

# Publication 54

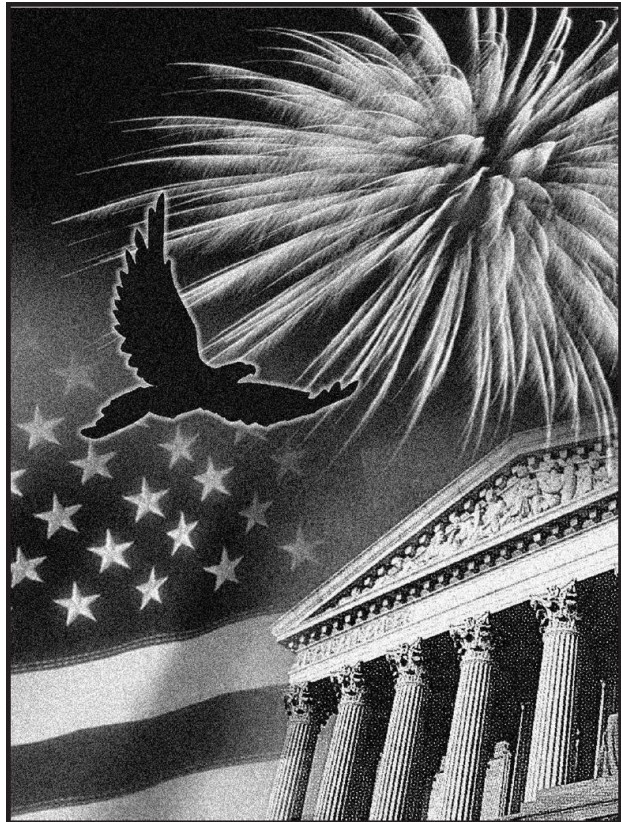
(Rev. December 2025)

## Tax Guide for U.S. Citizens and Resident Aliens Abroad

For use in preparing

**2025** Returns

Volume 3 of 3



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- [IRS.gov](https://www.irs.gov) (English)
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***Investment income.*** If you are a U.S. resident, investment income, such as interest and dividends, that you receive from sources in a treaty country may be exempt from that country's income tax or taxed at a reduced rate.

Several treaties provide exemption for capital gains (other than from sales of real property in most cases) if specified requirements are met.

***Relief from double taxation.*** In general, most treaties relieve double taxation through U.S. domestic law provisions that allow you to take a credit against or deduction from U.S. tax based on the tax paid to the treaty country.

***Nondiscrimination provisions.*** Most U.S. tax treaties provide that the treaty country cannot discriminate by imposing more burdensome taxes on U.S. citizens who are

residents of the treaty country than it imposes on its own citizens in the same circumstances.

***Saving clauses.*** U.S. treaties contain saving clauses that provide that the treaties do not affect the U.S. taxation of its own citizens and residents. As a result, U.S. citizens and residents cannot generally use the treaty to reduce their U.S. tax liability.

However, most treaties provide exceptions to saving clauses that allow certain provisions of the treaty to be claimed by U.S. citizens or residents, such as the non-discrimination provisions. It is important that you examine the applicable saving clause to determine if an exception applies.

**More information on treaties.** Pub. 901, U.S. Tax Treaties, available at [IRS.gov/Pub901](https://www.irs.gov/pub901), contains an explanation of treaty provisions that apply to amounts received by teachers, students, workers, and government employees and pensioners who

are alien nonresidents or residents of the United States. Because treaty provisions are generally reciprocal, you can usually substitute "U.S." for the name of the treaty country whenever it appears, and vice versa when "U.S." appears in the treaty exemption discussions in [Pub. 901.](#)

Pub. 597, Information on the United States–Canada Income Tax Treaty, available at [IRS.gov/Pub597](#), contains an explanation of a number of frequently used provisions of the United States–Canada income tax treaty.

## **Competent Authority Assistance**

If you are a U.S. citizen or resident alien, you can request assistance from the U.S. competent authority if you think that the actions of the United States, a treaty country, or both, cause or will cause you to incur a tax situation not intended by the treaty between the two countries.

You should read any treaty articles, including the mutual agreement procedure article, that apply in your situation.

The U.S. competent authority cannot consider requests involving countries with which the United States does not have a tax treaty.

Instructions for how to prepare and submit a request are available at [IRS.gov/CompetentAuthority](https://www.irs.gov/CompetentAuthority).

Your request for competent authority consideration should be addressed to:

Commissioner  
Large Business and International Division  
1111 Constitution Ave. NW  
Washington, DC 20224  
SE:LB:TTPO:APMA:TAIT:K  
NCA 570-03  
(Attention: TAIT)

## Obtaining Copies of Tax Treaties

You can get complete information about treaty provisions from the taxing authority in the country from which you receive income or from the treaty itself. You can obtain the text of most U.S. treaties at [IRS.gov/Businesses/International-Businesses/United-States-Income-Tax-Treaties-A-to-Z](https://www.irs.gov/Businesses/International-Businesses/United-States-Income-Tax-Treaties-A-to-Z). Additional information on tax treaties is available at [IRS.gov/Individuals/International-Taxpayers/Tax-Treaties](https://www.irs.gov/Individuals/International-Taxpayers/Tax-Treaties).

## 7.

## How To Get Tax Help

If you are overseas and need tax help, see *Taxpayer Assistance Outside the United States*, later.

# **Taxpayer Assistance Inside the United States**

If you have questions about a tax issue; need help preparing your tax return; or want to download free publications, forms, or instructions, go to [IRS.gov](https://www.irs.gov) to find resources that can help you right away.

**Tax reform.** Tax reform legislation impacting federal taxes, credits, and deductions was enacted in P.L. 119-21, commonly known as the One Big Beautiful Bill Act on July 4, 2025. Go to [IRS.gov/OBBB](https://www.irs.gov/OBBB) for more information and updates on how this legislation affects your taxes.

## **Preparing and filing your tax return.**

After receiving all your wage and earnings statements (Forms W-2, W-2G, 1099-R, 1099-MISC, 1099-NEC, etc.); unemployment compensation statements (by mail or in a digital format) or other government payment statements (Form 1099-G); and interest,



dividend, and retirement statements from banks and investment firms (Forms 1099), you have several options to choose from to prepare and file your tax return. You can prepare the tax return yourself, see if you qualify for free tax preparation, or hire a tax professional to prepare your return.

**Free options for tax preparation.** Your options for preparing and filing your return online or in your local community, if you qualify, include the following.

