



**Note:** *The draft you are looking for begins on the next page.*

## **Caution: DRAFT—NOT FOR FILING**

This is an early release draft of an IRS tax form, instructions, or publication, which the IRS is providing for your information. **Do not file draft forms.** We incorporate all significant changes to forms posted with this coversheet. However, unexpected issues occasionally arise, or legislation is passed—in this case, we will post a new draft of the form to alert users that changes were made to the previously posted draft. Thus, there are never any changes to the last posted draft of a form and the final revision of the form. Forms and instructions are subject to OMB approval before they can be officially released, so we post drafts of them until they are approved. Drafts of instructions and pubs usually have some additional changes before their final release. Early release drafts are at [IRS.gov/DraftForms](https://www.irs.gov/DraftForms) and remain there after the final release is posted at [IRS.gov/LatestForms](https://www.irs.gov/LatestForms). Also see [IRS.gov/Forms](https://www.irs.gov/Forms).

Most forms and publications have a page on IRS.gov: [IRS.gov/Form1040](https://www.irs.gov/Form1040) for Form 1040; [IRS.gov/Pub501](https://www.irs.gov/Pub501) for Pub. 501; [IRS.gov/W4](https://www.irs.gov/W4) for Form W-4; and [IRS.gov/ScheduleA](https://www.irs.gov/ScheduleA) for Schedule A (Form 1040), for example, and similarly for other forms, pubs, and schedules for Form 1040. When typing in a link, type it into the address bar of your browser, not a Search box on IRS.gov.

If you wish, you can submit comments to the IRS about draft or final forms, instructions, or pubs at [IRS.gov/FormsComments](https://www.irs.gov/FormsComments). Include “NTF” followed by the form or pub number (for example, “NTF1040”, “NTFW4”, “NTF501”, etc.) in the body of the message to route your message properly. We cannot respond to all comments due to the high volume we receive and may not be able to consider many suggestions until the subsequent revision of the product, but we will review each “NTF” message. If you have comments on reducing paperwork and respondent (filer) burden, with respect to draft or final forms, please respond to the relevant information collection through the Federal Register process; for more info, click [here](#).



**Publication 54**  
(Rev. December 2025)

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

## Future Developments

For the latest information about developments related to Pub. 54, such as legislation enacted after it was published, go to [IRS.gov/Pub54](https://www.irs.gov/pub54).

## What's New

**Tax law changes that impact 2025 and subsequent tax years.** Public Law 119-21, the One Big Beautiful Bill Act, was signed into law on July 4, 2025. The law contains several provisions that impact Form 1040 and other related forms. Some of the changes include:

- Standard deduction,
- Itemized deductions,
- Moving expenses,
- Casualty and theft losses, and
- Social security number (SSN) requirement to claim child tax and other credits, and deductions.

For information on tax law changes for 2025 and subsequent years, go to the Form 1040 webpage, available at [IRS.gov/Form1040](https://www.irs.gov/Form1040). Specific information regarding the One Big Beautiful Bill Act is also available at [IRS.gov/Newsroom/One-Big-Beautiful-Bill-Act-Tax-Deductions-For-Working-Americans-And-Seniors](https://www.irs.gov/Newsroom/One-Big-Beautiful-Bill-Act-Tax-Deductions-For-Working-Americans-And-Seniors).

**Direct deposit and electronic payments.** If you have access to U.S. banking services or electronic payment systems, you should use direct deposit for any refunds. The IRS also recommends paying electronically whenever possible. Options to pay electronically include using your bank account with Direct Pay, your debit or credit card, your digital wallet, or your IRS Online Account. Go to [IRS.gov/Payments](https://www.irs.gov/Payments) to see all your payment options.

**Continuous-use revision.** Publication 54 has been converted from an annual revision to a continuous use revision in tax year 2025. Subsequent revisions will be made on an as needed basis.

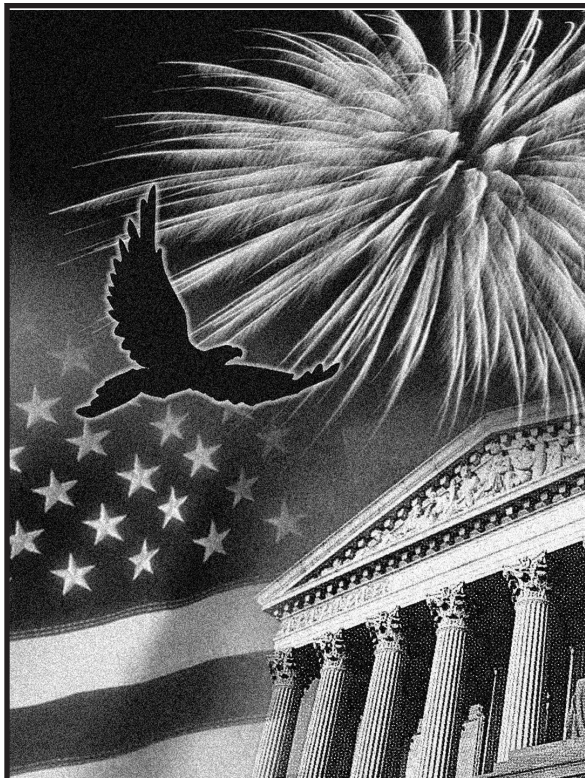
The annual inflation adjusted amounts for items such as standard deduction, foreign earned income exclusion, and individual retirement arrangement (IRA) contribution limits have been removed throughout the publication.

For information on specific issues, please see the webpages and instructions on [IRS.gov](https://www.irs.gov) for the specific product.

For annual adjusted inflation amounts:

1. Go to [IRS.gov/InflationAdjustment](https://www.irs.gov/InflationAdjustment),
2. Click on the link for the IRS tax inflation adjustments for your tax year,
3. Click on the Revenue Procedure for the tax year, and
4. Look for the section that applies to your issue.

**Mortgage and student loan forgiveness relief expires in 2025.** The exclusion from income of discharged mortgage debt for qualified principal residence indebtedness



Get forms and other information faster and easier at:

- [IRS.gov](https://www.irs.gov) (English)
- [IRS.gov/Korean](https://www.irs.gov/Korean) (한국어)
- [IRS.gov/Spanish](https://www.irs.gov/Spanish) (Español)
- [IRS.gov/Russian](https://www.irs.gov/Russian) (Русский)
- [IRS.gov/Chinese](https://www.irs.gov/Chinese) (中文)
- [IRS.gov/Vietnamese](https://www.irs.gov/Vietnamese) (Tiếng Việt)

and qualified student loan debt under section 108(f)(5) expires on December 31, 2025.

**New Forms 8964-ELE and 8964-TRA.** Form 8964-ELE, Section 987 Elections, and Form 8964-TRA, Section 987 Transition Information, are new forms for tax year 2025. The forms are filed by taxpayers that own qualified business units (QBUs) that have reporting requirements under section 987. See [Other Forms You May Have To File](#), in Chapter 1, for additional information.

**International practice units are available for help with questions and issues.** The IRS' Large Business and International division has created practice units that are designed to provide additional information and answer questions for various issues unique to international individuals and businesses. The practice units cover specific topics, provide overviews and analyses of issues, resources that include applicable law, related forms, examples, related practice units, and additional resources.

Topics include residency; computations of income, deductions, and exclusions; sourcing of income; foreign currency issues; foreign earned income exclusion/housing deduction; foreign tax credit; tax credits; taxes; international information returns and penalties; and statutes. You can access the practice units by going to [IRS.gov/Businesses/Corporations/Practice-Units](#).

**Special relief for terrorist attacks in Israel, Gaza, and the West Bank.** Taxpayers who live or have a business in Israel, Gaza, or the West Bank, and certain other taxpayers affected by the terrorist attacks in the State of Israel have until September 30, 2025, to file and pay. This includes all 2023 and 2024 returns. Please note payments on the 2023 tax year returns are not eligible for the additional time because they were originally due prior to the terrorist attacks. For additional information, see [IRS.gov/Newsroom/IRS-Announces-New-Relief-For-Taxpayers-Affected-By-Terrorist-Attacks-In-Israel-2023-And-2024>Returns-And-Payments-Are-Now-Due-Sept-30-2025-Other-Relief-Available](#).

On September 30, 2025, the Service announced that due to the ongoing conflict in Israel, the agency is providing additional tax relief to affected individuals and businesses, postponing until September 30, 2026, a wide range of deadlines for filing federal returns, making tax payments, and performing other time-sensitive tax-related actions. For additional information, see [IRS.gov/Newsroom/IRS-Announces-New-Relief-For-Eligible-Taxpayers-Affected-By-Ongoing-Events-In-Israel-Due-Dates-For-Eligible>Returns-And-Payments-May-Be-Postponed-To-Sept-30-2026-Additional-Relief-May-Be-Available](#).

## Reminders

**Denial or revocation of U.S. passport.** The IRS is required to notify the State Department of taxpayers certified as owing a seriously delinquent tax debt. The State Department is generally prohibited from issuing or renewing a passport to a taxpayer with seriously delinquent tax debt.

If you currently have a valid passport, the State Department may revoke your passport or limit your ability to travel. Additional information on passport certification is available at [IRS.gov/Passports](#).

**Individual taxpayer identification number (ITIN) renewal.** An ITIN for a nonresident alien spouse or dependent used on a prior-year income tax return may require renewal. For more information, go to [IRS.gov/ITIN](#).

