Publication 54

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

For use in preparing
2022 Returns

Volume 3 of 4

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If you owe federal income tax after taking into account the foreign earned income exclusion and the IRS discovered that you failed to choose the exclusion, you may still be able to choose the exclusion. You must request a private letter ruling under Regulations section 301.9100-3 and Revenue Procedure 2021-1,

2021-01 I.R.B. 1, available at *IRS.gov/irb/2021-01_IRB#REV-PROC-2021-1*.

Effect of Choosing the Exclusion

Once you choose to exclude your foreign earned income, that choice remains in effect for that year and all later years unless you revoke it.

Foreign tax credit or deduction. Once you choose to exclude foreign earned income, you can't take a foreign tax credit or deduction for taxes on income you can exclude. If you do take a credit or deduction for any of those taxes in a later year, your election for the foreign earned income exclusion will be revoked beginning with that year. See *Pub. 514* for more information.

Additional child tax credit. You can't take the additional child tax credit if you claim the foreign earned income exclusion.

Earned income credit. If you claim the foreign earned income exclusion, you don't qualify for the earned income credit for the year. For more information on this credit, see *Pub. 596*.

Figuring tax on income not excluded. If you claim the foreign earned income exclusion, the housing exclusion (discussed later), or both, you must figure the tax on your nonexcluded income using the tax rates that would have applied had you not claimed the exclusions. See the *Instructions for Form 1040* and complete the Foreign Earned Income Tax Worksheet to figure the amount of tax to enter on Form 1040 or 1040-SR, line 16. If you must attach *Form 6251* to your return, use the Foreign Earned Income Tax Worksheet provided in the *Instructions for Form 6251*.

Revoking the Exclusion

You can revoke your choice for any year. You do this by attaching a statement that you are revoking one or more previously made choices to the return or amended return for the first year that you do not wish to claim the exclusion(s). You must specify which choice(s) you are revoking. You must revoke separately a choice to exclude foreign earned income and a choice to exclude foreign housing amounts.

If you revoked a choice and within 5 years again wish to choose the same exclusion, you must apply for IRS approval. You do this by requesting a ruling from the IRS.

Mail your request for a ruling, in duplicate, to:

Associate Chief Counsel
(International)
Internal Revenue Service
Attn: CC:PA:LPD:DRU
P.O. Box 7604
Ben Franklin Station
Washington, DC 20044

In deciding whether to give approval, the IRS will consider any facts and circumstances that may be relevant. These may include a period of residence in the United States, a move from one foreign country to another foreign country with different tax rates, a substantial change in the tax laws of the foreign country of residence or physical presence, and a change of employer. For more information go to *IRS.gov/ Individuals/International-Taxpayers/RevokingYour-Choice-to-Exclude-Foreign-EarnedIncome*.

If a private delivery service is used, the address is:

Associate Chief Counsel
(International)
Internal Revenue Service
Attn: CC:PA:LPD:TSS, Room 5336
1111 Constitution Ave. NW
Washington, DC 20224

Foreign Housing Exclusion and Deduction

In addition to the foreign earned income exclusion, you can also claim an exclusion or a deduction from gross income for your housing amount if your tax home is in a foreign country and you qualify for the exclusions and deduction under either the bona fide residence test or the physical presence test.

The housing exclusion applies only to amounts considered paid for with employer-provided amounts. The housing deduction applies only to amounts paid for with self-employment earnings.

If you are married and you and your spouse each qualifies under one of the tests, see *Married Couples*, later.

Housing Amount

Your housing amount is the total of your housing expenses for the year minus the base housing amount.

Base housing amount. The computation of the base housing amount (line 32 of *Form 2555*) is tied to the maximum foreign earned income exclusion. The amount is 16% of the exclusion amount (computed on a daily basis), multiplied by the number of days in your qualifying period that fall within your tax year.

For 2022, the maximum foreign earned income exclusion is $112,000 per year; 16% of this amount is $17,920, or $49.10 per day. To figure your base housing amount if you are a calendar year taxpayer, multiply $49.10 by the number of your qualifying days during 2022. (See *Part-year exclusion* under *Limit on Excludable Amount,* earlier.) Subtract the result from your total housing expenses (up to the applicable limit) to find your housing amount.

Example. Your qualifying period includes all of 2022. During the year, you spent $19,124 for your housing. This is below the limit for the location in which you incurred the expenses. Your housing amount is $19,124 minus $17,920, or $1,204.

U.S. Government allowance. You must reduce your housing amount by any U.S. Government allowance or similar nontaxable allowance intended to compensate you or your spouse for the expenses of housing during the period for which you claim a foreign housing exclusion or deduction.

Housing expenses. Housing expenses include your reasonable expenses paid or incurred for housing in a foreign country for you and (if they live with you) for your spouse and dependents.

Consider only housing expenses for the part of the year that you qualify for the foreign earned income exclusion.

Housing expenses include:

- Rent,
- The fair rental value of housing provided in kind by your employer,
- Repairs,
- Utilities (other than telephone charges),
- Real and personal property insurance,
- Nondeductible occupancy taxes,

- Nonrefundable fees for securing a leasehold,
- Rental of furniture and accessories, and
- Residential parking. Housing expenses do not include:
- Expenses that are lavish or extravagant under the circumstances;
- Deductible interest and taxes (including deductible interest and taxes of a tenant-stockholder in a cooperative housing corporation);
- The cost of buying property, including principal payments on a mortgage;
- The cost of domestic labor (maids, gardeners, etc.);
- Pay television subscriptions;

- Improvements and other expenses that increase the value or appreciably prolong the life of property;
- Purchased furniture or accessories; or
- Depreciation or amortization of property or improvements.

