS. Currently, you cannot request this extension online.

2020 & 2021 Pandemic and Taxes

Coronavirus & Stimulus Check Information

2024 is your last chance to claim all three COVID relief payments.
If you do not claim your 2020 Stimulus Payments this year, consider them gone.

Due to the coronavirus pandemic, the US government issued three total stimulus payments to offer economic relief to American citizens. 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, even as an American abroad.

How to qualify for the latest (3rd) round of payments?

You need to meet the following requirements:

- You filed your 2020 & 2021 US tax returns to the IRS (if you haven't filed these yet, you can do so using the Streamlined Amnesty Program).
- Were not dependent of another taxpayer in 2020 or 2021.
- 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'll claim any missing 3rd round stimulus payments on your 2021 tax return and claim missing 1st and 2nd round stimulus payments on your 2020 Tax Return.

Calculate how much you could receive in Stimulus payment.

Learn more about how to get your Stimulus Checks.

Check out your stimulus check status on the IRS website.

Filing & Paying Taxes Support

Paying Taxes on Foreign Income and US Income

This section teaches you about filing and paying taxes for US expats. Plus, we'll cover foreign income, the exact forms you need 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 when exceeding the filing threshold is obligatory. Plus, you may be liable to pay US taxes, which we'll get into below.

Any foreign-sourced income you make is technically taxable at the same marginal rate as any other regular income earned within the country.

To avoid double taxation - which is when the US and the foreign country you live in both place tax on your income - the IRS allows expat tax benefits. The two primary benefits are The Foreign Earned Income Exclusion (FEIE) and the Foreign Tax Credit (FTC).

We'll cover more about the FEIE and FTC later, but in short:

With the FEIE, you can exclude up to $120,000 of foreign-earned income for 2023 (filing in 2024). That means you'll pay no US income taxes on the excluded income.

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. In other words, the US allows you to say, "Hey, I already paid XYZ income taxes," and get a credit for that amount on your US taxes.

Learn more about paying taxes on US and Foreign income.

In addition to those two commonly used expat tax benefits, US tax treaties prevent double taxation on certain types of income. You'll want to see if your country has a tax treaty with the US and how it applies to you. For most expats, the FEIE and FTC are enough to offset any possible taxes owed.

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!)

Sound like a lot of work? Don't worry; you don't need to manually fill them out. MyExpatTaxes software has all the necessary forms, making 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 amend a mistake via your federal tax form. This form can correct forms 1040, 1040-A, 1040-EZ, 1040-NR, or 1040-NR EZ. You can also change the income amounts the IRS previously adjusted and claim 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 if you are asking for a refund. For example, if you made a mistake on your 2020 tax return (due normally June 15th, 2021, for expats), you have until June 15th, 2024, to make the necessary changes to claim your refund.

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

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 ignore your missing schedule and process your return.

Suppose you mistakenly entered the wrong information using the MyExpatTaxes process in our Professional or Premium tier filing. In that case, we will help you amend your tax return.

Expat Tax Benefits

Avoid Double Taxation with these Expat 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 must pay Dutch and US taxes from the same source of money. This is double taxation. Luckily, expat tax benefits and treaties can help prevent you from being double-taxed.

So what are these tax benefits and tax treaties to prevent American expats from being double-taxed? They are as follows:

Foreign Earned Income Exclusion:

he Foreign Earned Income Exclusion, or FEIE, is also known as Form 2555 by the IRS. This expat benefit allows you to exclude up to a certain amount of foreign-earned income from your US taxes. In 2024, for the 2023 tax year, you can **exclude up to $120,000 of foreign earned income**. Make sure you convert your foreign currency to US dollars to see if you make it under the limit (or MyExpatTaxes' 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 ($120,000).

- **Physical Presence Test:**

  You must be outside 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.

You only need to qualify for one of these tests to be eligible for the FEIE.

If you are, 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?

- Let's say you earned $142,900 as a foreign income. Subtract the maximum exclusion rate ($120,000) from your yearly salary. This leaves $22,900 that becomes taxable by the IRS.