**Digital assets.** You may have to report transactions with digital assets such as cryptocurrency and non-fungible tokens (NFTs) on your tax return. Income from digital assets is taxable. For more information on digital assets, go to [IRS.gov/DigitalAssets](#).

**Figuring tax on income not excluded.** If you claim the foreign earned income exclusion, the foreign housing exclusion, 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 Form 1040-SR, available at [IRS.gov/Form1040](#) 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, Alternative Minimum Tax—Individuals, available at [IRS.gov/Form6251](#), to your return, use the Foreign Earned Income Tax Worksheet provided in the instructions for Form 6251.

**People who failed to meet eligibility requirements because of adverse conditions in a foreign country.** Section 911(d)(4) of the Code provides that an individual will be treated as a qualified individual with respect to a period in which the individual was a bona fide resident of, or was present in a foreign country if the individual left the country during a specified period. The Secretary of the Treasury, in consultation with the Secretary of State, determines each year the list of countries that individuals were required to leave because of war, civil unrest, or similar adverse condition that precluded the normal conduct of business. You must establish that but for those conditions you could reasonably have been expected to meet the eligibility requirements. Early each year, the IRS publishes an Internal Revenue Bulletin with a list of the foreign countries for which the minimum time requirements are waived and the effective dates. The Internal Revenue Bulletins are located at [IRS.gov/IRB](#).

**The VSO Equal Tax Treatment (VETT) Act adds certain organizations to the list of deductible charitable contributions for members of the Armed Forces.** The VETT Act, enacted December 12, 2024, amends section 170(c) to include section 501(c)(19) organizations that are federally chartered corporations. The amendment applies to tax years beginning after December 12, 2024. Find information about an organization's tax-exempt status and filings by using the online search tool, available at [IRS.gov/TEOS](#).

For additional information on claiming charitable contributions, see Pub. 526, Charitable Contributions, available at [IRS.gov/Pub526](#).

**Other forms you may have to file.** If you had foreign financial assets and/or financial accounts, entered the U.S.



with \$10,000 or more in currency, have ownership interests in foreign entities, foreign trusts, or qualified business units (QBUs), received gifts from foreign persons, or gave up your U.S. citizenship or residency, you may have additional forms to file. See [Other Forms You May Have To File](#) in chapter 1.

**U.S.-Hungary income tax treaty.** On July 8, 2022, the United States terminated the income tax treaty between the government of the United States and the government of the Hungarian People's Republic. The termination of the treaty is effective for withholding taxes on payments made on or after January 1, 2024, and is effective for tax years beginning on or after January 1, 2024, for any other taxes.

**U.S.-Chile income tax treaty.** The tax treaty between the United States and Chile entered into force on December 19, 2023. The treaty is effective for withholding taxes at source on payments made on or after February 1, 2024, and is effective for tax years beginning on or after January 1, 2024, for any other taxes.

**U.S.-Russia income tax treaty.** On July 1, 2024, the United States provided formal notice to the Russian Federation to confirm the suspension of paragraph 4 of Article 1, and Articles 5–21 and 23 of the income tax treaty between the United States and the Russian Federation, as well as the accompanying Protocol, by mutual agreement. The suspension of the treaty is effective both for taxes withheld at source and in respect of other taxes on August 16, 2024. The suspension will continue until otherwise decided by the two governments.

**U.S.-U.S.S.R. income tax treaty that relates to Belarus.** On December 17, 2024, the United States provided formal notice to the Republic of Belarus to confirm the suspension of the operation of paragraph 1, subparagraph (g), of Article III of the Convention between the United States of America and the Union of Soviet Socialist Republics on Matters of Taxation, with related letters, by mutual agreement. The suspension is effective December 17, 2024, until December 31, 2026, and will continue until otherwise decided by the two governments.

**Photographs of missing children.** The IRS is a proud partner with the [National Center for Missing & Exploited Children® \(NCMEC\)](#). Photographs of missing children selected by the Center may appear in this publication on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

## Introduction

This publication discusses special tax rules for U.S. citizens and resident aliens who live and work abroad.

If you are a U.S. citizen or resident alien, your worldwide income is generally subject to U.S. income tax, regardless of where you are living. Also, you are subject to the same income tax filing requirements that apply to U.S. citizens or resident aliens living in the United States. Expatriation tax provisions apply to U.S. citizens who have

renounced their citizenship and long-term residents who have ended their residency. These provisions are discussed in chapter 4 of Pub. 519, U.S. Tax Guide for Aliens, available at [IRS.gov/Pub519](https://www.irs.gov/pub519).

**Resident alien.** A resident alien is an individual who is not a citizen or national of the United States and who meets either the green card test or the substantial presence test for the calendar year.

1. **Green card test.** You are a U.S. resident if you were a lawful permanent resident of the United States at any time during the calendar year. This is known as the green card test because resident aliens hold immigrant visas (also known as green cards).
2. **Substantial presence test.** You are considered a U.S. resident if you meet the substantial presence test for the calendar year. To meet this test, you must be physically present in the United States on at least:
  - a. 31 days during the current calendar year; and
  - b. A total of 183 days during the current year and the 2 preceding years, counting all the days of physical presence in the current year, but only one-third the number of days of presence in the first preceding year, and only one-sixth the number of days in the second preceding year.

**Example.** You were physically present in the United States for 120 days in each of the years 1, 2, and 3. To determine if you meet the substantial presence test for year 3, count the full 120 days of presence in year 3, 40 days in year 2 ( $\frac{1}{3}$  of 120), and 20 days in year 1 ( $\frac{1}{6}$  of 120). Because the total for the 3-year period is 180 days, you are not considered a resident under the substantial presence test for year 3.

Even if you do not meet either of these tests, you may be able to choose to be treated as a U.S. resident for part of the year under the first-year choice test, discussed in [Pub. 519](#).

For more information on resident and nonresident status, the tests for residence, and the exceptions to them, see [Pub. 519](#).

**Filing information.** [Chapter 1](#) contains general filing information, such as:

- Whether you must file a U.S. tax return,
- When and where to file your return,
- How to report your income if it is paid in foreign currency,
- How to treat a nonresident alien spouse as a U.S. resident, and
- Whether you must pay estimated tax.

**Withholding tax.** [Chapter 2](#) discusses the withholding of income, social security, and Medicare taxes from the pay of U.S. citizens and resident aliens.

**Self-employment tax.** [Chapter 3](#) discusses who must pay self-employment tax.

**Foreign earned income exclusion, foreign housing exclusion, and foreign housing deduction.** [Chapter 4](#) discusses income tax benefits that apply if you meet certain requirements while living and working abroad. You may qualify to treat a portion of your earned income as not taxable by the United States. You may also be able to either deduct part of your housing expenses from your income or treat a limited amount of income used for housing expenses as not taxable by the United States. These benefits are called the foreign earned income exclusion and the foreign housing deduction and exclusion.

To qualify, you must have a tax home in a foreign country, earn income from personal services performed in a foreign country, and meet either the physical presence or bona fide residence test. These rules are explained in [chapter 4](#).

If you are going to elect either or both of the exclusions or take the deduction as discussed above, you must file Form 2555 by attaching it to your federal income tax return, Form 1040, 1040-SR, or 1040-X.

**Deductions and credits.** [Chapter 5](#) discusses deductions and credits you may be able to claim on your return. These are generally the same as if you were living in the United States. However, you can't deduct or exclude any item, or take a credit for any item, that is related to amounts you exclude as foreign earned income or foreign housing amounts. Among the topics discussed in [chapter 5](#) are:

- Contributions to foreign organizations,
- Contributions to individual retirement arrangements (IRAs), and
- Foreign taxes.

**Tax treaty benefits.** [Chapter 6](#) discusses some benefits that are common to most tax treaties and explains how to get help if you think you are not receiving a treaty benefit to which you are entitled. It also explains how to get copies of tax treaties.

**How to get tax help.** [Chapter 7](#) is an explanation of how to get information and assistance from the IRS.

**Questions and answers.** Frequently asked questions and answers to those questions are presented in the back of this publication.

**Comments and suggestions.** We welcome your comments about this publication and suggestions for future editions.

You can send us comments through [IRS.gov/FormComments](#). Or, you can write to the Internal Revenue Service, Tax Forms and Publications, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224.

Although we can't respond individually to each comment received, we do appreciate your feedback and will consider your comments and suggestions as we revise our tax forms, instructions, and publications. **Don't** send tax questions, tax returns, or payments to the above address.

**Getting answers to your tax questions.** If you have a tax question not answered by this publication or the *How To Get Tax Help* section near the end of this publication, go to the IRS Interactive Tax Assistant page at [IRS.gov/Help/ITA](#) where you can find topics by using the search feature or viewing the categories listed.

**Getting tax forms, instructions, and publications.** Go to [IRS.gov/Forms](#) to download current and prior-year forms, instructions, and publications.

**Ordering tax forms, instructions, and publications.** Go to [IRS.gov/OrderForms](#) to order current forms, instructions, and publications; call 800-829-3676 to order prior-year forms and instructions. The IRS will process your order for forms and publications as soon as possible. **Don't** resubmit requests you've already sent us. You can get forms and publications faster online.

## 1.

# Filing Information

## Topics

This chapter discusses:

- Whether you have to file a return,
- When to file your return and pay any tax due,
- How to treat foreign currency,
- How to file electronically,
- Where to file your return,
- When you can treat your nonresident alien spouse as a resident, and
- When you may have to make estimated tax payments.