No double benefit. *You can't include in housing expenses the value of meals or lodging that you exclude from gross income (see* Exclusion of Meals and Lodging*, earlier).*

Limit on housing expenses. The amount of qualified housing expenses eligible for the housing exclusion and housing deduction is limited. The limit is generally 30% of the maximum foreign earned income exclusion (computed on a daily basis), multiplied by the number of days in your qualifying period that fall within your tax year. For 2022, this is generally $92.05 per day ($33,600 per year).

However, the limit will vary depending upon the location of your foreign tax home.

A qualified individual incurring housing expenses in a high-cost locality during 2022 can use housing expenses that total more than the standard limit on housing expenses ($33,600) to determine the housing amount. An individual who does not incur housing expenses in a high-cost locality is limited to maximum housing expenses of $92.05 per day ($33,600 per year).

The limits for high-cost localities are listed in the *Instructions for Form 2555.*

TIP *You can elect to apply the 2022 housing cost limits to figure your 2021 housing exclusion instead of using the 2021 limits. The IRS and Treasury anticipate that you will be able to elect to apply the 2023 limits to figure your 2022 housing exclusion instead of using the 2022 limits.*

Second foreign household. Ordinarily, if you maintain two foreign households, your reasonable foreign housing expenses include only costs for the household that bears the closer relationship (not necessarily geographic) to your tax home. However, if you maintain a second, separate household outside the United States for your spouse or dependents because living conditions near your tax home are dangerous, unhealthful, or otherwise adverse, include the expenses for the second household in your reasonable foreign housing expenses. You can’t include expenses for more than one second foreign household at the same time.

If you maintain two households and you exclude the value of one because it is provided by your employer, you can still include the expenses for the second household in figuring a foreign housing exclusion or deduction.

Adverse living conditions include:

- A state of warfare or civil insurrection in the general area of your tax home, and
- Conditions under which it is not feasible to provide family housing (for example, if you must live on a construction site or drilling rig).

Foreign Housing Exclusion

If you do not have self-employment income, all of your earnings are employer-provided amounts and your entire housing amount is considered paid for with those employer-provided amounts. This means that you can exclude (up to the limits) your entire housing amount.

Employer-provided amounts. These include any amounts paid to you or paid or incurred on your behalf by your employer that are taxable foreign earned income (without regard to the foreign earned income exclusion) to you for the year. Employer-provided amounts include:

- Your salary,
- Any reimbursement for housing expenses,
- Amounts your employer pays to a third party on your behalf,
- The fair rental value of company-owned housing furnished to you unless that value is excluded under the rules explained earlier under *Exclusion of Meals and Lodging*,
- Amounts paid to you by your employer as part of a tax equalization plan, and
- Amounts paid to you or a third party by your employer for the education of your dependents.

Choosing the exclusion. You can choose the housing exclusion by completing the appropriate parts of Form 2555. Rules about choosing the exclusion under *Foreign Earned Income* *Exclusion*, earlier, also apply to the foreign housing exclusion. Your housing exclusion is the lesser of:

- That part of your housing amount paid for with employer-provided amounts, or
- Your foreign earned income.

If you choose the housing exclusion, you must figure it before figuring your foreign earned income exclusion. You cannot claim less than the full amount of the housing exclusion to which you are entitled.

Figuring tax on income not excluded. If you claim the housing exclusion, the foreign earned income exclusion (discussed earlier), or both, you must figure the tax on your non-excluded income using the tax rates that would have applied had you not claimed the exclusions. See the *Instructions for Form 1040* and complete the Foreign Earned

Income Tax Worksheet to figure the amount of tax to enter on Form 1040 or 1040-SR, line 16. If you must attach Form 6251 to your return, use the Foreign Earned Income Tax Worksheet provided in the Instructions for Form 6251.

Foreign tax credit or deduction. Once you choose to exclude foreign housing amounts, you can’t take a foreign tax credit or deduction for taxes on income you can exclude. If you do take a credit or deduction for any of those taxes, your choice to exclude housing amounts may be considered revoked. See *Pub. 514* for more information.

Additional child tax credit. You can’t take the additional child tax credit if you claim the foreign housing exclusion.

Earned income credit. If you claim the foreign housing exclusion, you don’t qualify for the earned income credit for the year.

Foreign Housing Deduction

If you don’t have self-employment income, you can’t take a foreign housing deduction.

How you figure your housing deduction depends on whether you have only self-employment income or both self-employment income and employer-provided income. In either case, the amount you can deduct is subject to the limit described later.

Self-employed, no employer-provided amounts. If none of your housing amount is considered paid for with employer-provided amounts, such as when all of your income is from self-employment, you can deduct your housing amount, subject to the limit described later.

Take the deduction by including it on line 24j of Schedule 1 (Form 1040).

Self-employed and employer-provided amounts. If you are both an employee and a self-employed individual during the year, you can deduct part of your housing amount and exclude part of it. To find the part that you can exclude, multiply your housing amount by the employer-provided amounts (discussed earlier) and then divide the result by your foreign earned income. This is the amount you can use to figure your foreign housing exclusion. You can deduct the balance of the housing amount, subject to the limit described later.