- **Free File.** This program lets you prepare and file your federal individual income tax return for free using software or Free File Fillable Forms. However, state tax preparation may not be available through Free File. Go to [IRS.gov/FreeFile](https://www.irs.gov/freefile) to see if you qualify for free online federal tax preparation, e-filing, and direct deposit or payment options.

- **VITA.** The Volunteer Income Tax Assistance (VITA) program offers free tax help to people with low-to-moderate incomes, persons with disabilities, and limited-English-speaking taxpayers who need help preparing their own tax returns. Go to [IRS.gov/ VITA](https://www.irs.gov/VITA), download the free IRS2Go app, or call 800-906-9887 for information on free tax return preparation.
- **TCE.** The Tax Counseling for the Elderly (TCE) program offers free tax help for all taxpayers, particularly those who are 60 years of age and older. TCE volunteers specialize in answering questions about pensions and retirement-related issues unique to seniors. Go to [IRS.gov/TCE](https://www.irs.gov/TCE) or download the free IRS2Go app for information on free tax return preparation.

- **MilTax.** Members of the U.S. Armed Forces and qualified veterans may use MilTax, a free tax service offered by the Department of Defense through Military OneSource. For more information, go to [MilitaryOneSource](https://www.militaryonesource.com/miltax) ([MilitaryOneSource.mil/MilTax](https://www.militaryonesource.com/miltax)).

Also, the IRS offers Free Fillable Forms, which can be completed online and then e-filed regardless of income.

**Using online tools to help prepare your return.** Go to [IRS.gov/Tools](https://www.irs.gov/tools) for the following.

- The [Earned Income Tax Credit Assistant](https://www.irs.gov/eitcassistant) ([IRS.gov/ EITCAssistant](https://www.irs.gov/eitcassistant)) determines if you're eligible for the earned income credit (EIC).
- The [Online EIN Application](https://www.irs.gov/ein) ([IRS.gov/EIN](https://www.irs.gov/ein)) helps you get an employer identification number (EIN) at no cost.

- The [Tax Withholding Estimator](https://www.irs.gov/W4App) ([IRS.gov/W4App](https://www.irs.gov/W4App)) makes it easier for you to estimate the federal income tax you want your employer to withhold from your paycheck. This is tax withholding. See how your withholding affects your refund, take-home pay, or tax due.
- The [Sales Tax Deduction Calculator](https://www.irs.gov/SalesTax) ([IRS.gov/ SalesTax](https://www.irs.gov/SalesTax)) figures the amount you can claim if you itemize deductions on Schedule A (Form 1040).



**Getting answers to your tax questions.** On IRS.gov, you can get up-to-date information on current events and changes in tax law.

- [IRS.gov/Help](https://www.irs.gov/Help): A variety of tools to help you get answers to some of the most common tax questions.
- [IRS.gov/ITA](https://www.irs.gov/ITA): The Interactive Tax Assistant, a tool that will ask you questions and, based on your input,

provide answers on a number of tax topics.

- [IRS.gov/Forms](https://www.irs.gov/forms): Find forms, instructions, and publications. You will find details on the most recent tax changes and interactive links to help you find answers to your questions.
- You may also be able to access tax information in your e-filing software.

**Need someone to prepare your tax return?** There are various types of tax return preparers, including enrolled agents, certified public accountants (CPAs), accountants, and many others who don't have professional credentials. If you choose to have someone prepare your tax return, choose that preparer wisely. A paid tax preparer is:

- Primarily responsible for the overall substantive accuracy of your return,
- Required to sign the return, and

- Required to include their preparer tax identification number (PTIN).



*Although the tax preparer always signs the return, you're ultimately responsible for providing all the information required for the preparer to accurately prepare your return and for the accuracy of every item reported on the return. Anyone paid to prepare tax returns for others should have a thorough understanding of tax matters. For more information on how to choose a tax preparer, go to [Tips for Choosing a Tax Preparer](#) on IRS.gov.*

**Employers can register to use Business Services Online.** The Social Security Administration (SSA) offers online service at [SSA.gov/employer](https://ssa.gov/employer) for fast, free, and secure W-2 filing options to CPAs, accountants, enrolled agents, and individuals who process Form W-2, Wage and Tax Statement; and Form W-2c, Corrected Wage and Tax Statement.

**Business tax account.** If you are a sole proprietor, a partnership, or an S corporation, you can view your tax information on record with the IRS and do more with a business tax account. Go to [IRS.gov/BusinessAccount](https://www.irs.gov/BusinessAccount) for more information.

**IRS social media.** Go to [IRS.gov/SocialMedia](https://www.irs.gov/SocialMedia) to see the various social media tools the IRS uses to share the latest information on tax changes, scam alerts, initiatives, products, and services. At the IRS, privacy and security are our highest priority. We use these tools to share public information with you. **Don't** post your social security number (SSN) or other confidential information on social media sites. Always protect your identity when using any social networking site.

The following IRS YouTube channels provide short, informative videos on various tax-related topics in English and ASL.

- [Youtube.com/irsvideos](https://www.youtube.com/irsvideos).
- [Youtube.com/irsvideosASL](https://www.youtube.com/irsvideosASL).

**Free Over-the-Phone Interpreter (OPI) Service.** The IRS is committed to serving taxpayers with limited-English proficiency (LEP) by offering OPI services. The OPI Service is a federally funded program and is available at Taxpayer Assistance Centers (TACs), most IRS offices, and every VITA/TCE tax return site. This service is available in Spanish, Mandarin, Cantonese, Korean, Vietnamese, Russian, and Haitian Creole.

**Accessibility Helpline available for taxpayers with disabilities.** Taxpayers who need information about accessibility services can call 833-690-0598. The Accessibility Helpline can answer questions related to current and future accessibility products and services available in alternative media formats (for example, braille, large print, audio, etc.). The Accessibility Helpline does not have access to your IRS account.



For help with tax law, refunds, or account-related issues, go to [IRS.gov/LetUsHelp](https://www.irs.gov/LetUsHelp).

**Alternative media preference.** Form 9000, Alternative Media Preference, or Form 9000(SP) allows you to elect to receive certain types of written correspondence in the following formats.

- Standard Print.
- Large Print.
- Braille.
- Audio (MP3).
- Plain Text File (TXT).
- Braille Ready File (BRF).

**Disasters.** Go to [IRS.gov/DisasterRelief](https://www.irs.gov/DisasterRelief) to review the available disaster tax relief.