## Useful Items

You may want to see:

### Publication

- ☐ **3** Armed Forces' Tax Guide
- ☐ **334** Tax Guide for Small Business (For Individuals Who Use Schedule C)
- ☐ **501** Dependents, Standard Deduction, and Filing Information
- ☐ **505** Tax Withholding and Estimated Tax
- ☐ **519** U.S. Tax Guide for Aliens
- ☐ **570** Tax Guide for Individuals With Income from U.S. Territories
- ☐ **970** Tax Benefits for Education

**Form (and Instructions)**

- ☐ **1040** U.S. Individual Income Tax Return
- ☐ **1040-ES** Estimated Tax for Individuals
- ☐ **1040-X** Amended U.S. Individual Income Tax Return
- ☐ **2350** Application for Extension of Time To File U.S. Individual Income Tax Return
- ☐ **2555** Foreign Earned Income
- ☐ **4868** Application for Automatic Extension of Time To File U.S. Individual Income Tax Return
- ☐ **8822** Change of Address

All of these forms, instructions, and publications can be downloaded from [IRS.gov](https://www.irs.gov). See [chapter 7](#) for information about getting these publications and forms.

## Filing Requirements

**Caution:** The filing and payment requirements discussed below are for U.S. individual income tax return, Form 1040 and Form 1040-SR, filers. If you have filing and payment requirements for other forms, follow the filing and payment instructions contained in the instructions for the specific form(s) you are required to file. To find the instructions for the specific form(s) you are required to file, go to [IRS.gov/FormsPubs](https://www.irs.gov/FormsPubs) and enter the form number in the search box.

If you are a U.S. citizen or resident alien, the rules for filing income, estate, and gift tax returns and for paying estimated tax are generally the same whether you are living in the United States or abroad.

Your income, filing status, and age generally determine whether you must file an income tax return. Generally, you must file an income tax return for any year in which your worldwide gross income is at least the amount shown for your filing status in Charts A through C under *Filing Requirements* in the [Instructions for Form 1040 and 1040-SR](#).

**Note:** If you are married and entitled to file jointly, use the married filing jointly threshold unless your spouse has filed a separate return or another taxpayer claims your spouse as a dependent.

**Gross income.** This includes all income you receive in the form of money, goods, property, and services that is not exempt from tax.

For purposes of determining whether you must file a return, gross income includes any income that you can exclude as foreign earned income or as a foreign housing amount.

If you are self-employed, your gross income includes the amount on Part I, line 7, of Schedule C (Form 1040), available at [IRS.gov/ScheduleC](https://www.irs.gov/ScheduleC).

**Self-employed individuals.** If your net earnings from self-employment are \$400 or more, you must file a return

even if your gross income is below the amount listed for your filing status in the [Instructions for Form 1040 and Form 1040-SR](#). For more information on net earnings from self-employment, see Pub. 334, Tax Guide for Small Business (For Individuals Who Use Schedule C), available at [IRS.gov/Pub334](https://www.irs.gov/Pub334).

**65 or older.** You are considered to be age 65 on the day before your 65th birthday. For example, if your 65th birthday is on January 1, you are considered 65 for the prior year.

**Residents of U.S. territories.** If you are (or were) a bona fide resident of a U.S. territory, you may be required to file Form 8898, Statement for Individuals Who Begin or End Bona Fide Residence in a U.S. Territory. See the [Instructions for Form 8898](#) for more information.

## Filing and Payment Due Dates

If you file on a calendar-year basis, the regular due date for filing your income tax return (Form 1040 or Form 1040-SR) is April 15 of the following year. If you file on a fiscal-year basis (a year ending on the last day of any month except December), the due date is 3 months and 15 days after the close of your fiscal year.

In general, the tax shown on your return should be paid by the due date of the return, without regard to any extension of time for filing the return.

When the due date for doing any act for tax purposes—filing a return, paying taxes, etc.—falls on a Saturday, Sunday, or legal holiday, the due date is delayed until the next business day.

For more information on when to file your income tax return, go to [IRS.gov/Individuals/International-Taxpayer/US-And-Resident-Aliens-Abroad](https://www.irs.gov/Individuals/International-Taxpayer/US-And-Resident-Aliens-Abroad).

**Caution:** A tax return delivered by the U.S. mail or a designated delivery service that is postmarked or dated by the delivery service on or before the due date is considered to have been filed on or before that date. Go to [IRS.gov/PDS](https://www.irs.gov/PDS) for the current list of designated services.

## Extensions

You can get an extension of time to file your income tax return. In some circumstances, you can also get an extension of time to file and pay any tax due.

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.

This publication discusses four extensions:

- an automatic 2-month extension,
- an automatic 6-month extension,
- an additional extension for taxpayers out of the country, and
- an extension of time to meet residency tests.



If you served in a combat zone or qualified hazardous duty area, see Pub. 3, Armed Forces' Tax Guide, available at [IRS.gov/Pub3](https://www.irs.gov/pub3), for a discussion of extensions of deadlines.

**Automatic 2-month extension.** You are allowed an automatic 2-month extension to file your income tax return and pay federal income tax if you are a U.S. citizen or resident alien, and on the regular due date of your return:

- You are living outside the United States and Puerto Rico and your main place of business or post of duty is outside the United States and Puerto Rico, or
- You are in military or naval service on duty outside the United States and Puerto Rico.

Even if you are allowed an extension, you will have to pay interest on any tax not paid by the regular due date of your return.

**Extension for married taxpayers who reside outside of the U.S.** If you file a joint return, either you or your spouse can qualify for the automatic extension. If you and your spouse file separate returns, this automatic extension applies only to the spouse who qualifies for it.

**How to request an automatic 2-month extension.** To use this automatic 2-month extension, you must attach a statement to your income tax return explaining which situation listed earlier qualified you for the extension.

**Previous 2-month extension.** If you cannot file your income tax return within the automatic 2-month extension period (June 15 for calendar-year taxpayers), you can generally get an additional 4 months to file your return, for a total of 6 months (to October 15 for calendar-year taxpayers). The 2-month period and the 6-month period start on April 15, the regular due date. You have to request the additional 4 months by the due date allowed by the automatic 2-month extension (June 15 for calendar-year taxpayers).

**How to request the additional 4-month extension.** To obtain this 4-month extension, complete and file Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return, available at [IRS.gov/Form4868](https://www.irs.gov/Form4868). Ensure the box for line 8 stating you are out of the country and are a U.S. citizen or resident is checked.

The additional 4 months of time to file (unlike the original 2-month extension) is not an extension of time to pay. You must make an accurate estimate of your tax based on the information available to you. If you find you cannot pay the full amount due with Form 4868, you can still get the extension. You will owe interest on the unpaid amount from the original due date of the return (April 15 for calendar-year taxpayers).

You may also be charged a penalty for paying the tax late unless you have reasonable cause for not paying your tax when due. Penalties for paying the tax late are assessed from the original due date of your return, unless you qualify for the automatic 2-month extension. In that situation, penalties for paying late are assessed from the extended due date of the payment (June 15 for calendar-year taxpayers).

**Automatic 6-month extension.** If you are not able to file your income tax return by the regular due date (April 15 for calendar-year taxpayers), you can generally get an automatic 6-month extension of time to file (but not of time to pay).

**Caution: Exceptions to eligibility for an automatic 6-month extension.** You cannot use the automatic 6-month extension of time to file if:

- You want the IRS to figure your tax, or
- You are under a court order to file by the regular due date.

**How to request the automatic 6-month extension.** To get this automatic extension, you must file [Form 4868](https://www.irs.gov/Form4868). The form must show your properly estimated tax liability based on the information available to you.

**When to file.** Generally, you must request the 6-month extension by the regular due date of your return.

**Additional extension of time for taxpayers out of the country.** In addition to the 6-month extension, taxpayers who are out of the country can request a discretionary 2-month additional extension of time to file their income tax return (to December 15 for calendar-year taxpayers).

**How to request the additional extension.** To request this extension, you must send the IRS a letter explaining the reasons why you need the additional 2 months. Send the letter by the extended due date (October 15 for calendar-year taxpayers).

You will not receive any notification from the IRS unless your request is denied.

The discretionary 2-month additional extension is not available to taxpayers who have an approved extension of time to file on Form 2350, Application for Extension of Time to File U.S. Income Tax Return, available at [IRS.gov/Form2350](https://www.irs.gov/Form2350), discussed next.

**Extension of time to meet residency tests.** Generally, you cannot get an extension of more than 6 months. If you are outside the United States and meet certain requirements, you may be able to get a longer extension.

You can get an extension of more than 6 months to file your income tax return if you need the time to meet either the bona fide residence test or the physical presence test to qualify for the foreign earned income exclusion and the foreign housing exclusion or deduction. The tests, exclusions, and deduction are explained in [chapter 4](#).

You should request an extension if all three of the following apply.

1. You are a U.S. citizen or resident alien.
2. You expect to meet either the bona fide residence test, or the physical presence test, but not until after your tax return is due.
3. Your tax home is in a foreign country (or countries) throughout your period of bona fide residence or physical presence, whichever applies.

If you are granted an extension, it will generally be for 30 days beyond the date on which you can reasonably expect to qualify for an exclusion or deduction under the bona fide residence test or the physical presence test.

**How to request the extension of time to meet residency tests.** To obtain an extension, file [Form 2350](#) by:

- Giving it to a local IRS representative or other IRS employee,
- Filing electronically via *e-file*, or
- Mailing it.

See the instructions for Form 2350 for the mailing address.