The taxable amount is taxed at the rate applied to what you originally earned. It's known as the stacking rule. Any other income from pension funds, interest, capital gains, etc, cannot be excluded from the IRS foreign income exclusion. You can also increase your foreign exclusion with qualified housing expenses.

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 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. For example, if you paid 3000 US dollars (after conversion) to the Icelandic government as a resident of the foreign country, you could take a 3000 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 how much 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 FTC you can claim on your federal tax return through Form 1116

TAX TIP: Keep records of all unused foreign tax credits for the next tax year. These credits are available to carry over for ten years. Unused tax credits are those you didn't have US taxes to apply. Meaning you can still use the credits in the future if you need them.

If you have US-sourced income from business trips or other reasons 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 eliminate dual-income taxation for Americans living and working abroad.

Tax Treaties are especially helpful when determining how to declare income forms such as pensions, social security benefits, alimony, etc. Since these are all considered unearned income, they cannot be excluded via the FEIE, and they may not be subject to local income tax in your resident country.

Tax Treaties are different than Totalization Agreements. More on Totalization Agreements below. 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 your foreign country does not have a treaty with the US and the FEIE and FTC do not cover your full income, you could be double-taxed. Being double taxed is when you pay tax on the same income to the US and foreign countries.

Find out if your country has a tax treaty with the US.

Totalization Agreements (US Self-Employment Tax)

The Totalization Agreement results from the US and IRS coming together with 26 countries worldwide to place measures for preventing dual social security taxation for Americans abroad.

Americans who reside in countries such as France, Germany, Belgium, and Australia can avoid dual social security taxes because they can choose the country where they wish to pay Social Security. For the full list of the countries included and not included, follow the link to the Totalization Agreement list.

These agreements for US citizens abroad factor in where you are hired, where your employment is sourced, and how long you plan to stay abroad. Totalization agreements help American expats avoid foreign social security costs if they do not plan to stay overseas for more than five 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 five years, you can normally pay into the social insurance of the foreign country you are living in. After all, you will want to be covered based on 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 through 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 refers to the refundable portion. In this sense, additional does not mean an additional credit or child! It simply means you can be issued this portion of the credit as a refund.

MyExpatTaxes specializes in getting US Expats their due Additional Child Tax Credit, even if that means amending prior year returns.
See if you are eligible for the Additional Child Tax Refund.

You may have noticed in 2021, there were a LOT of changes to the (Additional) Child Tax Credit due to the pandemic. If you didn't claim your full tax credit – you can do so via an amendment. For Tax Years 2022 and 2023, you'll notice most things going back to "normal," except with the bonus that expats get an increased refund amount. To make it even clearer, we'll put things side by side.

	Tax Year 2021	Tax Year 2022	Tax Year 2023
Max Age Limit	18	17	17
Non-Refundable Child Tax Credit	$3,600 for under 6 $3,000 for 6 and over	$2,000	$2,000
Additional Child Tax Credit	$3,600 for under 6 $3,000 for 6 and over	$1,500	$1,600
Other Dependent Credit	$500	$500	$500

Max Age Limit: Only qualifying dependents under the max age limit are eligible for the (Additional) Child Tax Credit. If your child was UNDER the maximum 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 17 on December 1st, 2023. They are not UNDER 17, so they are not eligible for the (Additional) Child Tax Credit on your 2023 Tax Return.

For 2023 Tax Returns

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

Additional Child Tax Credit:

For 2023 Tax Returns

If families do not owe US taxes, a max of $1,600 of the $2,000 credit per qualifying child is refundable.

Meaning 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 $1,600 per child per year!

Foreign Housing Exclusion

The Foreign Housing Exclusion allows US citizens abroad to deduct any excess housing expenses paid by the employer over 16% of that year's Foreign Earned Income Exclusion (FEIE) amount ($120,000 in 2024 for the 2023 tax year). Additionally, qualified housing expenses 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 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 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 MET.

The MET software can determine if you qualify for the exclusion and receive a refund.
Learn more about the Foreign Housing Exclusion tax benefits.