**Getting tax forms and publications.** Go to [IRS.gov/ Forms](https://www.irs.gov/Forms) to view, download, or print all the forms, instructions, and publications you

may need. Or, you can go to [IRS.gov/OrderForms](https://www.irs.gov/OrderForms) to place an order.

**Mobile-friendly forms.** You'll need an IRS Online Account (OLA) to complete mobile-friendly forms that require signatures. You'll have the option to submit your form(s) online or download a copy for mailing. You'll need scans of your documents to support your submission. Go to [IRS.gov/MobileFriendlyForms](https://www.irs.gov/MobileFriendlyForms) for more information.

**Getting tax publications and instructions in eBook format.** Download and view most tax publications and instructions (including the Instructions for Form 1040) on mobile devices as eBooks at [IRS.gov/eBooks](https://www.irs.gov/eBooks).

IRS eBooks have been tested using Apple's iBooks for iPad. Our eBooks haven't been tested on other dedicated eBook readers, and eBook functionality may not operate as intended.

**Access your online account (individual taxpayers only).** Go to [IRS.gov/Account](https://www.irs.gov/Account) to securely access information about your federal tax account.

- View the amount you owe and a breakdown by tax year.
- See payment plan details or apply for a new payment plan.
- Make a payment or view 5 years of payment history and any pending or scheduled payments.
- Access your tax records, including key data from your most recent tax return, and transcripts.
- View digital copies of select notices from the IRS.
- Approve or reject authorization requests from tax professionals.

**Get a transcript of your return.** With an online account, you can access a variety of information to help you during the filing season. You can get a transcript, review your most recently filed tax return, and get your adjusted gross income. Create or access your online account at [IRS.gov/Account](https://www.irs.gov/Account).

**Tax Pro Account.** This tool lets your tax professional submit an authorization request to access your individual taxpayer IRS OLA. For more information, go to [IRS.gov/ TaxProAccount](https://www.irs.gov/TaxProAccount).

**Using direct deposit.** The safest and easiest way to receive a tax refund is to *e-file* and choose direct deposit, which securely and electronically transfers your refund directly into your financial account. Direct deposit also avoids the possibility that your check could be lost, stolen, destroyed, or returned undeliverable to the IRS. Eight in 10 taxpayers use direct deposit to receive their refunds.

If you don't have a bank account, go to [IRS.gov/ DirectDeposit](https://www.irs.gov/directdeposit) for more information on where to find a bank or credit union that can open an account online.

## **Reporting and resolving your tax-related identity theft issues.**

- Tax-related identity theft happens when someone steals your personal information to commit tax fraud. Your taxes can be affected if your SSN is used to file a fraudulent return or to claim a refund or credit.
- The IRS doesn't initiate contact with taxpayers by email, text messages (including shortened links), telephone calls, or social media channels to request or verify personal or financial information. This includes requests for personal identification numbers (PINs), passwords, or similar information for credit cards, banks, or other financial accounts.

- Go to [IRS.gov/IdentityTheft](https://www.irs.gov/IdentityTheft), the IRS Identity Theft Central webpage, for information on identity theft and data security protection for taxpayers, tax professionals, and businesses. If your SSN has been lost or stolen or you suspect you're a victim of tax-related identity theft, you can learn what steps you should take.
- Get an Identity Protection PIN (IP PIN). IP PINs are six-digit numbers assigned to taxpayers to help prevent the misuse of their SSNs on fraudulent federal income tax returns. When you have an IP PIN, it prevents someone else from filing a tax return with your SSN. To learn more, go to [IRS.gov/IPPIN](https://www.irs.gov/IPPIN).

## **Ways to check on the status of your refund.**

- Go to [IRS.gov/Refunds](https://www.irs.gov/Refunds).

- Download the official IRS2Go app to your mobile device to check your refund status.
- Call the automated refund hotline at 800-829-1954.



*The IRS can't issue refunds before mid-February for returns that claimed the EIC or the additional child tax credit (ACTC). This applies to the entire refund, not just the portion associated with these credits.*

**Making a tax payment.** The IRS recommends paying electronically whenever possible. Options to pay electronically are included in the list below. Payments of U.S. tax must be remitted to the IRS in U.S. dollars. [Digital assets](#) are **not** accepted. Go to [IRS.gov/Payments](https://www.irs.gov/Payments) for information on how to make a payment using any of the following options.

- [IRS Direct Pay](#): Pay taxes from your bank account. It's free and secure, and no sign-

in is required. You can change or cancel within two days of scheduled payment.

- [\*Debit Card, Credit Card, or Digital Wallet:\*](#) Choose an approved payment processor to pay online or by phone.
- [\*Electronic Funds Withdrawal:\*](#) Schedule a payment when filing your federal taxes using tax return preparation software or through a tax professional.
- [\*Electronic Federal Tax Payment System:\*](#) This is the best option for businesses. Enrollment is required.
- [\*Check or Money Order:\*](#) Mail your payment to the address listed on the notice or instructions.
- [\*Cash:\*](#) You may be able to pay your taxes with cash at a participating retail store.
- [\*Same-Day Wire:\*](#) You may be able to do same-day wire from your financial institution. Contact your financial



institution for availability, cost, and time frames.

**Note:** The IRS uses the latest encryption technology to ensure that the electronic payments you make online, by phone, or from a mobile device using the IRS2Go app are safe and secure. Paying electronically is quick and easy.

**What if I can't pay now?** Go to [IRS.gov/Payments](https://www.irs.gov/Payments) for more information about your options.

- Apply for an [online payment agreement \(IRS.gov/ OPA\)](https://www.irs.gov/OPA) to meet your tax obligation in monthly installments if you can't pay your taxes in full today. Once you complete the online process, you will receive immediate notification of whether your agreement has been approved.
- Use the [Offer in Compromise Pre-Qualifier](https://www.irs.gov/oc/prequalifier) to see if you can settle your tax debt for less than the full amount you owe. For

more information on the Offer in Compromise program, go to [IRS.gov/OIC](https://www.irs.gov/OIC).

**Filing an amended return.** Go to [IRS.gov/Form1040X](https://www.irs.gov/Form1040X) for information and updates.

**Checking the status of your amended return.** Go to [IRS.gov/WMAR](https://www.irs.gov/WMAR) to track the status of Form 1040-X amended returns.