You must file [Form 2350](#) by the due date for filing your return. Generally, if both your tax home and your abode are outside the United States and Puerto Rico on the regular due date of your return and you file on a calendar-year basis, the due date for filing your return is June 15.

**What if tests are not met.** If you obtain an extension, and unforeseen events make it impossible for you to meet the bona fide residence test or the physical presence test, file your income tax return as soon as possible to limit interest charged on any tax due after the regular due date of the return.

**Caution:** File your extension request early in order to allow for the timely filing of your return if your request is denied. You may be subject to a penalty if you file late and additional tax is due.

**Return filed before test is met.** If you file a return before you meet the bona fide residence test or the physical presence test, you must report your worldwide income and pay tax on that income. If you later meet either of the tests, file Form 1040-X, Amended U.S. Individual Income Tax Return, available at [IRS.gov/Form1040X](#), to claim the foreign earned income exclusion, and the foreign housing exclusion or foreign housing deduction.

## How To File and Pay

**Filing options.** There are two options for filing tax returns and extensions:

1. By mail, or
2. By e-file

**Filing by mail.** International tax returns and extensions are mailed to specific addresses. To locate the mailing address for the form you are filing, go to [IRS.gov/Filing/International-Where To File Form 1040 Addresses For Taxpayers And Tax Professionals](#). See [How to request the additional extension](#), earlier, for Form 2350.

**Filing by E-file.** IRS *e-file* is the fastest, easiest, and most convenient way to file your income tax return electronically.



IRS *e-file* offers accurate, safe, and fast alternatives to filing on paper. IRS computers quickly and automatically check for errors or other missing information.

**Note:** Returns with a foreign address can be *e-filed*.

Extensions can be filed through IRS Free File with no income limit for extensions. For additional information, go to [IRS.gov/Filing/Get-An-Extension-To-File-Your-Tax-Return](#).



**How to e-file.** There are three ways you can *e-file*.

1. Use your personal computer.
2. Use a volunteer. Many programs offering free tax help can *e-file* your return.
3. Use a tax professional. Most tax professionals can *e-file* your return.

These methods are explained in detail in the instructions for your tax return.

For additional information on when to file, how to file, and where to file your tax return, go to [IRS.gov/Individuals/International-Taxpayers/US-Citizens-And-Resident-Aliens-Abroad](#).

**Payment options.** There are multiple options for payments of tax. For information on payment options, go to [IRS.gov/Payments](#). For information on foreign electronic payments, go to [IRS.gov/Individuals/International-Taxpayers/Foreign-Electronic-Payments-Tax-Type-Codes](#).

## Foreign Currency

You must express the amounts you report on your U.S. tax return in U.S. dollars. If you receive all or part of your income, or pay some or all of your expenses, in foreign currency, you must translate the foreign currency into U.S. dollars. How you do this depends on your functional currency. Your functional currency is generally the U.S. dollar unless you are required to use the currency of a foreign country.

You must make all federal income tax determinations in your functional currency. The U.S. dollar is the functional currency for all taxpayers except some qualified business units (QBUs). A QBU is a separate and clearly identified unit of a trade or business that maintains separate books and records.

For additional information on foreign currency, currency exchange rates, qualified business units, and links to currency exchange rates and resources, see [IRS.gov/Individuals/International-Taxpayers/Foreign-Currency-And-Currency-Exchange-Rates](#), and [IRS.gov/Individuals/International-Taxpayers/Yearly-Average-Currency-Exchange-Rates](#).



## Blocked Income

You must generally report your foreign income in terms of U.S. dollars and, with one exception (see [Fulbright Grant](#), later), you must pay taxes due on it in U.S. dollars.

If, because of restrictions in a foreign country, your income is not readily convertible into U.S. dollars or into other money or property that is readily convertible into U.S. dollars, your income is “blocked” or “deferrable” income. You can report this income in one of the following two ways.

- Report the income and pay your federal income tax with U.S. dollars that you have in the United States or in some other country.
- Postpone the reporting of the income until it becomes unblocked.

If you choose to postpone the reporting of the income, you must file an information return with your tax return. For this information return, you should use another Form 1040 or 1040-SR labeled “Report of Deferrable Foreign Income, pursuant to Rev. Rul. 74-351.” You must declare on the information return that you will include the deferrable income in your taxable income for the year that it becomes unblocked. You must also state that you waive any right to claim that the deferrable income was includible in your income for any earlier year. For detailed information, see Revenue Ruling 74-351, 1974-2 C.B. 144.

You must report your income on your information return using the foreign currency in which you received that income. If you have blocked income from more than one foreign country, include a separate information return for each country.

Income becomes unblocked and reportable for tax purposes when it becomes convertible, or when it is converted, into U.S. dollars or into other money or property that is convertible into U.S. currency. Also, if you use blocked income for your personal expenses or dispose of it by gift, bequest, or devise, you must treat it as unblocked and reportable.

If you have received blocked income on which you have not paid tax, you should check to see whether that income is still blocked. If it is not, you should take immediate steps to pay tax on it, file a declaration or amended declaration of estimated tax, and include the income on your tax return for the year in which the income became unblocked.

If you choose to postpone reporting blocked income and in a later tax year you wish to begin including it in gross income although it is still blocked, you must obtain the permission of the IRS to do so. To apply for permission, file Form 3115, Application for Change in Accounting Method, available at [IRS.gov/Form3115](https://www.irs.gov/Form3115). You must also request permission from the IRS on Form 3115 if you have not chosen to defer the reporting of blocked income in the past, but now wish to begin reporting blocked income under the deferred method. See the Instructions for Form

3115 for information on changing your accounting method.

## Fulbright Grant

All income must be reported in U.S. dollars. In most cases, the tax must also be paid in U.S. dollars. If, however, at least 70% of your Fulbright grant has been paid in nonconvertible foreign currency (blocked income), you can use the currency of the host country to pay the part of the U.S. tax that is based on the blocked income.

**Paying U.S. tax in foreign currency.** To qualify for this method of payment, you must prepare a statement that shows the following information.

- You were a Fulbright grantee and were paid in nonconvertible foreign currency.
- The total grant you received during the year and the amount you received in nonconvertible foreign currency.
- At least 70% of the grant was paid in nonconvertible foreign currency.

The statement must be certified by the U.S. educational foundation or commission paying the grant or other person having control of grant payments to you.

You should prepare at least two copies of this statement. Attach one copy to your Form 1040 or 1040-SR and keep the other copy for identification purposes when you make a tax deposit of nonconvertible foreign currency.

**Figuring actual tax.** When you prepare your income tax return, you may owe tax or the entire liability may have been satisfied with your estimated tax payments. If you owe tax, figure the part due to (and payable in) the nonconvertible foreign currency by using the following formula.

$$\frac{\text{Adjusted gross income that is blocked income}}{\text{Total adjusted gross income}} \times \text{Total U.S. tax} = \text{Tax on blocked income}$$

You must attach all of the following to the return.

- A copy of the certified statement discussed earlier.
- A detailed statement showing the allocation of tax from amounts received in foreign currency and the rates of exchange used in determining your tax liability in U.S. dollars.
- The original deposit receipt for any balance of tax due that you paid in nonconvertible foreign currency.

**Figuring estimated tax on nonconvertible foreign currency.** If you are liable for [Estimated Tax Payments](#) (discussed later), figure the amount you can pay to the IRS in nonconvertible foreign currency using the following formula.

$$\frac{\text{Adjusted gross income that is blocked income}}{\text{Total adjusted gross income}} \times \text{Total estimated U.S. tax} = \text{Estimated tax on blocked income}$$

If you must pay your host country income tax on your grant, subtract any estimated foreign tax credit that applies to your grant from the estimated tax on the blocked income.

#### Deposit of foreign currency with disbursing officer.

Once you have determined the amount of the actual tax or estimated tax that you can pay in nonconvertible foreign currency, deposit that amount with the disbursing officer of the Department of State in the foreign country in which the foundation or commission paying the grant is located.

**Estimated tax installments.** You can either deposit the full estimated tax amount before the first installment due date or make four equal payments before the installment due dates. See [Estimated Tax Payments](#), later.

**Deposit receipt.** Upon accepting the foreign currency, the disbursing officer will give you a receipt in duplicate. The original of this receipt (showing the amount of foreign currency deposited and its equivalent in U.S. dollars) should be attached to your Form 1040 or 1040-SR or payment voucher from Form 1040-ES, Estimated Tax for Individuals, available at [IRS.gov/Form1040ES](https://www.irs.gov/Form1040ES). Keep the copy for your records.

## Where To File—U.S. Territories

**Resident of the U.S. Virgin Islands (USVI).** If you are a bona fide resident of the USVI during your entire tax year, you are generally not required to file a U.S. return. However, you must file a return with the USVI.

For more information on how to file your USVI tax return, go to [BIR.VI.gov](https://bir.vi.gov).



Send your return to:

U.S. Virgin Islands Bureau  
of Internal Revenue  
6115 Estate Smith Bay  
St. Thomas, Virgin Islands 00802

**Non-USVI resident with USVI income.** If you are a U.S. citizen or resident alien and you have income from sources in the USVI or income effectively connected with the conduct of a trade or business in the USVI, and you are not a bona fide resident of the USVI during your entire tax year, you must file identical tax returns with the United States and the USVI. File the original return with the United States and file a signed copy of the U.S. return (including all attachments, forms, and schedules) with the Virgin Islands Bureau of Internal Revenue.