Foreign Bank Account (FBAR)

Every foreign bank account you open as an American abroad connects you to the FATCA law. This law allows the US Department of Treasury to access your bank account to ensure no illegal activity. Additionally, if you have over $10,000 from all of your foreign bank accounts combined, at any time during the year, you'll need to fill out a Foreign Bank Account Report.

Your Foreign Bank Account and FATCA

FATCA stands for the Foreign Account Tax Compliance Act. The 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 and willing to comply with FATCA laws. This means it is possible to get rejected by a foreign bank because you are a US citizen, and the bank does not want to comply with the regulations.

If the bank allows you, as an expat, access to a foreign bank account, you must fill out and sign lots of paperwork. Some 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

In addition to the FBAR, under FATCA, form 8938 must be filled out if the total value of all your specified foreign financial assets in which you have an interest 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 they 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 interes.*
- 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: IRS

Want to know more? Check out the MyExpatTaxes blog about FATCA for Americans Abroad.

The FBAR and Its Importance

The FBAR stands for the Foreign Bank Account Report. It's a form that US Americans abroad must fill out if they have a bank (or any other financial) account established overseas. This form is strictly for information tracking purposes, and you shouldn't be taxed on your foreign bank accounts. The FBAR does not go to the IRS but to the Financial Crimes Enforcement Network (FinCEN), part of the US Department of Treasury.

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

If you have any foreign bank or financial accounts as an American abroad, you must keep track of your accounts and check your bank statements. **An FBAR is required every year if you have over $10,000 within all your foreign financial accounts at any time during the year.** If you had $10,010 for one day, you must still file an FBAR. Submit the FBAR via the BSA E-filing system or, better yet – with expert support through MyExpatTaxes or MyExpatFBAR!

The FBAR is due on April 15th every year to coincide with the tax date for Americans both inland and overseas. However, there is no reason to stress if you missed the filing date. The FBAR has an automatic extension to file until October 15th of that tax year. Automatic means you don't even need to request the extension. It's applied to Americans outside the US automatically.

Completing the FBAR

You'll need Form 114, to file successfully. **MyExpatTaxes, always includes Form 114 with your federal tax return.**

The FBAR, though known as a daunting form, doesn't need to be. It's exactly why we created MyExpatTaxes: to make it easier for you to stay IRS and FinCEN compliant. Our support team can assist you every step of the way.

What if I don't Need to file Taxes? Do I still need to file an FBAR?

Yes! Even if you don't meet the requirements to file a US tax return, you are still obligated to file an FBAR if you meet the $10,000 minimum account balance.

Thankfully, MyExpatTaxes has launched MyExpatFBAR to make filing your FBAR online easy - even without a tax return.

File with MyExpatFBAR

Renouncing US Citizenship

Should I Renounce my US Citizenship?

While renouncing your US citizenship is possible, we don't typically recommend it. 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.

The US Citizenship laws and policies require you to renounce responsibly.

All US expats must do four things to relinquish citizenship:

- 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 the $2,350* exit fee
  *This fee is subject to change anytime!

Renouncing your US Citizenship does not mean you are done with US taxes, though. You will still need to file a final US tax return with Exit Form 8854 and comply with all the requirements. Otherwise, you might still need to file US taxes even without US citizenship.

Retiree Support

Retired or Planning to Retire?

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

Determining if you are eligible to receive Social Security benefits will depend largely 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 paid into 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 file a few things for the Social Security Administration:

- Change of address
- Work outside of the US
- Any Marriage or Divorce Paperwork
- ... and more

Failure to report changes to the SS administration could result in your benefits stopping or overpayment charges. This is why it's best to ensure you share the changes with the Social Security office as soon as possible.

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 live in a foreign country on the Totalization Agreement list, you can still receive SS benefits as a retired American abroad. Then, however long you've been outside the US won't matter.

Don't live in a country on the Totalization list? You won't necessarily lose your SS benefits forever. Your Social Security payments are withheld until you move to a country on the list or return to the US.