Example. Your housing amount for the year is $18,000. During the year, your total foreign earned income is $100,000, of which half ($50,000) is from self-employment and half is from your services as an employee. Half of your housing amount ($18,000 ÷ 2) is considered provided by your employer. You can exclude $9,000 as a housing exclusion. You can deduct the remaining $9,000 as a housing deduction subject to the following limit.

Limit

Your housing deduction cannot be more than your foreign earned income minus the total of:

- Your foreign earned income exclusion, plus
- Your housing exclusion.

Carryover. You can carry over to the next year any part of your housing deduction that is not allowed because of the limit. You are allowed to carry over your excess housing deduction to the next year only. If you can't deduct it in the next year, you can't carry it over to any other year. You deduct the carryover in figuring adjusted gross income. The amount of carryover you can deduct is limited to your foreign earned income for the year of the carryover minus the total of your foreign earned income exclusion, housing exclusion, and housing deduction for that year.

Additional child tax credit. You can’t take the additional child tax credit if you claim the foreign housing deduction.

Married Couples

If both you and your spouse qualify for the foreign housing exclusion or the foreign housing deduction, how you figure the benefits depends on whether you maintain separate households.

Separate Households

If you and your spouse live apart and maintain separate households, you both may be able to claim the foreign housing exclusion or the foreign housing deduction. You both can claim the exclusion or the deduction if both of the following conditions are met.

- You and your spouse have different tax homes that aren’t within reasonable commuting distance of each other.

- Neither spouse's residence is within reasonable commuting distance of the other spouse's tax home.

Housing exclusion. Each spouse claiming a housing exclusion must figure separately the part of the housing amount that is attributable to employer-provided amounts, based on the separate foreign earned income.

One Household

If you and your spouse lived in the same foreign household and file a joint return, you must figure your housing amounts jointly. If you file separate returns, only one spouse can claim the housing exclusion or deduction.

In figuring your housing amount jointly, you can combine your housing expenses and figure one base housing amount. Either spouse (but not both) can claim the housing exclusion or housing deduction. However, if you and your spouse have different periods of residence or presence and the one with the shorter period of residence or presence claims the exclusion or deduction, you can claim as housing expenses only the expenses for that shorter period.

Example. Tom and Jane live together and file a joint return. Tom was a bona fide resident of and had his tax home in Ghana from August 17, 2022, through December 31, 2023. Jane was a bona fide resident of and had her tax home in Ghana from September 15, 2022, through December 31, 2023.

During 2022, Tom received $75,000 of foreign earned income and Jane received $50,000

of foreign earned income. Tom paid $10,000 for housing expenses, of which $7,500 was for expenses incurred from September 15 through the end of the year. Jane paid $3,000 for housing expenses in 2022, all of which were incurred during her period of residence in Ghana.

Tom and Jane figure their housing amount jointly. If Tom claims the housing exclusion, their housing expenses would be $13,000 ($10,000 + $3,000) and their base housing amount, using Tom's 2022 period of residence (August 17–December 31, 2022), would be $6,727 ($49.10 × 137 days). Tom's housing amount would be $6,273 ($13,000 – $6,727). If, instead, Jane claims the housing exclusion, their housing expenses would be limited to $10,500 ($7,500 + $3,000) and their base housing amount, using Jane's period of residence (September 15–December 31, 2022), would be $5,303 ($49.10 × 108 days). Jane's housing amount would be $5,197 ($10,500 – $5,303).

Form 2555

Use *Form 2555* to claim the foreign earned income exclusion. You must file Form 2555 each year you are claiming the exclusion.

Also, use Form 2555 to claim either the foreign housing exclusion or the foreign housing deduction. Form 2555 shows how you meet the bona fide residence test or physical presence test, how much of your earned income is excluded, and how to figure the amount of your allowable housing exclusion or deduction.

Note. Don’t submit Form 2555 by itself.

If you are a U.S. citizen or resident alien who is a citizen or national of a U.S. treaty country, you can claim the exclusion under the bona fide residence test. You should fill out Parts I, II, IV, and V of Form 2555. In filling out Part II, be sure to give your visa type and the period of your bona fide residence. Frequently, these items are overlooked.

U.S. citizens and all resident aliens can claim the exclusion under the physical presence test. You should fill out Parts I, III, IV, and V of Form 2555. When filling out Part III, be sure to insert the beginning and ending dates of your 12-month period and the dates of your arrivals and departures, as requested in the travel schedule.

You must fill out Part VI if you are claiming a foreign housing exclusion or deduction.

If you are claiming the foreign earned income exclusion, fill out Part VII.

If you are claiming the foreign earned income exclusion, the foreign housing exclusion, or both, fill out Part VIII.

Finally, fill out Part IX if you are claiming the foreign housing deduction.

If you and your spouse both qualify to claim the foreign earned income exclusion, the foreign housing exclusion, or the foreign housing deduction, you and your spouse must file separate Forms 2555 to claim these benefits. See the discussion earlier under *Separate Households*.

5.

Deductions and Credits

Topics

This chapter discusses:

- The rules concerning items related to excluded income,
- Contributions to foreign charitable organizations,
- Contributions to individual retirement arrangements (IRAs),
- Taxes of foreign countries and U.S. territories, and
- How to report deductions.