You must complete Form 8689, Allocation of Individual Income Tax to the U.S. Virgin Islands, available at [IRS.gov/Form8689](https://www.irs.gov/Form8689), and attach a copy to both your U.S. return and

your USVI return. File your U.S. return utilizing the [filing options](#), mentioned earlier.

For Information about filing USVI returns, see Pub. 570, Tax Guide for Individuals With Income from U.S. Territories, available at [IRS.gov/Pub570](https://www.irs.gov/pub570).

**Resident of Guam.** If you are a bona fide resident of Guam during your entire tax year, you should file a return with Guam.

For more information on how to file your Guam tax return, go to [Guamtax.com](https://www.guamtax.com).



Send your return to:

Guam Department of Revenue and Taxation  
Taxpayer Services Division  
P.O. Box 23607  
Barrigada, GU 96921

However, if you have income from sources within Guam and you are a U.S. citizen or resident alien, but not a bona fide resident of Guam during the entire tax year, you should file a return with the United States. File your U.S. return utilizing the [filing options](#), mentioned earlier.

See [Pub. 570](#) for information about filing Guam returns.

**Resident of the Commonwealth of the Northern Mariana Islands (CNMI).** If you are a bona fide resident of the CNMI during your entire tax year, you should file a return with the CNMI.

For more information on how to file your CNMI tax return, go to [Finance.gov.MP/Revenue-Taxation.php](https://finance.gov.mp/revenue-taxation.php).



Send your return to:

Division of Revenue and Taxation  
Commonwealth of the Northern Mariana Islands  
P.O. Box 5234, CHRB  
Saipan, MP 96950

However, if you have income from sources within the CNMI and you are a U.S. citizen or resident alien, but not a bona fide resident of the CNMI during the entire tax year, you should file a return with the United States. File your U.S. return utilizing the [filing options](#), mentioned earlier.

See [Pub. 570](#) for information about filing CNMI returns.

**Note:** Puerto Rico and American Samoa have their own separate and independent tax systems. Although their tax laws are modeled on the U.S. Internal Revenue Code, there are certain differences in law and tax rates. See [Pub. 570](#) for information about tax obligations in Puerto Rico and American Samoa.

For more information on how to file your Puerto Rico tax return, go to [Hacienda.PR.gov/](https://www.hacienda.pr.gov/).

For more information on how to file your American Samoa tax return, go to the American Samoa Tax Office's website, available at [Americansamoa.gov/Tax-Office](https://americansamoa.gov/Tax-Office).

## Nonresident Alien Spouse Treated as a Resident

If, at the end of your tax year, you are married and one spouse is a U.S. citizen or resident alien and the other is a nonresident alien, you can choose to treat the nonresident as a U.S. resident. This election includes the situation in which one of you is a nonresident alien at the beginning of the tax year and a resident alien at the end of the year and the other is a nonresident alien at the end of the year.

If you make this choice, the following two rules apply.

- You and your spouse are treated, for income tax purposes and purposes of wage withholding, as U.S. residents for the tax year in which the election is made and all future tax years until the election is terminated for one of the reasons listed in [Table 1-1](#), later, or suspended because neither spouse is a citizen or resident of the United States at any time during a year.
- You must file a joint income tax return for the year you make the choice and attach a statement as described under [How To Make the Choice](#), later.

This means that neither of you can claim under any tax treaty not to be a U.S. resident for a tax year for which the choice is in effect.

**Example 1.** Pat Smith, a U.S. citizen, is married to Norman, a nonresident alien. Pat and Norman make the choice to treat Norman as a resident alien by attaching a statement to their joint return. Pat and Norman must report their worldwide income for the year they make the choice and for all later years unless the choice is ended or suspended. Although Pat and Norman must file a joint return for the year they make the choice, they can file either joint or separate returns for later years.

**Example 2.** When Bob and Sharon Williams got married, both were nonresident aliens. In June of last year, Bob became a resident alien and remained a resident for the rest of the year. Bob and Sharon both choose to be treated as resident aliens by attaching a statement to their joint return for last year. Bob and Sharon must report their worldwide income for last year and all later years unless the choice is ended or suspended. Bob and Sharon must file a joint return for last year, but they can file either joint or separate returns for later years.

**Tip:** If you do not choose to treat your nonresident alien spouse as a U.S. resident, you may be able to use head of household filing status. To use this status, you must pay more than half the cost of maintaining a household for certain dependents or relatives other than your nonresident alien spouse. For more information, see Pub. 501, Dependents, Standard Deduction, and Filing Information, available at [IRS.gov/Pub501](#).

## Social Security Number (SSN)

If you choose to treat your nonresident alien spouse as a U.S. resident, your spouse must have either an SSN or an individual taxpayer identification number (ITIN).

To get an SSN for a nonresident alien spouse, apply at an office of the U.S. Social Security Administration (SSA) or U.S. consulate. For more information, go to [SSA.gov](#), or call 800-772-1213.

If the nonresident alien spouse is not eligible to get an SSN, the spouse can file Form W-7, Application for IRS Individual Taxpayer Identification Number, available at [IRS.gov/FormW7](#), with the IRS to apply for an ITIN when you timely file the joint return on which you choose to treat your nonresident alien spouse as a U.S. resident. Follow the Instructions for Form W-7 to submit your Form W-7 and file your return.

**ITIN renewal.** Your spouse may need to renew the ITIN. For more information, go to [IRS.gov/ITIN](#).

## How To Make the Choice

Attach a statement, signed by both spouses, to your joint return for the first tax year for which the choice applies. It should contain the following.

- A declaration that one spouse was a nonresident alien and the other spouse a U.S. citizen or resident alien on the last day of your tax year and that you choose to be treated as U.S. residents for the entire tax year.
- The name, address, and SSN (or ITIN) of each spouse. (If one spouse died, include the name and address of the person making the choice for the deceased spouse.)

You generally make this choice when you file your joint return. However, you can also make the choice by filing a joint amended return on Form 1040-X. Attach Form 1040 or 1040-SR and enter "Amended" across the top of the amended return. If you make the choice with an amended return, you and your spouse must also amend any returns that you may have filed after the year for which you made the choice.

You must generally file the amended joint return within 3 years from the date you filed your original U.S. income tax return or 2 years from the date you paid your income tax for that year, whichever is later.



## Suspending the Choice

The choice to be treated as a resident alien does not apply to any later tax year if neither of you is a U.S. citizen or resident alien at any time during the later tax year.

**Example.** Dick Brown was a resident alien on December 31, 2020, and married to Judy, a nonresident alien. They chose to treat Judy as a resident alien and filed joint income tax returns for 2020 and 2021. On January 10, 2022, Dick became a nonresident alien. Judy had remained a nonresident alien. Because Dick was a resident alien during part of 2022, Dick and Judy can file joint or separate returns for that year. Neither Dick nor Judy was a resident alien at any time during 2023 and their choice is suspended for that year. For 2023, both are treated as nonresident aliens. If Dick becomes a resident alien again in 2024, their choice is no longer suspended and both are treated as resident aliens.

## Ending the Choice

Once made, the choice to be treated as a resident applies to all later years unless suspended (as explained earlier) or ended in one of the ways shown in [Table 1-1](#).

If the choice is ended for any of the reasons listed in Table 1-1, neither spouse can make a choice in any later tax year.

## Estimated Tax Payments

The requirements for determining who must pay estimated tax are the same for a U.S. citizen or resident abroad as for a taxpayer in the United States.

In general, you don't have to make estimated tax payments if you expect that your current year Form 1040 or 1040-SR will show a tax refund or a tax balance due of

less than \$1,000. For more information on whether you are required to make estimated tax payments, see Form 1040-ES, Estimated Tax for Individuals, available at [IRS.gov/Form1040ES](https://www.irs.gov/Form1040ES) and Pub. 505, Tax Withholding and Estimated Tax, available at [IRS.gov/Pub505](https://www.irs.gov/Pub505).

**Foreign earned income exclusion.** When figuring your estimated gross income, subtract amounts you expect to exclude under the foreign earned income exclusion and the foreign housing exclusion. In addition, you can reduce your income by your estimated foreign housing deduction. However, you must estimate tax on your nonexcluded income using the tax rates that will apply had you not excluded the income. See the [Instructions for Form 1040](#) and complete the Foreign Earned Income Tax Worksheet to figure the estimated tax on your nonexcluded income. If the actual amount of the exclusion or deduction is less than you estimate, you may have to pay a penalty for underpayment of estimated tax.

For more information, see the [Instructions for Form 2555](#).

## Other Forms You May Have To File

### Forms That Must Be Filed With the Treasury Department (FinCEN)

**FinCEN Form 114.** You must file FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR), if you had any financial interest in, or signature or other authority over, a bank, securities, or other financial account in a foreign country. You do not need to file the report if the assets are with a U.S. military banking facility operated by a financial institution, or if the combined assets in the account(s) are \$10,000 or less during the entire year.