Retired Widow

Suppose you are an American abroad who is also a widow (survivor) or a dependent from a deceased taxpayer. In that case, you may need to meet additional requirements to receive your Social Security benefits, such as:

- Being a resident of the foreign country for at least five years
- Having authorization to receive benefits from an individual who died working for the US military
- Lived in a country on the Totalization list

Get Your SS Payments Online

You can use online payments to get faster direct deposits instead of waiting for a paper check in the mail. An SS account online will 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, the IRS can direct deposit US Social Security Benefits into Foreign Bank Accounts.

Taxable Retirement Benefits

All Social Security retirement benefits you receive as an American abroad may be taxable on your US taxes. No matter where you live as a US citizen or a green card 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 your country, 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) because your SS money is not foreign earned.

Self-Employment Support

Self-Employment Taxes

If you work for yourself and are in control of the services you perform, then you are self-employed, and the income you receive from this work is subject to self-employment tax, even while living outside the United States. If you are unsure if you are considered self-employed, check out the MET blog Self-Employment as an American Abroad.

In the US, self-employment taxes are primarily 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 benefits. Medicare helps pay for health insurance coverage and benefits you, as a US expat, can receive when you become a senior.

Filing Taxes as a Self-Employed Person

The bad news is that the threshold to file taxes is very low for Self-Employed expats. As a self-employed person, you must file if your net annual earnings reach just $400. You'll need to file Schedule C, a form that reports your company's profits and/or losses to the IRS.

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

Use Schedule SE on Form 1040 or 1040-SR to file your self-employment taxes. The MyExpat-Taxes software also has these forms, which you can easily e-file online in no time. You can also deduct any employer-equivalent portion from your self-employment tax.

Foreign Corporation

You'll probably need to complete Form 5471 if you own a foreign corporation. 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. With MET, they are available as additional services to the DIY Tax Software.

Paying for Social Security and Medicare Taxes

In 2024, for the tax year 2023, the IIS states that self-employed US expats will be taxed 12.4% for social security, which 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 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 let MyExpatTaxes do it for you!).

Other Important Info

The host country you live in as an American abroad has laws regarding social security, health, and other fees. You must check if your country is on the tax treaty Totalization Agreement list. You'll have to see what other legal measures you must take to ensure your foreign taxes are properly handled.

Are you subject to US self-employment tax?

- If living in a totalization treaty country, self-employed,
  AND 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 by 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, MET 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 fail to file on time. For US expats, it's June 15th of every year, with an option to request an extension.

Unfortunately, if you do not file and the IRS catches you, there 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, you can use the Streamlined Filing Procedure to get back on track. 2024 is the last year to claim all three Covid relief payments. We suggest Streamlining right away to make the most of your tax refund potential.

As long as you file, you should be okay. However, if that doesn't satisfy your concerns, you can read more about how the IRS calculates penalties.

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 in the 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 prevents tax penalties and fees and puts you back on the IRS good list. It's a specific process to walk through, where you will need 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. When you start filing through this program, you must sign a statement stating this fact on Form 14653 (or via our expat tax software).

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

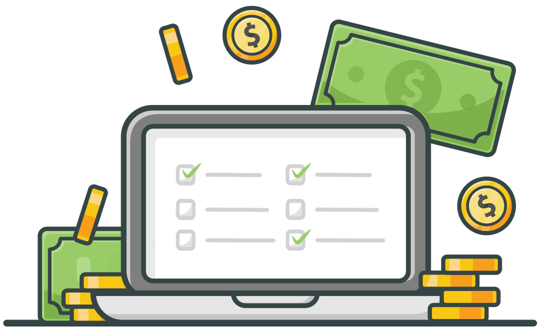
What do you need for the Streamlined Procedure?

- 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?

The cost of filing the Streamlined procedure can vary. It is possible to do it yourself, but it is complicated alone. Most Expat Accounts will charge thousands of dollars. Luckily, MyExpatTaxes software and Streamlined Procedure service are among the most affordable ways for Americans abroad to be tax compliant. Even if you have a more extensive or complex tax situation, we will not increase our fees for you.

Start Filing Today



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