Useful Items

You may want to see:

Publication

- ☐ **501** 5Dependents, Standard Deduction, and Filing Information
- ☐ **514** Foreign Tax Credit for Individuals
- ☐ **523** Selling Your Home
- ☐ **590-A** Contributions to Individual Retirement Arrangements (IRAs)
- ☐ **597** Information on the United States–Canada Income Tax Treaty

Form (and Instructions)

- ☐ **1116** Foreign Tax Credit
- ☐ **2106** Employee Business Expenses
- **2555** Foreign Earned Income
- ☐ **Schedule A (Form 1040)** Itemized Deductions
- ☐ **Schedule C (Form 1040)** Profit or Loss From Business

- ☐ **SS-5** Application for a Social Security Card
- ☐ **W-7** Application for IRS Individual

Taxpayer Identification Number

See chapter 7 for information about getting these publications and forms.

Items Related to Excluded Income

U.S. citizens and resident aliens living outside the United States are generally allowed the same deductions as citizens and residents living in the United States.

If you choose to exclude foreign earned income or housing amounts, you cannot deduct, exclude, or claim a credit for any item that can be allocated to or charged against the excluded amounts. This includes any expenses, losses, and other normally deductible items that are allocable to the excluded income. You can deduct only those expenses connected with earning includible income.

These rules apply only to items definitely related to the excluded earned income and they do not apply to other items that aren’t definitely related to any particular type of gross income. These rules don’t apply to items such as:

- Qualified retirement contributions,
- Alimony payments,
- Charitable contributions,
- Medical expenses,
- Mortgage interest, or
- Real estate taxes on your personal residence.

For purposes of these rules, your housing deduction isn’t treated as allocable to your excluded income, but the deduction for self-employment tax is.

If you receive foreign earned income in a tax year after the year in which you earned it, you may have to file an amended return for the earlier year to properly adjust the amounts of deductions, credits, or exclusions allocable to your foreign earned income and housing exclusions.

Example. In 2021, you had $95,600 of foreign earned income and $9,500 of deductions allocable to your foreign earned income. You did not have a housing exclusion. Because you excluded all of your foreign earned income, you would not have been able to claim any of the deductions on your 2021 return.

In 2022, you received a $14,000 bonus for work you did abroad in 2021. You can exclude $13,100 of the bonus because the limit on the foreign earned income exclusion for 2021 was $108,700 and you have already excluded $95,600. Since you must include $900 of the bonus ($14,000 − $13,100) for work you did in 2021 in income, you can file an amended return for 2020 to claim $78.00 ($9,500 x

$900/$109,600) of the deductions. These are the deductions allocable to the foreign earned income ($9,500) multiplied by the includible portion of the foreign earned income ($900) and divided by the total foreign earned income for 2021 ($109,600).

Contributions to Foreign Charitable Organizations

If you make contributions directly to a foreign church or other foreign charitable organization, you generally cannot deduct them. Exceptions are explained under *Canadian, Mexican, and*

Israeli charities, later.

You can deduct contributions to a U.S. organization that transfers funds to a charitable foreign organization if the U.S. organization controls the use of the funds by the foreign organization or if the foreign organization is just an administrative arm of the U.S. organization.

Canadian, Mexican, and Israeli charities. Under the income tax treaties with Canada, Mexico, and Israel, you may be able to deduct contributions to certain Canadian, Mexican, and Israeli charitable organizations. Generally, you must have income from sources in Canada, Mexico, or Israel, and the organization must meet certain requirements. See *Pub. 597* and *Pub. 526*, Charitable Contributions, for more information.

Contributions to Individual Retirement Arrangements

Contributions to your individual retirement arrangements (IRAs) that are traditional IRAs or Roth IRAs are generally limited to the lesser of $6,000 ($7,000 if 50 or older) or your compensation that is includible in your gross income for the tax year. In determining compensation for this purpose, don’t take into account amounts you exclude under either the foreign earned income exclusion or the foreign housing exclusion. Don’t reduce your compensation by the foreign housing deduction.

If you are covered by an employer retirement plan at work, your deduction for your contributions to your traditional IRAs is generally limited based on your modified adjusted gross income. This is your adjusted gross income figured without taking into account the foreign earned income exclusion, the foreign housing exclusion, or the foreign housing deduction. Other modifications are also required. For more information on contributions to IRAs, see *Pub. 590-A*.

Taxes of Foreign Countries and U.S. Territories

You can take either a credit or a deduction for income taxes paid to a foreign country or a

U.S. territory. Taken as a deduction, foreign income taxes reduce your taxable income. Taken as a credit, foreign income taxes reduce your tax liability. You must treat all foreign income taxes the same way. If you take a credit for any foreign income taxes, you cannot deduct any foreign income taxes. However, you may be able to deduct other foreign taxes. See *Deduction for Other Foreign Taxes*, later.

There is no rule to determine whether it is to your advantage to take a deduction or a credit for foreign income taxes. In most cases, it is to your advantage to take foreign income taxes as a tax credit, which you subtract directly from your U.S. tax liability, rather than as a deduction in figuring taxable income. However, if foreign income taxes were imposed at a high rate and the proportion of foreign income to U.S. income is small, a lower final tax may result from deducting the foreign income taxes. In any event, you should figure your tax liability both ways and then use the one that is better for you.