**Table 1-1. Options for Ending the Choice To Treat Nonresident Alien Spouse as a Resident**

<b>Revocation</b>	<p><b>Either spouse can revoke the choice for any tax year.</b></p> <p>The revocation must be made by the due date for filing the tax return for that tax year.</p> <p>The spouse who revokes the choice must attach a signed statement declaring that the choice is being revoked. The statement revoking the choice must include the following.</p> <ul style="list-style-type: none"> <li>• The name, address, and SSN (or TIN) of each spouse.</li> <li>• The name and address of any person who is revoking the choice for a deceased spouse.</li> <li>• A list of any states, foreign countries, and U.S. territories that have community property laws in which either spouse is domiciled or where real property is located from which either spouse receives income.</li> </ul> <p>If the spouse revoking the choice does not have to file a return and does not file a claim for refund, send the statement to the Internal Revenue Service Center where the last joint return was filed.</p>
<b>Death</b>	<p><b>The death of either spouse ends the choice, beginning with the first tax year following the year in which the spouse died.</b></p> <p>If the qualifying surviving spouse is a U.S. citizen or resident alien and is entitled to the joint tax rates as a qualifying surviving spouse, the choice will not end until the close of the last year for which these joint rates may be used.</p> <p>If both spouses die in the same tax year, the choice ends on the first day after the close of the tax year in which the spouses died.</p>
<b>Divorce or legal separation</b>	<p><b>A divorce or legal separation ends the choice as of the beginning of the tax year in which the legal separation occurs.</b></p>
<b>Inadequate records</b>	<p><b>The IRS can end the choice for any tax year that either spouse has failed to keep adequate books, records, and other information necessary to determine the correct income tax liability, or to provide adequate access to those records.</b></p>

FinCEN Form 114 is filed electronically with the Financial Crimes Enforcement Network (FinCEN). The due date for FBAR filings is April 15. FinCEN will grant an automatic extension to October 15 if you are unable to meet the FBAR annual due date of April 15. The FBAR due date coincides with the filing due date for the current year Form 1040 or 1040-SR. For more information on foreign bank and financial accounts reporting requirements, go to [IRS.gov/Businesses/Small-Businesses-Self-Employed/Report-Of-Foreign-Bank-And-Financial-Accounts-FBAR](https://www.irs.gov/Businesses/Small-Businesses-Self-Employed/Report-Of-Foreign-Bank-And-Financial-Accounts-FBAR).

**FinCEN Form 105.** You must file FinCEN Form 105, Report of International Transportation of Currency or Monetary Instruments (CMIR), if you physically transport, mail, ship, or cause to be physically transported, mailed, or shipped, into or out of the United States, currency or other monetary instruments totaling more than \$10,000 at one time. Certain recipients of currency or monetary instruments must also file FinCEN Form 105.

More information about the filing of FinCEN Form 105 can be found on the U.S. Customs and Border Protection (CBP) website at [CBP.gov/Travel/International-Visitors/kbyg/Money](https://www.cbp.gov/travel/international-visitors/kbyg/money). The form is either completed online on the U.S. Customs and Border Protection's website, available at [Fincen105.CBP.DHS.gov](https://www.fincen105.cbp.dhs.gov), or by requesting a paper copy from a CBP officer.

## Forms That Must Be Filed With the IRS With Form 1040

**Form 8938.** You must file Form 8938, Statement of Specified Foreign Financial Assets, to report the ownership of specified foreign financial assets if the total value of those assets exceeds an applicable threshold amount (the "reporting threshold"). The reporting threshold varies depending on whether you live in the United States, are married, or file a joint income tax return with your spouse. Specified foreign financial assets include any financial account maintained by a foreign financial institution and, to the extent held for investment, any stock, any securities, or any other interest in a foreign entity and any financial instrument or contract with an issuer or counterparty that is not a U.S. person.

For more information, go to [IRS.gov/Form8938](https://www.irs.gov/Form8938).

**Form 5471.** Certain U.S. persons who are officers, directors, or shareholders in certain foreign corporations must file Form 5471, Information Return of U.S. Persons With Respect To Certain Foreign Corporations, and schedules to satisfy the reporting requirements of sections 6038 and 6046, and the related regulations for each applicable foreign corporation. For more information, go to [IRS.gov/Form5471](https://www.irs.gov/Form5471).

**Form 926.** U.S. citizens or residents, domestic corporations, or domestic estates or trusts must file Form 926, Return by a U.S. Transferor of Property to a Foreign Corporation, to report any exchanges or transfers of tangible or intangible property that are described in section 6038B(a)(1)(A) of the Internal Revenue Code to a foreign corporation. For more information, go to [IRS.gov/Form926](https://www.irs.gov/Form926).

**Form 8865.** A U.S. person must file Form 8865, Return of U.S. Persons With Respect to Certain Foreign Partnerships, to report the information required under section 6038 (reporting with respect to controlled foreign partnerships), section 6038B (reporting of transfers to foreign partnerships), or section 6046A (reporting of acquisitions, dispositions, and changes in foreign partnership interests). For more information, go to [IRS.gov/Form8865](https://www.irs.gov/Form8865).

**Form 8858.** Certain U.S. persons that own a foreign disregarded entity (FDE) or foreign branch (FB) directly or, in certain circumstances, indirectly or constructively must file Form 8858, Information Return of U.S. Persons With Respect to Foreign Disregarded Entities (FDEs) and Foreign Branches (FBs), and schedules to satisfy the reporting requirements of sections 6011, 6012, 6031, and 6038, and related regulations. For more information, go to [IRS.gov/Form8858](https://www.irs.gov/Form8858).

**Form 8621.** A U.S. person that is a direct or indirect shareholder of a passive foreign investment company (PFIC) files Form 8621, Passive Foreign Investment Company or Qualified Electing Fund, if they:

- Receive certain direct or indirect distributions from a PFIC,
- Recognize a gain on a direct or indirect disposition of PFIC stock,
- Are reporting information with respect to a QEF or section 1296 mark-to-market election,
- Are making an election reportable in Part II of the form, or
- Are required to file an annual report pursuant to section 1298(f).

**Note:** If you are an individual taxpayer that owns a mutual fund or ETF that is not domiciled in the United States, you may have a Form 8621 obligation.

For more information, go to [IRS.gov/Form8621](https://www.irs.gov/Form8621).

**Forms 8964-ELE and 8964-TRA.** If you own one or more qualified business units (QBUs), you may have a Form 8964-ELE and 8964-TRA filing requirement. These forms implement the reporting requirements in the final Treasury Regulations under section 987.

**Form 8964-ELE.** Form 8964-ELE is used to make or revoke elections under the section 987 regulations. The form is used to satisfy the reporting requirements of Regulations sections 1.987-1(g).

For more information, go to [IRS.gov/Form8964ELE](https://www.irs.gov/Form8964ELE).

**Form 8964-TRA.** Form 8964-TRA is used to report the section 987 transition information required under Regulations section 1.987-10(k).

The following persons have a requirement to file Form 8964-TRA:

- An owner of the section 987 QBU on the transition date. Form 8964-TRA should be filed for the tax year beginning on the transition date.

- A deferral QBU owner or the owner of an outbound loss QBU if the deferral event or outbound loss event occurred before the transition date. Form 8964-TRA should be filed for the tax year beginning on the transition date.
- An owner of a terminating QBU.

For more information, go to [IRS.gov/Form8964TRA](https://www.irs.gov/Form8964TRA).

**Form 8854.** Section 877A applies to U.S. citizens who have relinquished their citizenship, and long-term residents who have ended their residency (expatriated) on or after June 17, 2008. Form 8854, Initial and Annual Expatriation Statement, is used by expatriates to certify compliance with tax obligations in the 5 years before expatriation and to comply with their initial and annual information reporting obligations under section 6039G.

**Note:** Individuals who expatriated for immigration purposes after June 3, 2004, and before June 17, 2008, but who have not previously filed a Form 8854, continue to be treated as U.S. citizens or U.S. lawful permanent residents for U.S. income tax purposes until they file a Form 8854. See section 7701(n), as in effect before June 17, 2008. For more information, go to [IRS.gov/Form8854](https://www.irs.gov/Form8854).

## Forms That Must Be Filed With the IRS Separately From Form 1040

**Form 3520.** U.S. persons (and executors of estates of U.S. decedents) file Form 3520, Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts, to report:

- Certain transactions with foreign trusts,
- Ownership of foreign trusts under the rules of Internal Revenue Code sections 671 through 679, and
- Receipt of certain large gifts or bequests from certain foreign persons.

For more information, go to [IRS.gov/Form3520](https://www.irs.gov/Form3520).

**Form 3520-A.** A foreign trust with at least one U.S. owner files Form 3520-A, Annual Information Return of Foreign Trust With a U.S. Owner, annually to provide information about:

- The trust,
- Its U.S. beneficiaries, and
- Any U.S. person who is treated as an owner of any portion of the foreign trust.

For more information, go to [IRS.gov/Form3520A](https://www.irs.gov/Form3520A).

## Penalties

In general, penalties are assessed when there is a failure to timely file complete and accurate international information returns, and when there is a failure to timely furnish required information. For information on specific penalties, see the instructions for the forms you are required to file. For more information on penalties, see [IRS.gov/Penalties](https://www.irs.gov/Penalties).

## Other Issues Related To the Failure To Timely File Complete and Accurate International Information Returns With the IRS by the Due Date

In addition to the penalties, failure to timely file complete and accurate international information returns by the due date can result in:

- Suspension and/or extension of the assessment statute of limitations date (ASED) for Form 1040, and
- Reduction in allowed foreign tax credit (Form 1116).

For information on specific returns that are impacted, see the instructions for the forms you are required to file.

## 2.

## Withholding Tax

### Topics

This chapter discusses:

- Withholding income tax from the pay of U.S. citizens,
- Withholding tax at a flat rate, and
- Social security and Medicare taxes.