*It can take up to 3 weeks from the date you filed your amended return for it to show up in our system, and processing it can take up to 16 weeks.*

**Understanding an IRS notice or letter you've received.** Go to [IRS.gov/Notices](https://www.irs.gov/Notices) to find additional information about responding to an IRS notice or letter.

**IRS Document Upload Tool.** You may be able use the Document Upload Tool to respond digitally to eligible IRS notices and letters by securely uploading required

documents online through IRS.gov. For more information, go to [IRS.gov/DUT](https://www.irs.gov/DUT).

**Schedule LEP.** You can use Schedule LEP (Form 1040), Request for Change in Language Preference, to state a preference to receive notices, letters, or other written communications from the IRS in an alternative language. You may not immediately receive written communications in the requested language. The IRS's commitment to LEP taxpayers is part of a multi-year timeline that began providing translations in 2023. You will continue to receive communications, including notices and letters, in English until they are translated to your preferred language.

**Contacting your local TAC.** Keep in mind, many questions can be answered on IRS.gov without visiting a TAC. Go to [IRS.gov/LetUsHelp](https://www.irs.gov/LetUsHelp) for the topics people ask about most.

If you still need help, TACs provide tax help when a tax issue can't be handled online or by phone. All TACs now provide service by appointment, so you'll know in advance that you can get the service you need without long wait times. Before you visit, go to [IRS.gov/TACLocator](https://www.irs.gov/TACLocator) to find the nearest TAC and to check hours, available services, and appointment options. Or, on the IRS2Go app, under the Stay Connected tab, choose the Contact Us option and click on "Local Offices."

Below is a message to you from the Taxpayer Advocate Service, an independent organization established by Congress.

## **The Taxpayer Advocate Service (TAS) Is Here To Help You**

### **What Is the Taxpayer Advocate Service?**

The Taxpayer Advocate Service (TAS) is an ***Independent*** organization within the Internal Revenue Service (IRS).

TAS helps taxpayers resolve problems with the IRS, makes administrative and legislative recommendations to prevent or correct the problems, and protects taxpayer rights. We work to ensure that every taxpayer is treated fairly and that you know and understand your rights under the Taxpayer Bill of Rights. We are Your Voice at the IRS.

## **How Can TAS Help Me?**

TAS can help you resolve problems that you haven't been able to resolve with the IRS on your own. Always try to resolve your problem with the IRS first, but if you can't, then come to TAS. ***Our services are free.***

- TAS helps all taxpayers (and their representatives), including individuals, businesses, and exempt organizations. You may be eligible for TAS help if your IRS problem is causing financial difficulty, if you've tried and been unable to resolve your issue with the IRS, or if you believe

an IRS system, process, or procedure just isn't working as it should.

- To get help any time with general tax topics, visit [www.TaxpayerAdvocate.IRS.gov](http://www.TaxpayerAdvocate.IRS.gov). The site can help you with common tax issues and situations, such as what to do if you make a mistake on your return or if you get a notice from the IRS.
- TAS works to resolve large-scale (systemic) problems that affect many taxpayers. You can report systemic issues at [www.IRS.gov/SAMS](http://www.IRS.gov/SAMS). (Be sure not to include any personal identifiable information.)

## **How Do I Contact TAS?**

TAS has offices in every state, the District of Columbia, and Puerto Rico.

To find your local advocate's number:

- Go to [www.TaxpayerAdvocate.IRS.gov/Contact-Us](http://www.TaxpayerAdvocate.IRS.gov/Contact-Us),
- Check your local directory, or
- Call TAS toll free at 877-777-4778.

## **What Are My Rights as a Taxpayer?**

The Taxpayer Bill of Rights describes ten basic rights that all taxpayers have when dealing with the IRS. Go to [www.TaxpayerAdvocate.IRS.gov/Taxpayer-Rights](http://www.TaxpayerAdvocate.IRS.gov/Taxpayer-Rights) for more information about the rights, what they mean to you, and how they apply to specific situations you may encounter with the IRS. TAS strives to protect taxpayer rights and ensure the IRS is administering the tax law in a fair and equitable way.

# Taxpayer Assistance Outside the United States



If you are outside the United States, you can call 267-941-1000 (English-speaking only). This number is not toll free.



Fax 681-247-3101 (for international tax account issues only).



If you wish to write instead of calling, please address your letter to:

Internal Revenue Service  
International Accounts

Philadelphia, PA 19255-0725

Additional contacts for taxpayers who live outside the United States are available at [IRS.gov/help/Contact-MyLocal-Office-Internationally](https://www.irs.gov/help/Contact-MyLocal-Office-Internationally).



**Taxpayer Advocate Service (TAS).** If you live outside the United States, you can contact TAS at:

Internal Revenue Service  
Taxpayer Advocate Service  
City View Plaza, 48 Carr 165,  
5th floor, Suite 2000  
Guaynabo, PR 00968-8000



You can also contact TAS by using the following methods.

- **Telephone**—15.15.56.46.827. Your call will be automatically routed to Hawaii or Puerto Rico depending on your location. If you select Spanish, your call will be routed to the Puerto Rico office for assistance.
- **Fax**—304-707-9793.
- **Email**—[tas.international@irs.gov](mailto:tas.international@irs.gov).

For more information on TAS and contacts if you are outside of the United States, go to [TaxpayerAdvocate.IRS.gov/Get-Help/International/](https://TaxpayerAdvocate.IRS.gov/Get-Help/International/).

## Questions and Answers

This section answers tax-related questions commonly asked by taxpayers living abroad.

### **Filing Requirements—Where, When, and How**

#### **1. When are U.S. income tax returns due?**

Generally, for calendar-year taxpayers, U.S. income tax returns are due on April 15. If you are a U.S. citizen or resident and both your tax home and your abode are outside the United States and Puerto Rico on the regular due date, an automatic extension is granted to June 15 for filing the return. Interest will be charged on any tax due, as shown on the return, from April 15.

**2. I am going abroad this year and expect to qualify for the foreign earned income exclusion. How can I secure an extension of time to file my return, when should I file my return, and what forms are required?**

- a. You should file [Form 2350](#) by the due date of your return to request an extension of time to file. [Form 2350](#) is a special form for those U.S. citizens or residents abroad who expect to qualify for the foreign earned income exclusion or the housing exclusion or deduction under either the bona fide residence test or physical presence test and would like to have an extension of time to delay filing until after they have qualified.
- b. If the extension is granted, you should file your return after you qualify, but by the approved extension date.