You can make or change your choice within 10 years from the due date for filing the tax return on which you are entitled to take either the deduction or the credit.

Foreign income taxes. These are generally income taxes you pay to any foreign country or U.S. territory.

Foreign income taxes on U.S. return. Foreign income taxes can only be taken as a credit on Schedule 3 (Form 1040), line 1, or as an itemized deduction on Schedule A (Form 1040). These amounts cannot be included as withheld income taxes on Form 1040 or 1040-SR, line 25.

Foreign taxes paid on excluded income. You cannot take a credit or deduction for foreign income taxes paid on earnings you exclude from tax under any of the following.

- Foreign earned income exclusion.
- Foreign housing exclusion.
- Territory exclusion.

If your wages are completely excluded, you can’t deduct or take a credit for any of the foreign taxes paid on your wages.

If only part of your wages is excluded, you can’t deduct or take a credit for the foreign income taxes allocable to the excluded part. You find the taxes allocable to your excluded wages by applying a fraction to the foreign taxes paid on foreign earned income received during the tax year. The numerator (top number) of the fraction is your excluded foreign earned income received during the tax year minus deductible expenses allocable to that income (not including the foreign housing deduction). The denominator (bottom number) of the fraction is your total foreign earned income received during the tax year minus all deductible expenses allocable to that income (including the foreign housing deduction).

If foreign law taxes both earned income and some other type of income and the taxes on the other type can’t be separated, the denominator of the fraction is the total amount of income subject to foreign tax minus deductible expenses allocable to that income.

CAUTION *If you take a foreign tax credit for tax on income you could have excluded under your choice to exclude foreign earned income or your choice to exclude foreign housing costs, one or both of the choices may be considered revoked.*

Credit for Foreign Income Taxes

If you take the foreign tax credit, you may have to file Form 1116 with Form 1040 or 1040-SR. Form 1116 is used to figure the amount of foreign tax paid or accrued that can be claimed as a foreign tax credit. Don’t include the amount of foreign tax paid or accrued as withheld federal income taxes on Form 1040 or 1040-SR, line 25.

The foreign income tax for which you can claim a credit is the amount of legal and actual tax liability you pay or accrue during the year. The amount for which you can claim a credit is not necessarily the amount withheld by the foreign country. You can’t take a foreign tax credit for income tax you paid to a foreign country that would be refunded by the foreign country if you made a claim for refund.

Subsidies. If a foreign country returns your foreign tax payments to you in the form of a subsidy, you cannot claim a foreign tax credit based on these payments. This rule applies to a subsidy provided by any means that is determined, directly or indirectly, by reference to the amount of tax, or to the base used to figure the tax.

Some ways of providing a subsidy are refunds, credits, deductions, payments, or discharges of obligations. A credit is also not allowed if the subsidy is given to a person related to you, or persons who participated in a transaction or a related transaction with you.

Limit

The foreign tax credit is limited to the part of your total U.S. tax that is in proportion to your taxable income from sources outside the United States compared to your total taxable income. The allowable foreign tax credit can't be more than your actual foreign tax liability.

Exemption from limit. You won't be subject to this limit and won't have to file Form 1116 if you meet all three of the following requirements.

- Your only foreign source income for the year is passive income (dividends, interest, royalties, etc.) that is reported to you on a payee statement (such as a Form 1099-DIV or 1099-INT).

- Your foreign taxes for the year that qualify for the credit are not more than $300 ($600 if you are filing a joint return) and are reported on a payee statement.
- You elect this procedure.

If you make this election, you can’t carry back or carry over any unused foreign tax to or from this year.

Separate limit. You must figure the limit on a separate basis with regard to “section 951A category income,” “foreign branch category income,” “passive category income,” “general category income,” “section 901(j) income,” “certain income re-sourced by treaty,” and any “lump-sum distributions” from an employer benefit plan for which the special averaging treatment is used to determine your tax (see the *Instructions for Form 1116*).

Figuring the limit. In figuring taxable income in each category, you take into account only the amount that you must include in income on your federal tax return. Don’t take any excluded amount into account.

To determine your taxable income in each category, deduct expenses and losses that are definitely related to that income.

Other expenses (such as itemized deductions or the standard deduction) not definitely related to specific items of income must be apportioned to the foreign income in each category by multiplying them by a fraction. The numerator (top number) of the fraction is your gross foreign income in the separate limit category. The denominator (bottom number) of the fraction is your gross income from all sources. For this purpose, gross income includes income that is excluded under the foreign earned income provisions but does not include any other exempt income. You must use special rules for deducting interest expenses. For more information on allocating and apportioning your deductions, see *Pub. 514*.

Recapture of foreign losses. If you have an overall foreign loss and the loss reduces your U.S. source income (resulting in a reduction of your U.S. tax liability with respect to U.S. source income), you must recapture the loss in later years when you have taxable income from foreign sources. This is done by treating a part of your taxable income from foreign sources in later years as U.S. source income. This reduces the numerator of the limiting fraction and the resulting foreign tax credit limit.

Recapture of domestic losses. If you have an overall domestic loss and the loss reduces your foreign source income (resulting in a reduction in the amount of foreign tax credit you can claim for taxes paid during that year), you must recapture the loss in later years when you have U.S. source taxable income. This is done by treating a part of your taxable income from U.S. sources in later years as foreign source income. This increases the numerator of the limitation fraction and the resulting foreign tax credit limit.