### Useful Items

You may want to see:

#### Publication

- ☐ **505** Tax Withholding and Estimated Tax

#### Form (and Instructions)

- ☐ **673** Statement for Claiming Exemption From Withholding on Foreign Earned Income Eligible for the Exclusion Provided by Section 911
- ☐ **W-4** Employee's Withholding Allowance Certificate
- ☐ **W-9** Request for Taxpayer Identification Number and Certification

See [chapter 7](#) for information about getting this publication and these forms.

## Income Tax Withholding

U.S. employers must generally withhold U.S. income tax from the pay of U.S. citizens working abroad unless the employer is required by foreign law to withhold foreign income tax.

**Foreign earned income exclusion.** Your employer does not have to withhold U.S. income taxes from wages



you earn abroad if it is reasonable to believe that you will exclude them under the foreign earned income exclusion or the foreign housing exclusion.

Your employer should withhold taxes from any wages you earn for working in the United States.

**Statement.** You can give a statement to your employer indicating that you expect to qualify for the foreign earned income exclusion under either the bona fide residence test or the physical presence test and providing your estimated housing cost exclusion.

Form 673, Statement for Claiming Exemption from Withholding on Foreign Earned Income Eligible for the Exclusion(s) Provided by Section 911, available at [IRS.gov/Form673](https://www.irs.gov/Form673), is an acceptable statement. You can use Form 673 only if you are a U.S. citizen. You do not have to use the form and can prepare your own statement. For more information, see [Form 673](https://www.irs.gov/Form673).

Generally, your employer can stop the withholding once you submit the statement that includes a declaration that the statement is made under penalties of perjury. However, if your employer has reason to believe that you will not qualify for either the foreign earned income or the foreign housing exclusion, your employer must continue to withhold.

Your employer must consider any information about pay you received from any other source outside the United States in determining whether your foreign earned income is more than the limit on either the foreign earned income exclusion or the foreign housing exclusion.

**Foreign tax credit.** If you plan to take a foreign tax credit, you may be able to adjust your withholding on Form W-4. You can take these additional tax credits only for foreign tax credits attributable to taxable salary or wage income. For more information, see the instructions for Step 3 of Form W-4.

**Withholding from pension payments.** U.S. payers of benefits from employer-deferred compensation plans, individual retirement plans, and commercial annuities must generally withhold income tax from payments delivered outside of the United States. You can choose exemption from withholding if you:

- Provide the payer of the benefits with a residence address in the United States or a U.S. territory, or
- Certify to the payer that you are not a U.S. citizen or resident alien or someone who left the United States to avoid tax.

**Check your withholding.** Before you report U.S. income tax withholding on your tax return, you should carefully review all information documents, such as Form W-2 and the Form 1099 information returns. Compare other records, such as final pay records or bank statements, with Form W-2 or Form 1099 to verify the withholding on these forms. Check your U.S. income tax withholding even if you pay someone else to prepare your tax return. You may be assessed penalties and interest if you claim more than your correct amount of withholding allowances.

## 30% Flat Rate Withholding

Generally, U.S. source gross income that is not effectively connected to a U.S. trade or business, such as U.S. source dividends and royalties, is subject to withholding tax at a flat 30% (or lower treaty) rate if paid to nonresident aliens. If you are a U.S. citizen or resident alien and this tax is withheld in error from payments to you because you have a foreign address, you should notify the payer of the income to stop the withholding. Use Form W-9 to notify the payer.

You can claim the tax withheld in error as a withholding credit on your tax return if the amount isn't adjusted by the payer. See the [Instructions for Form 1040 and Form 1040-SR](#) for how to claim the credit.

**Social security benefits paid to residents.** If you are a lawful permanent resident (green card holder) and a flat 30% tax was withheld in error on your social security benefits, you must file Form 1040 or 1040-SR with the Internal Revenue Service Center at the address listed under [How To File and Pay](#), earlier, to determine if you are entitled to a refund. The following information must be submitted with your Form 1040 or 1040-SR.

- A copy of Form SSA-1042-S, Social Security Benefit Statement.
- A copy of your "green card."
- A signed declaration that includes the following statements.  
"I am a U.S. lawful permanent resident and my green card has been neither revoked nor administratively or judicially determined to have been abandoned. I am filing a U.S. income tax return for the tax year as a resident alien reporting all of my worldwide income. I have not claimed benefits for the tax year under an income tax treaty as a nonresident alien."

## Social Security and Medicare Taxes

Social security and Medicare taxes may apply to wages paid to an employee regardless of where the services are performed.

### General Information

In general, U.S. social security and Medicare taxes do not apply to wages for services you perform as an employee outside the United States unless one of the following exceptions applies.

1. You perform the services on or in connection with an [American vessel or aircraft](#) (defined later) and either:
  - a. You entered into your employment contract within the United States, or

- b. The vessel or aircraft touches at a U.S. port while you are employed on it.
2. The service is designated as employment for U.S. social security and Medicare tax purposes under [Bilateral Social Security \(Totalization\) Agreements](#) (discussed later).
3. You are working for an [American employer](#) (defined later).
4. You are working for a [Foreign affiliate](#) (defined later) of an American employer under a voluntary agreement entered into between the American employer and the U.S. Department of the Treasury.

**American vessel or aircraft.** An American vessel is any vessel documented or numbered under the laws of the United States and any other vessel whose crew is employed solely by one or more U.S. citizens, residents, or corporations. An American aircraft is an aircraft registered under the laws of the United States.

**American employer.** An American employer includes any of the following.

- The U.S. Government or any of its instrumentalities.
- An individual who is a resident of the United States.
- A partnership of which at least two-thirds of the partners are U.S. residents.
- A trust of which all the trustees are U.S. residents.
- A corporation organized under the laws of the United States, any U.S. state, or the District of Columbia, Puerto Rico, the USVI, Guam, or American Samoa.

An American employer also includes any foreign person with an employee who is performing services in connection with a contract between the U.S. Government (or any instrumentality thereof) and a member of a domestically controlled group of entities which includes such foreign person.

**Foreign affiliate.** A foreign affiliate of an American employer is any foreign entity in which the American employer has at least a 10% interest, directly or through one or more entities. For a corporation, the 10% interest must be in its voting stock. For any other entity, the 10% interest must be in its profits.

Form 2032, Contract Coverage Under Title II of the Social Security Act, available at [IRS.gov/Form2032](#), is used by American employers to extend social security coverage to U.S. citizens and resident aliens working abroad for foreign affiliates of American employers. Once you enter into an agreement, coverage cannot be terminated.

**Excludable meals and lodging.** Social security tax doesn't apply to the value of meals and lodging provided to you for the convenience of your employer if it is reasonable to believe that you will be able to exclude the value from your income.

## Bilateral Social Security (Totalization) Agreements

The United States has entered into agreements with some foreign countries to coordinate social security coverage and taxation of workers who are employed in those countries. These agreements are commonly referred to as "totalization agreements." Under these agreements, dual coverage and dual contributions (taxes) for the same work are eliminated. The agreements generally make sure that you pay social security taxes to only one country.

Generally, under these agreements, you will only be subject to social security taxes in the country where you are working. However, if you are temporarily sent to work in a foreign country and your pay would otherwise be subject to social security taxes in both the United States and that country, you can generally remain covered only by U.S. social security.

For more information on specific agreements, go to [SSA.gov/International/Agreement\\_Descriptions.html](#) and [IRS.gov/TotalizationAgreements](#).

**Covered by United States only.** If your pay in a foreign country is subject only to U.S. social security tax and is exempt from foreign social security tax, your employer should get a certificate of coverage from the SSA's Office of Earnings and International Operations. Employers can request a certificate of coverage online at [SSA.gov/international/CoC\\_link.html](#).

**Covered by foreign country only.** If you are permanently working in a foreign country with which the United States has a social security agreement and, under the agreement, your pay is exempt from U.S. social security tax, you or your employer should get a statement from the authorized official or agency of the foreign country verifying that your pay is subject to social security coverage in that country.

If the authorities of the foreign country will not issue such a statement, either you or your employer should get a statement from the U.S. SSA's Office of Earnings and International Operations at the website listed earlier. The statement should indicate that your wages aren't covered by the U.S. social security system.

This statement should be kept by your employer because it establishes that your pay is exempt from U.S. social security tax.

Only wages paid on or after the effective date of the totalization agreement can be exempt from U.S. social security tax.

## 3.

## Self-Employment Tax

### Topics

This chapter discusses:

- Who must pay self-employment tax,
- Who is exempt from self-employment tax,
- Who can defer self-employment tax payments, and
- Which self-employed individuals can take the refundable income tax credits for sick and family leave.

### Useful Items

You may want to see:

#### Publication

- ☐ **334** Tax Guide for Small Business
- ☐ **517** Social Security and Other Information for Members of the Clergy and Religious Workers

#### Form (and Instructions)

- ☐ **Form 1040-SS** U.S. Self-Employment Tax Return
- ☐ **Form 4361** Application for Exemption From Self-Employment Tax for Use by Ministers, Members of Religious Orders and Christian Science Practitioners
- ☐ **Schedule SE (Form 1040)** Self-Employment Tax

See [chapter 7](#) for information about getting these publications and forms.

## Who Must Pay Self-Employment Tax?

If you are a self-employed U.S. citizen or resident, the rules for paying self-employment tax are generally the same whether you are living in the United States or abroad.

The self-employment tax is a social security and Medicare tax on net earnings from self-employment. You must pay self-employment tax if your net earnings from self-employment are at least \$400.