- c. You must file your [Form 1040 or 1040-SR](#) with [Form 2555](#).

**3. My entire income qualifies for the foreign earned income exclusion. Must I file a tax return?**

Generally, yes. Every U.S. citizen or resident who receives income must file a U.S. income tax return unless total income without regard to the foreign earned income exclusion is below an amount based on filing status. The income levels for filing purposes are discussed under [filing requirements](#) in chapter 1.

**4. I was sent abroad by my company in November of last year. I plan to secure an extension of time on Form 2350 to file my tax return for last year because I expect to qualify for the foreign earned income exclusion under the physical presence test. However, if my company recalls me to the United States before the end of the qualifying period and I find I will**

## **not qualify for the exclusion, how and when should I file my return?**

If your regular filing date has passed, you should file a return, [Form 1040 or 1040-SR](#), as soon as possible for last year. Include a statement with this return noting that you have returned to the United States and won't qualify for the foreign earned income exclusion. You must report your worldwide income on the return. If you paid a foreign tax on the income earned abroad, you may be able to either deduct this tax as an itemized deduction or claim it as a credit against your U.S. income tax.

However, if you pay the tax due after the regular due date, interest will be charged from the regular due date until the date the tax is paid.

### **5. I am a U.S. citizen and have no taxable income from the United States, but I have substantial income**

**from a foreign source. Am I required to file a U.S. income tax return?**

Yes. All U.S. citizens and resident aliens are subject to U.S. tax on their worldwide income. If you paid taxes to a foreign government on income from sources outside the United States, you may be able to claim a foreign tax credit against your U.S. income tax liability for the foreign taxes paid. [\*Form 1116\*](#) is used to figure the allowable credit.

**6. I am a U.S. citizen who has retired, and I expect to remain in a foreign country. Do I have any further U.S. tax obligations?**

Your U.S. tax obligation on your income is the same as that of a retired person living in the United States. (See the discussion on *filing requirements* in chapter 1 of this publication.)

**7. I have been a bona fide resident of a foreign country for over 5 years. Is it necessary for me to pay estimated tax?**

U.S. taxpayers overseas have the same requirements for paying estimated tax as those in the United States. See the discussion under *Estimated Tax Payments* in chapter 1.

Overseas taxpayers should not include in their estimated income any income they receive that is or will be exempt from U.S. taxation.

Overseas taxpayers can deduct their estimated housing deduction in figuring their estimated tax.

The first installment of estimated tax is due on April 15 of the year for which the income is earned.

**8. Will a check payable in foreign currency be acceptable in payment of my U.S. tax?**

Generally, only U.S. currency is acceptable for payment of income tax. However, if you are a Fulbright grantee, see *Fulbright Grant* in chapter 1.

**9. I have met the test for physical presence in a foreign country and am filing returns for 2 years. Must I file a separate Form 2555 with each return?**

Yes. A [Form 2555](#) must be filed with each [Form 1040 or 1040-SR](#) tax return on which the benefits of income earned abroad are claimed.

**10. Does a Form 2555 with a Schedule C or Form W-2 attached constitute a return?**

No. The [Form 2555](#), [Schedule C](#), and [Form W-2](#) are merely attachments and do not relieve you of the requirement to file a [Form 1040 or 1040-SR](#) to show the sources of income



reported and the exclusions or deductions claimed.

**11. On Form 2350, Application for Extension of Time To File U.S. Income Tax Return, I stated that I would qualify for the foreign earned income exclusion under the physical presence test. If I qualify under the bona fide residence test, can I file my return on that basis?**

Yes. You can claim the foreign earned income exclusion and the foreign housing exclusion or deduction under either test as long as you meet the requirements. You are not bound by the test indicated in the application for extension of time. You must be sure, however, that you file the [Form 1040 or 1040-SR](#) by the date approved on [Form 2350](#) because a return filed after that date may be subject to a failure-to-file penalty.

If you will not qualify under the bona fide residence test until a date later than the extension granted under the physical presence rule, apply for a new extension to a date 30 days beyond the date you expect to qualify as a bona fide resident.

**12.I am a U.S. citizen who worked in the United States for 6 months last year. I accepted employment overseas in July of last year and expect to qualify for the foreign earned income exclusion. Should I file a return and pay tax on the income earned in the United States during the first 6 months and then when I qualify file another return covering the last 6 months of the year?**

No. You have the choice of one of the following two methods of filing your return.

- a. You can file your return when due under the regular filing rules, report all your income without excluding

your foreign earned income, and pay the tax due. After you have qualified for the exclusion, you can file an amended return, [Form 1040-X](#), accompanied by [Form 2555](#), for a refund of any excess tax paid.

- b. You can postpone the filing of your tax return by applying on [Form 2350](#) for an extension of time to file to a date 30 days beyond the date you expect to qualify under either the bona fide residence test or the physical presence test, then file your return reflecting the exclusion of foreign earned income. This allows you to file only once and saves you from paying the tax and waiting for a refund. However, interest is charged on any tax due on the postponed tax return, but interest is not paid on refunds paid within 45 days after the return is filed.

**13.I am a U.S. citizen. I have lived abroad for a number of years and recently realized that I should have been filing U.S. income tax returns. How do I correct this oversight in not having filed returns for these years?**

File the late returns as soon as possible, stating your reason for filing late. For advice on filing the returns, you should contact an IRS representative.

**14.In 2019, I qualified to exclude my foreign earned income, but I did not claim this exclusion on the return I filed in 2020. I paid all outstanding taxes with the return. Can I file a claim for refund now?**

It is too late to claim this refund because a claim for refund must be filed within 3 years from the date the return was filed or 2 years from the date the tax was paid, whichever is later. A return filed before the due date is considered filed on the due date.

## **Meeting the Requirements of Either the Bona Fide Residence Test or the Physical Presence Test**

**1. I recently came to Country X to work for the Orange Tractor Co. and I expect to be here for 5 or 6 years. I understand that upon the completion of 1 full year, I will qualify for an exclusion or deduction under the bona fide residence test. Is this correct?**

Not necessarily. The law provides that to qualify under this test for the foreign earned income exclusion, the foreign housing exclusion, and/or the foreign housing deduction, a person must be a bona fide resident of a foreign country or countries for an uninterrupted period that includes an entire tax year.