Foreign tax credit carryback and carryover. The amount of foreign income tax not allowed as a credit because of the limit can be carried back 1 year and carried forward 10 years.

The Schedule B (Form 1116) is used to reconcile your prior year foreign tax carryover with your current year foreign tax carryover. The schedule replaces the previous attachment requirement for Part III, line 10 (Form 1116). For more information, see the Instructions for Schedule B (Form 1116) and the instructions for Form 1116, line 10, at *IRS.gov/Form1116*.

Deduction for Foreign Income Taxes

Instead of taking the foreign tax credit, you can deduct foreign income taxes as an itemized deduction on *Schedule A (Form 1040).*

You deduct only foreign income taxes paid on income that is subject to U.S. tax. You can't deduct foreign taxes paid on earnings you exclude from tax under any of the following.

- Foreign earned income exclusion.
- Foreign housing exclusion.
- Territory exclusion.

Example. You are a U.S. citizen and qualify to exclude your foreign earned income. Your excluded wages in Country X are $70,000 on which you paid income tax of $10,000. You received dividends from Country X of $2,000 on which you paid income tax of $600.

You can deduct the $600 tax payment because the dividends relating to it are subject to U.S. tax. Because you exclude your wages, you cannot deduct the income tax of $10,000.

If you exclude only a part of your wages, see the earlier discussion under *Foreign taxes paid on excluded income*.

Deduction for Other Foreign Taxes

You cannot deduct other foreign taxes, such as real property or personal property taxes, unless you incurred the expenses in a trade or business or in the production of income.

On the other hand, you can generally deduct real property or personal property taxes when you pay them to U.S. territories. But if you claim the territory exclusion, see *Pub. 570*.

The deduction for foreign taxes other than foreign income taxes isn’t related to the foreign tax credit. You can take deductions for these miscellaneous foreign taxes and also claim the foreign tax credit for income taxes imposed by a foreign country.

How To Report Deductions

If you exclude foreign earned income or housing amounts, how you show your deductions on your tax return and how you figure the amount allocable to your excluded income depends on whether the expenses are used in figuring adjusted gross income (Form 1040 or 1040-SR, line 11) or are itemized deductions.

If you have deductions used in figuring adjusted gross income, enter the total amount for each of these items on the appropriate lines and schedules of Form 1040 or 1040-SR. Generally, you figure the amount of a deduction related to the excluded income by multiplying the deduction by a fraction, the numerator of which is your foreign earned income exclusion and the denominator of which is your foreign earned income. Enter the amount of the deduction(s) related to excluded income on line 44 of Form 2555.

If you have itemized deductions related to excluded income, enter on Schedule A (Form 1040) only the part not related to excluded income. You figure that amount by subtracting from the total deduction the amount related to excluded income. Generally, you figure the amount that is related to the excluded income by multiplying the total deduction by a fraction, the numerator of which is your foreign earned income exclusion and the denominator of which is your foreign earned income. Attach a statement to your return showing how you figured the deductible amount.

Example 1. You are a U.S. citizen employed as an accountant. Your tax home is in Germany for the entire tax year. You meet the physical presence test. Your foreign earned income for the year was $129,875 and your investment income was $8,890. After excluding $112,000, your adjusted gross income is $26,755.

Generally, mortgage interest is deductible on Schedule A (Form 1040). You paid mortgage interest on your foreign home of $15,000. Your mortgage is under $750,000. Reduce the $15,000 of your mortgage interest by 86.2%(0.862) ($12,930) because you excluded 86.2%(0.862) ($112,000/$129,875) of your foreign earned income.

The remaining mortgage interest of $2,070 can be deducted on line 8a or 8b of Schedule A (Form 1040).

Example 2. You are a U.S. citizen, have a tax home in Spain, and meet the physical presence test. You are self-employed and personal services produce the business income. Your gross income was $121,842, business expenses were $67,695, and net income (profit) was $54,147. You choose the foreign earned income exclusion and exclude $112,000 of your gross income. Since your excluded income is 91.92% (0.9192) of your total income, 91.92% (0.9192) of your business expenses are not deductible. Report your total income and expenses on Schedule C (Form 1040). On Form 2555, you will show the following.

- Line 20a, $121,842, gross income.
- Lines 42 and 43, $112,000, foreign earned income exclusion.
- Line 44, $62,225 (91.92% (0.9192) × $67,695), business expenses attributable to the exclusion.

Example 3. Assume in *Example 2* that both capital and personal services combine to produce the business income. No more than 30% of your net income or $16,244 ($54,147 x 30% (0.30)), assuming that this amount is a reasonable allowance for your services, is considered earned and can be excluded. Your exclusion of $16,244 is 13.33% of your gross income ($16,244 ÷ $121,842). Because you excluded 13.33% of your net income, $9,024 (13.33% (0.1333) x $67,695) of your business expenses is attributable to the excluded income and is not deductible.

Example 4. You are a U.S. citizen, have a tax home in Brazil, and meet the physical presence test. You are self-employed and both capital and personal services combine to produce business income. Your gross income was $146,000, business expenses were $172,000, and your net loss was $26,000. A reasonable allowance for the services you performed for the business is $77,000. Because you incurred a net loss, the earned income limit of 30% of your net profit does not apply. The $77,000 is foreign earned income. If you choose to exclude the $77,000, you exclude 52.74% of your gross income ($77,000 ÷ $146,000), and 52.74% of your business expenses ($90,713) is attributable to that income and is not deductible. Show your total income and expenses on Schedule C (Form 1040). On Form 2555, exclude $77,000 and show $90,713 on line 44. Subtract line 44 from line 43, and enter the difference as a negative (in parentheses) on line 45. Because this amount is negative, enter it as a positive (no parentheses) on line 8d of Schedule 1 (Form 1040), and combine it with your other income to arrive at total income on line 9 of Schedule 1 (Form 1040).

TIP *In this situation (*Example 4*), you would probably not want to choose the foreign earned income exclusion if this was the first year you were eligible. If you had chosen the exclusion in an earlier year, you might want to revoke the choice for this year. To do so would mean that you could not claim the exclusion again for the next 5 tax years without IRS approval. See* Choosing the Exclusion *in chapter 4.*

Example 5. You are a U.S. citizen, have a tax home in Panama, and meet the bona fide residence test. You have been performing services for clients as a partner in a firm that provides services exclusively in Panama. Capital investment is not material in producing the partnership's income. Under the terms of the partnership agreement, you are to receive 50% of the net profits. The partnership received gross income of $248,000 and incurred operating expenses of $102,250. Of the net profits of $145,750, you received $72,875 as your distributive share.

You choose to exclude $112,000 of your share of the gross income. Because you exclude 90.32%(0.9032) ($112,000 ÷ $124,000) of your share of the gross income, you cannot deduct $46,176, which is 90.32%(0.9032) of your share of the operating expenses (90.32% (0.9032) × $51,125). Report $72,875, your distributive share of the partnership net profit, on

Schedule E (Form 1040). On Form 2555, show $112,000 on line 42 and show $46,176 on line 44. Your exclusion on Form 2555 is $65,824.

6.

Tax Treaty Benefits

Topics

This chapter discusses:

- Some common tax treaty benefits,
- How to get help in certain situations, and
- How to get copies of tax treaties.

Useful Items

You may want to see:

Publication

- ☐ **597** Information on the United States–Canada Income Tax Treaty
- ☐ **901** U.S. Tax Treaties

See chapter 7 for information about getting these publications.

Purpose of Tax Treaties

The United States has bilateral income tax treaties, also known as conventions, with many countries. See Table 3 under the list of tax treaty tables at *IRS.gov/Individuals/International-Taxpayers/Tax-Treaty-Tables* for a list of countries with which the United States has an income tax treaty in effect.

Under these treaties, citizens and residents of the United States who are subject to taxes imposed by the foreign countries are entitled to certain credits, deductions, exemptions, and reductions in the rate of taxes of those foreign countries. If a foreign country with which the United States has a treaty imposes a tax on you, you may be entitled to benefits under the treaty.

Treaty benefits are generally available to residents of the United States. They are generally not available to U.S. citizens who do not reside in the United States. However, certain treaty benefits and safeguards, such as the nondiscrimination provisions, are available to U.S. citizens residing in the treaty countries.

U.S. citizens residing in a foreign country may also be entitled to benefits under that country's tax treaties with third countries.

Certification of U.S. residency. Use *Form 8802* to request certification of U.S. residency for purposes of claiming benefits under a tax treaty. Certification can be requested for the current and any prior calendar years.

TIP *You should examine the specific treaty articles to find if you are entitled to a tax credit, tax exemption, reduced rate of tax, or other treaty benefit or safeguard.*

For more information on tax treaties, go to *IRS.gov/Individuals/International-Taxpayers/Tax-Treaties*.

Common Benefits

Some common tax treaty benefits are explained below. The credits, deductions, exemptions, reductions in rate, and other benefits provided by tax treaties are subject to conditions and various restrictions. Benefits provided by certain treaties are not necessarily provided by others.

Personal service income. If you are a U.S. resident who is in a treaty country for a limited number of days in the tax year and you meet certain other requirements, the payment you receive for personal services performed in that country may be exempt from that country's income tax.

Professors and teachers. If you are a U.S. resident, the payment you receive for the first 2 or 3 years that you are teaching or doing research in a treaty country may be exempt from that country's income tax.

Students, trainees, and apprentices. If you are a U.S. resident, amounts you receive from the United States for study, research, or business, professional, and technical training in a treaty country may be exempt from a treaty country's income tax.

Some treaties exempt non-compensatory grants, allowances, and awards received from governmental and certain nonprofit organizations. Also, under certain circumstances, a limited amount of pay received by students, trainees, and apprentices for the performance of services in a treaty country may be exempt from the income tax of many treaty countries.

Pensions and annuities. If you are a U.S. resident, nongovernment pensions and annuities you receive may be exempt from the income tax of treaty countries.

Most treaties contain separate provisions for exempting government pensions and annuities from treaty country income tax, and some treaties provide exemption from the treaty country's income tax for social security payments.

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.

Tax credit provisions. If you are a U.S. resident who receives income from or owns capital in a foreign country, you may be taxed on that income or capital by both the United States and the treaty country.

Most treaties allow you to take a credit against or deduction from the treaty country's taxes based on the U.S. tax on the income.

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. It is important that you examine the applicable saving clause to determine if an exception applies.

More information on treaties. *Pub. 901* 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. Since 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 contains an explanation of a number of frequently used provisions of the United States–Canada income tax treaty.