If, like most U.S. citizens, you file your return on a calendar-year basis, the tax year referred to in the law would be from January

1 to December 31 of any particular year. Unless you established residence in Country X on January 1, it would be more than 1 year before you would be a bona fide resident of a foreign country. Once you have completed your qualifying period, however, you are entitled to exclude the income or to claim the housing exclusion or deduction from the date you established bona fide residence.

**2. I understand the physical presence test to be simply a matter of being physically present in a foreign country for at least 330 days within 12 consecutive months, but what are the criteria of the bona fide residence test?**

To be a bona fide resident of a foreign country, you must show that you entered a foreign country intending to remain there for an indefinite or prolonged period and, to that end, you are making your home in that country.

Consideration is given to the type of quarters occupied, whether your family went with you, the type of visa, the employment agreement, and any other factor pertinent to show whether your stay in the foreign country is indefinite or prolonged.

To claim the foreign earned income exclusion or foreign housing exclusion or deduction under this test, the period of foreign residence must include 1 full tax year (usually January 1–December 31), but once you meet this time requirement, you figure the exclusions and/or the deduction from the date the residence actually began.

**3. To meet the qualification of “an uninterrupted period that includes an entire tax year,” do I have to be physically present in a foreign country for the entire year?**

No. “Uninterrupted” refers to the bona fide residence proper and not to the physical presence of the individual.

During the period of bona fide residence in a foreign country, even during the first full year, you can leave the country for brief and temporary trips back to the United States or elsewhere for vacation or even for business. To preserve your status as a bona fide resident of a foreign country, you must have a clear intention of returning from those trips, without unreasonable delay, to your foreign residence.

**4. I am a U.S. citizen and during 2022 was a bona fide resident of Country X. On January 15, 2023, I was notified that I was to be assigned to Country Y. I was recalled to New York for 90 days of orientation and then went to Country Y, where I have been since. Although I was not in Country Y on January 1, I was a bona fide resident of Country X and was in Country Y on December 31, 2023. My family remained in Country X until**



**completion of the orientation period, and my household goods were shipped directly to my new post. Am I a bona fide resident of a foreign country for 2023, or must I wait for the entire year of 2024 to become one?**

Because you did not break your period of foreign residence, you would continue to be a bona fide resident of a foreign country for 2023.

**5. Due to illness, I returned to the United States before I completed my qualifying period to claim the foreign earned income exclusion. Can I figure the exclusion for the period I resided abroad?**

No. You aren't entitled to any exclusion of foreign earned income because you did not complete your qualifying period under either the bona fide residence test or physical presence test.

If you paid foreign tax on the income earned abroad, you may be able to claim that tax as a deduction or as a credit against your U.S. tax.

**6. Can a resident alien of the United States qualify for an exclusion or deduction under the bona fide residence test or the physical presence test?**

Resident aliens of the United States can qualify for the foreign earned income exclusion, the foreign housing exclusion, and/or the foreign housing deduction if they meet the requirements of the physical presence test. Resident aliens who are citizens or nationals of a country with which the United States has an income tax treaty in effect can also qualify under the bona fide residence test.

**7. On August 13 of last year, I left the United States and arrived in Country Z to work for the Gordon Manufacturing Company. I expected to be able to exclude my foreign earned income under the physical presence test because I planned to be in Country Z for at least 1 year. However, I was reassigned back to the United States and left Country Z on July 1 of this year. Can I exclude any of my foreign earned income?**

No. You can't exclude any of the income you earned in Country Z because you were not in a foreign country for at least 330 full days as required under the physical presence test.

## **Foreign Earned Income**

**1. I am an employee of the U.S. Government working abroad. Can all or part of my government income earned abroad qualify for the foreign earned income exclusion?**

No. The foreign earned income exclusion applies to your foreign earned income. Amounts paid by the United States or its agencies to their employees aren't treated for this purpose as foreign earned income.

**2. I qualify for the foreign earned income exclusion under the bona fide residence test. Does my foreign earned income include my U.S. dividends and the interest I receive on a foreign bank account?**

No. The only income that is foreign earned income is income from the performance of personal services abroad. Investment income isn't earned income. However, you must include it in gross income reported on your [Form 1040 or 1040-SR](#).

**3. My company pays my foreign income tax on my foreign earnings. Is this taxable compensation?**

Yes. The amount is compensation for services performed. The tax paid by your company should be reported on [Form 1040 or 1040-SR](#), line 1h, and on [Form 2555](#), Part IV, line 22f.

**4. I live in an apartment in a foreign city for which my employer pays the rent. Should I include in my income the cost to my employer (\$1,200 a month) or the fair market value of equivalent housing in the United States (\$800 a month)?**

You must include in income the fair market value (FMV) of the facility provided, where it is provided. This will usually be the rent your employer pays. Situations when the FMV is not included in income are discussed in chapter 4 under [exclusion of meals and lodging](#).

**5. My U.S. employer pays my salary into my U.S. bank account. Is this income considered earned in the United States or is it considered foreign earned income?**

If you performed the services to earn this salary outside the United States, your salary is considered earned abroad. It does not matter that you are paid by a U.S. employer or that your salary is deposited in a U.S. bank account in the United States. The source of salary, wages, commissions, and other personal service income is the place where you perform the services.

**6. What is considered a foreign country?**

For the purposes of the foreign earned income exclusion and the foreign housing exclusion or deduction, any territory under the sovereignty of a country other than the United States is a foreign country. U.S. territories are not treated as foreign countries.

## **7. What is the source of earned income?**

The source of earned income is the place where the work or personal services that produce the income are performed. In other words, income received for work in a foreign country has its source in that country. The foreign earned income exclusion and the foreign housing exclusion or deduction are limited to earned income from sources within foreign countries.

### **Foreign Earned Income Exclusion**

#### **1. I qualify for the foreign earned income exclusion and earned more than the maximum exclusion amount during the tax year. Am I entitled to the maximum exclusion?**

Not necessarily. Although you qualify for the foreign earned income exclusion, you may not have met either the bona fide residence test or the physical presence test for your entire tax year.

If you didn't meet either of these tests for your entire tax year, you must prorate the maximum exclusion based on the number of days that you did meet either test during the year.

## **2. How do I qualify for the foreign earned income exclusion?**

To be eligible, you must have a tax home in a foreign country and be a U.S. citizen or resident alien. You must be either a bona fide resident of a foreign country or countries for an uninterrupted period that includes an entire tax year, or you must be physically present in a foreign country or countries for at least 330 full days during any period of 12 consecutive months. U.S. citizens may qualify under either test. The physical presence test applies to all resident aliens, while the bona fide residence test applies to resident aliens who are citizens or nationals of a country with which the United States has an income tax treaty in effect.