For additional information, go to [*IRS.gov/Individuals/International-Taxpayers/TaxTreaties*](https://www.IRS.gov/Individuals/International-Taxpayers/TaxTreaties).

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 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.

Your request for competent authority consideration should be addressed to:

Commissioner
Large Business and International Division
1111 Constitution Avenue. NW
Washington, DC 20224
SE:LB:TTPO:APMA:TAIT:
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-StatesIncome-Tax-Treaties-A-to-Z.

If you have questions about a treaty, you can visit *IRS.gov/Individuals/InternationalTaxpayers/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* to find resources that can help you right away.

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. Go to *IRS.gov* to see your options for preparing and filing your return online or in your local community, if you qualify, which include the following.

- **Free File.** This program lets you prepare and file your federal individual income tax return for free using brand-name tax-preparation-and-filing software or Free File fillable forms. However, state tax preparation may not be available through Free File. Go to *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, download the free IRS2Go app, or call 800-906-9887 for information on free tax return preparation.*IRS.gov/ VITA*, download the free IRS2Go app, or call 888-227-7669 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,* download the free IRS2Go app, or call 888-227-7669 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 (MilitaryOneSource.mil/ Tax)*.

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

Using online tools to help prepare your return. Go to *IRS.gov/Tools* for the following.

- The *Earned Income Tax Credit Assistant* (*IRS.gov/EITCAssistant*) determines if you're eligible for the earned income credit (EIC).
- The *Online EIN Application* (*IRS.gov/EIN*) helps you get an employer identification number (EIN) at no cost.
- The *Tax Withholding Estimator* (*IRS.gov/ W4app*) makes it easier for everyone to pay the correct amount of tax during the year. The tool is a convenient, online way to check and tailor your withholding. It's more user-friendly for taxpayers, including retirees and self-employed individuals. The features include the following.
- The *First-Time Homebuyer Credit Account Look-up*

(*IRS.gov/HomeBuyer*) tool provides information on your repayments and account balance.

- The *Sales Tax Deduction Calculator* (*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*: A variety of tools to help you get answers to some of the most common tax questions.
- *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 law topics.

- *IRS.gov/Forms*: Find forms, instructions, and publications. You will find details on 2022 tax changes and hundreds of interactive links to help you find answers to your questions.
- You may also be able to access tax law information in your electronic filing software.

Need someone to prepare your tax return? There are various types of tax return preparers, including tax preparers, enrolled agents, certified public accountants (CPAs), attorneys, 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. 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.

Coronavirus. Go to *IRS.gov/Coronavirus* for links to information on the impact of the coronavirus, as well as tax relief available for individuals and families, small and large businesses, and tax-exempt organizations.

Employers can register to use Business Services Online. The Social Security Administration (SSA) offers online service at *SSA.gov/ employer* for fast, free, and secure online 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.

IRS social media. Go to *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, Spanish, and ASL.

- *Youtube.com/irsvideos*.
- *Youtube.com/irsvideosmultilingua*.
- *Youtube.com/irsvideosASL.*

Watching IRS videos. The IRS Video portal (*IRSVideos.gov*) contains video and audio presentations for individuals, small businesses, and tax professionals.

Online tax information in other languages. You can find information on *IRS.gov/ MyLanguage* if English isn't your native language.

Free Over-the-Phone Interpreter (OPI) Service. The IRS is committed to serving our multilingual customers by offering OPI services. The OPI Service is a federally funded program and is available at Taxpayer Assistance Centers (TACs), other IRS offices, and every VITA/TCE return site. The OPI Service is accessible in more than 350 languages.

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*.

Note. 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 *Disaster Assistance and Emergency Relief for Individuals and Businesses* to review the available disaster tax relief.

Getting tax forms and publications. Go to *IRS.gov/Forms* to view, download, or print all of the forms, instructions, and publications you may need. Or, you can go to *IRS.gov/OrderForms* to place an order.

Getting tax publications and instructions in eBook format. You can also download and view popular tax publications and instructions (including the Instructions for Form 1040) on mobile devices as eBooks at *IRS.gov/eBooks*.

Note. 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* 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, your EIP amounts, and transcripts.
- View digital copies of select notices from the IRS.
- Approve or reject authorization requests from tax professionals.
- View your address on file or manage your communication preferences.

Tax Pro Account. This tool lets your tax professional submit an authorization request to access your individual taxpayer *IRS online account*. For more information, go to *IRS.gov/TaxProAccount*.

Using direct deposit. The fastest way to receive a tax refund is to file electronically 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, 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* for more information on where to find a bank or credit union that can open an account online.

Getting a transcript of your return. The quickest way to get a copy of your tax transcript is to go to *IRS.gov/Transcripts*. Click on either "Get Transcript Online" or "Get Transcript by Mail" to order a free copy of your transcript. If you prefer, you can order your transcript by calling 800-908-9946.

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, telephone calls, or social media channels to request 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,* 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.*

Ways to check on the status of your refund.

- Go to *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.

Note. 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. Go to *IRS.gov/Payments* for information on how to make a payment using any of the following options.

- *IRS Direct Pay*: Pay your individual tax bill or estimated tax payment directly from your checking or savings account at no cost to you.
- *Debit or Credit Card*: 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:* 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, easy, and faster than mailing in a check or money order.