Your tax home must be in the foreign country or countries throughout your period of residence or presence. For this purpose, your period of physical presence is the 330 full days during which you are present in a foreign country not the 12 consecutive months during which those days occur.

**3. Is it true that my foreign earned income exclusion cannot exceed my foreign earned income?**

Yes. The amount of the exclusion is limited each year to the amount of your foreign earned income after reducing that income by the foreign housing exclusion. The foreign earned income must be earned during the part of the tax year that you have your tax home abroad and meet either the bona fide residence test or the physical presence test.

**4. My wife and I are both employed, reside together, and file a joint return. We meet the qualifications for claiming the foreign earned income**

**exclusion. Do we each figure a separate foreign earned income exclusion and foreign housing exclusion?**

You figure your foreign earned income exclusion separately because you both have foreign earned income. The amount of the exclusion for each of you can't exceed your separate foreign earned incomes.

You may figure your foreign housing exclusion either separately or jointly. See Married Couples in chapter 4 for further details.

**Social Security and Railroad Retirement Benefits**

**1. Are U.S. social security benefits taxable?**

Benefits received by U.S. citizens and resident aliens may be taxable, depending on the total amount of income and the filing status of the taxpayer.

Under certain treaties, U.S. social security benefits are exempt from U.S. tax if taxed by the country of residence.

Benefits similar to social security received from other countries by U.S. citizens or residents may be taxable. (Refer to U.S. tax treaties with various countries for any benefit granted by the treaty.)

## **2. As a U.S. citizen or resident alien, how do I figure the amount of my U.S. social security benefits to include in gross income?**

See Pub. 915, Social Security and Equivalent Railroad Retirement Benefits, available at [IRS.gov/Pub915](https://www.irs.gov/pub/irs-soi/15br915.pdf) to figure if any of your benefits are includible in income.

## **3. How are railroad retirement benefits taxed?**

The part of a tier 1 railroad retirement benefit that is equivalent to the social security benefit you would have been entitled to receive if the

railroad employee's work had been covered under the social security system rather than the railroad retirement system is treated the same as a social security benefit, discussed above.

The other part of a tier 1 benefit that is not considered a social security equivalent benefit is treated like a private pension or annuity, as are tier 2 railroad retirement benefits. Vested dual benefits and supplemental annuities are also treated like private pensions but are fully taxable.

The proper amounts of the social security equivalent part of tier 1 benefits and any special guaranty benefits are shown on the Form RRB-1099 that you receive from the Railroad Retirement Board. The taxable amounts of the non-social security equivalent part of tier 1, tier 2, vested dual benefits, and supplemental annuities are shown on the Form RRB-1099-R that you receive from the Railroad Retirement Board.

## **Social Security Tax and Self-Employment Tax**

- 1. I am a minister with earned income from abroad and expect to qualify for the foreign earned income exclusion. How do I pay my self-employment tax?**

File a [Form 1040 or 1040-SR](#) with [Schedule SE \(Form 1040\)](#) and [Form 2555](#). Figure your self-employment tax on [Schedule SE \(Form 1040\)](#) and enter it on [Schedule 2 \(Form 1040\)](#) as the tax due with the return.

- 2. Because I expect to qualify for the foreign earned income exclusion, I have requested and received an extension of time until January 30, 2025, to file my 2023 return. However, because I will be paying self-employment tax on my spouse's income, should I file a 2023 return when due, pay the self-employment**

## **tax, and then file another return when I qualify for the exclusion?**

No. You don't need to file a 2023 [Form 1040 or 1040-SR](#) (the regular income tax return) when due if you have received an extension. Instead, you should pay enough estimated tax to cover the self-employment tax and any income tax that would be due after taking out the amount of excludable income.

## **Income Tax Withholding**

### **1. How can I get my employer to stop withholding federal income taxes from wages while I am overseas and eligible for the foreign earned income exclusion?**

File a statement in duplicate with your employer stating that withholding should be reduced because you meet the bona fide residence test or physical presence test. Also, see the following question.

**2. Does the IRS provide forms to be used by employees requesting employers to stop withholding income tax from wages they expect to be excluded as income earned abroad?**

Yes. [Form 673](#) is a sample statement that can be used by individuals who expect to qualify for the foreign earned income exclusion under the bona fide residence test or the physical presence test.

**3. I am a U.S. citizen residing overseas, and I receive dividend and interest income from U.S. sources from which tax is being withheld at a rate of 30%. How can I have this situation corrected?**

File [Form W-9](#) (indicating that you are a U.S. citizen) with the withholding agents who are paying you the dividends and interest. This is their authority to stop withholding the 30% income tax at the source on payments due to you.

**4. As a U.S. citizen receiving dividend and interest income from the United States from which tax has been withheld, do I report the net dividend and interest income on my return, or do I report the gross amount and take credit for the tax withheld?**

You must report the gross amount of the income received and take a tax credit for the tax withheld. This is to your advantage because the tax withheld is deducted in full from the tax due. It is also advisable to attach a statement to your return explaining this tax credit so there will be no question as to the amount of credit allowable.

**Deductions**

**1. Can I claim a foreign tax credit even though I do not itemize deductions?**

Yes. You can claim the foreign tax credit even though you don't itemize deductions.



**2. I had to pay customs duty on a few things I brought back with me from Europe last summer. Can I include customs fees with my other deductible taxes?**

No. Customs duties, like federal excise taxes, aren't deductible.

**3. What types of foreign taxes are deductible?**

Generally, foreign income taxes are deductible as itemized deductions. Foreign income taxes are deductible only if you do not claim the foreign tax credit. Foreign income taxes paid on excluded income aren't deductible as an itemized deduction.

Other foreign taxes, such as real property or personal property taxes, are only deductible if you incurred the expenses in a trade or business or in the production of income.

**Note:** Foreign income taxes are usually claimed under the credit provisions, if they apply, because this is more advantageous in most cases.

## **Scholarship and Fellowship Grantees**

### **1. I am a Fulbright grantee. What documentation must I attach to my return?**

- a. There are no special tax forms for Fulbright grantees. File on a regular [Form 1040 or 1040-SR](#).
- b. If you claim exemption as a scholarship or fellowship grantee, submit brochures and correspondence describing the grant and your duties.
- c. If you are located in a foreign country and wish to pay tax in foreign currency, you should submit a certified statement showing that you were a Fulbright grantee and at

least 70% of the grant was paid in nonconvertible foreign currency.

**2. I taught and lectured abroad under taxable grants. What expenses can I deduct?**

You may be able to deduct your travel, meals, and lodging expenses if you are temporarily absent from your regular place of employment. For more information about deducting travel, meals, and lodging expenses, see Pub. 463, Travel, Gift, and Car Expenses, available at [IRS.gov/ Pub463](https://www.irs.gov/pub463).

**General Tax Questions**

**1. Can IRS personnel recommend tax practitioners who prepare returns?**

No. IRS employees aren't permitted to recommend tax practitioners who prepare income tax returns.

**2. I haven't received my refund from last year's return. Can I claim the credit against this year's tax?**

No. That would cause problems to both years' returns. If your last year's refund is overdue, call or write the IRS. If you write to the IRS, be sure to include your social security number (or individual taxpayer identification number) in the letter.

**3. I forgot to include interest income when I filed my return last week. What should I do?**

To correct a mistake of this sort, you should prepare [Form 1040-X](#). Include the omitted interest income, refigure the tax, and send the form as soon as possible along with any additional tax due to the Internal Revenue Service Center where you filed your return. You may also be able to file your [Form 1040-X](#) electronically.

Use [Form 1040-X](#) to correct an individual [Form 1040 or 1040-SR](#) income tax return filed for any year for which the period of limitations has not expired (usually 3 years after the due date of the return filed, or 2 years after the tax was paid, whichever is later).

**4. I am a U.S. citizen and because I expect to qualify for the foreign earned income exclusion, all my foreign income (which consists solely of salary) will be exempt from U.S. tax. Do I get any tax benefit from income tax I paid on this salary to a foreign country during the tax year?**

No. You can't take either a tax credit or a tax deduction for foreign income taxes paid on income that is exempt from U.S. tax because of the foreign earned income exclusion.

**5. I am a U.S. citizen stationed abroad. I made a personal loan to a nonresident alien who later went bankrupt. Can I claim a bad debt loss for this money?**

Yes. The loss should be reported as a short-term capital loss on [Schedule D \(Form 1040\)](#). You have the burden of proving the validity of the loan, the subsequent bankruptcy, and the recovery or nonrecovery from the loan.

**6. With which countries does the United States have tax treaties?**

Table 3 under the list of tax treaty tables at [IRS.gov/ Individuals/International-Taxpayers/Tax-Treaty-Tables](#) lists those countries with which the United States has income tax treaties.

**7. I am a retired U.S. citizen living in Europe. My only income is from U.S. sources on which I pay U.S. taxes. I am taxed on the same income in the**

## **foreign country where I reside. How do I avoid double taxation?**

If you reside in a country that has an income tax treaty with the United States, the treaty will generally contain provisions to eliminate double taxation. Many treaties will provide reduced rates for various types of income. Treaties often provide reciprocal credits in one country for the tax paid to the other country. Nontreaty countries, depending on their laws, may give the same type of credit.

If double taxation with a treaty country exists and you cannot resolve the problem with the tax authorities of the foreign country, you can contact the U.S. competent authority for assistance. See chapter 6 for information on requesting consideration.

**8. My total income after claiming the foreign earned income and housing exclusions consists of \$5,000 taxable wages. Am I entitled to claim the earned income credit?**

No. If you claim the foreign earned income exclusion, the foreign housing exclusion, or the foreign housing deduction, you can't claim the earned income credit.

**9. I am claiming the foreign earned income exclusion. Can I take the additional child tax credit?**

No. If you claim the foreign earned income exclusion, the foreign housing exclusion, and/or the foreign housing deduction, you can't claim the additional child tax credit.

**10. Last May, my employer transferred me to our office in Puerto Rico. I understand that my salary earned in Puerto Rico is tax exempt. Is this correct?**

As long as your employer is not the U.S. Government, all income from sources within Puerto Rico is exempt from U.S. tax if you are a bona fide resident of Puerto Rico during the entire tax year.



The income you received from Puerto Rican sources the year you moved to Puerto Rico is not exempt. The tax paid to Puerto Rico in the year you moved to Puerto Rico can be claimed as a foreign tax credit on [Form 1116](#).

**11.I am a U.S. citizen married to a nonresident alien. Can I qualify to use the head of household tax rates?**

Yes. Although your nonresident alien spouse cannot qualify you as a head of household, you may qualify if you maintain a household for a qualifying child or other relative.

If your spouse was a nonresident alien at any time during the year and you do not choose to treat your nonresident alien spouse as a resident alien, then you are treated as unmarried for head of household purposes. You must have another qualifying person and meet the other tests to be eligible to file as head of household. You can use the head of a household column in the Tax Table or Section D of the Tax Computation Worksheet.

It may be advantageous to choose to treat your nonresident alien spouse as a U.S. resident and file a joint income tax return. Once you make the choice, however, you and your spouse must each report your worldwide income for that and all future years unless or until the choice is suspended or terminated.

For more information on head of household filing status, see Pub. 501, Dependents, Standard Deduction, and Filing Information, available at [IRS.gov/Pub501](https://www.irs.gov/pub501).

## **Penalties and Interest**

**1. Does the June 15 extended due date for filing my return because both my tax home and my abode are outside the United States and Puerto Rico on the regular due date relieve me from having to pay interest on tax not paid by April 15?**

No. An extension, whether an automatic extension or one requested in writing, does

not relieve you of the payment of interest on the tax due as of April 15 following the year for which the return is filed. The interest should be included in your payment.

**2. If I wait to file my return until I qualify for the foreign earned income exclusion, I will be charged interest on the U.S. tax I will owe. To avoid being charged interest, can I file my return on time, reporting only my taxable income, excluding my salary for services abroad that will be exempt after I have met the qualifications?**

No. If you file a return before you qualify for the exclusion, you must report all income, including all income for services performed abroad, and pay tax on all of it. After you meet the qualifications, you can file a claim for refund by excluding the income earned abroad.

If you defer the filing of your return, you can avoid interest on tax due on your return to be filed by paying the tax you estimate you will owe with your request for an extension of time to file on [Form 2350](#) or by paying enough estimated tax to cover any tax that you expect will be due on the return.

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To help us develop a more useful index, please let us know if you have ideas for index entries. See “Comments and Suggestions” in the “Introduction” for the ways you can reach us.

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