For information on the maximum amount of self-employment net earnings that is subject to the social security portion of self-employment tax, see the instructions for Schedule SE (Form 1040), available at [IRS.gov/ScheduleSE](https://www.irs.gov/ScheduleSE). All net earnings from self-employment are subject to the Medicare portion of the tax. Additional Medicare Tax may apply to you if your net earnings from self-employment exceed a threshold amount (based on

your filing status). See Form 8959, Additional Medicare Tax, available at [IRS.gov/Form8959](https://www.irs.gov/Form8959), for additional information.

## Employed by a U.S. Church

If you were employed by a U.S. church or a qualified church-controlled organization that chose exemption from social security and Medicare taxes and you received wages of \$108.28 or more from the organization, the amounts paid to you are subject to self-employment tax. However, you can choose to be exempt from social security and Medicare taxes if you are a member of a recognized religious sect. See Pub. 517, Social Security and Other Information for Members of the Clergy and Religious Workers, available at [IRS.gov/Pub517](https://www.irs.gov/Pub517), for more information about church employees and self-employment tax.

## Effect of Exclusion

You must take all of your self-employment income into account in figuring your net earnings from self-employment, even income that is exempt from income tax because of the foreign earned income exclusion.

**Example.** You are in business abroad as a consultant and qualify for the foreign earned income exclusion. Your foreign earned income is \$95,000, your business deductions total \$27,000, and your net profit is \$68,000. You must pay self-employment tax on your net profit of \$68,000, even though you are qualified for the foreign earned income exclusion.

## Members of the Clergy

If you are a member of the clergy, you are treated as self-employed for self-employment tax purposes. Your U.S. self-employment tax is based upon net earnings from self-employment figured without regard to the foreign earned income exclusion or the foreign housing exclusion.

You can receive exemption from coverage for your ministerial duties if you conscientiously oppose public insurance due to religious reasons or if you oppose it due to the religious principles of your denomination. You must file Form 4361, Application for Exemption From Self-Employment Tax for Use By Ministers, Members of Religious Orders and Christian Science Practitioners, available at [IRS.gov/Form4361](https://www.irs.gov/Form4361), to apply for this exemption.

This subject is discussed in further detail in [Pub. 517](#).

## Income From U.S. Territories

If you are a U.S. citizen or resident alien and you own and operate a business in a U.S. territory (Puerto Rico, Guam, the CNMI, American Samoa, or the USVI), you must pay tax on your net earnings from self-employment (if they are \$400 or more) from those sources. You must pay the self-employment tax whether or not the income is exempt from U.S. income taxes (or whether or not you must



otherwise file a U.S. income tax return). Unless your situation is described below, attach Schedule SE (Form 1040) to your U.S. income tax return.

If you do not have to file Form 1040 or 1040-SR with the United States and you are a resident of any of the U.S. territories listed in the preceding paragraph, figure your self-employment tax on Form 1040-SS, U.S. Self-Employment Tax Return (Including the Additional Child Tax Credit for Bona Fide Residents of Puerto Rico), available at [IRS.gov/Form1040SS](https://www.irs.gov/Form1040SS), for additional information.

See [Filing options](#), earlier, for filing information.

## Exemption From Dual-Country Social Security and Medicare Taxes

The United States may reach agreements with foreign countries to eliminate dual coverage and dual contributions (taxes) to social security systems for the same work. As a general rule, self-employed persons who are subject to dual taxation will only be covered by the social security system of the country where they reside. For more information on how a specific agreement affects self-employed persons, see [Bilateral Social Security \(Totalization\) Agreements](#) in chapter 2, earlier.

If your self-employment earnings should be exempt from foreign social security tax and subject only to U.S. self-employment tax, you should request a certificate of coverage from the U.S. SSA's Office of Earnings and International Operations. The certificate will establish your exemption from the foreign social security tax.

You can request a certificate of coverage online at [SSA.gov/international/CoC\\_link.html](https://ssa.gov/international/CoC_link.html).

## 4.

# Foreign Earned Income Exclusion, Foreign Housing Exclusion, and Foreign Housing Deduction

## Topics

This chapter discusses:

- Requirements for the foreign earned income exclusion, the foreign housing exclusion, and the foreign housing deduction,
- How to determine the amount of the foreign earned income exclusion,
- How to determine the amount of the foreign housing exclusion and the foreign housing deduction,
- Effect of making valid exclusions and taking the deduction, and
- Effect of revocation of exclusions.

## Useful Items

You may want to see:

### Publication

- ☐ **514** Foreign Tax Credit for Individuals
- ☐ **516** U.S. Government Civilian Employees Stationed Abroad
- ☐ **519** U.S. Tax Guide for Aliens
- ☐ **570** Tax Guide for Individuals With Income From U.S. Territories
- ☐ **596** Earned Income Credit (EIC)

### Form (and Instructions)

- ☐ **1040-X** Amended U.S. Individual Income Tax Return
- ☐ **2555** Foreign Earned Income

See [chapter 7](#) for information about getting these publications and forms.

## Who Qualifies for the Exclusions and the Deduction?

If you meet certain requirements, you may qualify for the foreign earned income exclusion, the foreign housing exclusion, and/or the foreign housing deduction.

If you are a U.S. citizen or resident alien living and working abroad, you are taxed on your worldwide income. However, you may qualify to exclude from income a portion of your foreign earnings. In addition, you may qualify to exclude or deduct certain foreign housing amounts. See [Foreign Earned Income Exclusion](#) and [Foreign Housing Exclusion](#), later.

You may also be entitled to exclude from income the value of meals and lodging provided to you by your employer. See [Exclusion of meals and lodging](#), later.

## Requirements

To claim the foreign earned income exclusion, the foreign housing exclusion, and/or the foreign housing deduction, you must meet the following requirements.

**1. Tax home.** You must have a tax home in a foreign country (or countries). Generally, your tax home is your principal place of business, employment, or post of duty, regardless of where you maintain your family home. For more details on the concept of tax home, see [IRS.gov/FEIE-TaxHome](#).

**2. Foreign country (or countries).** You must live in or be present in a foreign country (or countries). A foreign country includes any territory under the sovereignty of a government other than that of the United States. However, a foreign country does not include international waters and the airspace above them. For details on the definition of a foreign country, see [IRS.gov/FEIE-TaxHome](#).

**3. Foreign earned income.** You must have wages, salaries, self-employment income, etc., received for performing personal services in a foreign country (or countries). For details on the classification of earned income, see [IRS.gov/FEIE-FEI](#).

### 4. Bona fide residence and physical presence tests.

**a. Bona fide residence.** You must be a bona fide resident of a foreign country (or countries) for an uninterrupted period that includes an entire tax year. You use the bona fide residence test only if you are either:

- a U.S. citizen, or
- a U.S. resident alien who is a citizen or national of a country with which the United States has an income tax treaty in effect.

You do not automatically acquire bona fide resident status merely by living in a foreign country or countries for 1 year. For more details and examples, see [IRS.gov/FEIE-BonaFideResidence](#).

**b. Physical presence.** Alternatively, U.S. citizens and resident aliens must be physically present in a foreign country (or countries) for 330 full days during a period of 12 consecutive months. The 330 days don't have to be consecutive. The physical presence test is based only on how long you stay in a foreign country or countries. This test doesn't depend on the kind of residence you establish, your intentions about returning, or the nature and purpose of your

stay abroad. For details and examples, see [IRS.gov/FEIE-PhysicalPresence](#).

**c. Exceptions to the bona fide residence and physical presence requirements.** The minimum time requirements for bona fide residence and physical presence can be waived if you must leave a foreign country because of war, civil unrest, or similar adverse conditions in that country. For more information, see [People who failed to meet eligibility requirements because of adverse conditions in a foreign country](#), earlier, and also [IRS.gov/Individuals/International-Taxpayers/Exceptions-To-The-Bona-Fide-Residence-And-The-Physical-Presence-Tests](#).

**5. Valid election.** You must make, or have in effect, a valid election by attaching Form 2555, Foreign Earned Income, with your income tax return or amended income tax return. For details, see the instructions for Form 2555, available at [IRS.gov/Form2555](#).

## Effect of Choosing the Exclusions and Deduction

Once you choose the foreign earned income exclusion election or foreign housing exclusion election, that choice remains in effect for that year and all later years unless you revoke it. This means you must make the same choice in a subsequent year. Otherwise, it will be considered as a revocation of your foreign earned income exclusion election or foreign housing exclusion election for that year.

**Foreign tax credit or deduction.** Once you've made a foreign earned income exclusion election or foreign housing exclusion election, you can't take a foreign tax credit or deduction for foreign taxes on income you choose to exclude. See Pub. 514, Foreign Tax Credit for Individuals, available at [IRS.gov/Pub514](#), for more information.

**Note:** If you're a high wage earner, it is possible to take the foreign earned income exclusion up to the limitation for the year. Then, you can take a foreign tax credit for any foreign taxes paid on the portion of the wage that wasn't excluded under the foreign earned income exclusion.

**Additional child tax credit.** Similarly, if you've made a foreign earned income exclusion election, or foreign housing exclusion election, or taken the foreign housing deduction, you can't take the additional child tax credit in the same year. For more information on this credit, see Schedule 8812 (Form 1040), Credits for Qualifying Children and Other Dependents, available at [IRS.gov/Schedule8812](#).

**Earned income credit.** If you elect 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, Earned Income Credit, available at [IRS.gov/Pub596](#).

**Note:** Should you decide to take a foreign tax credit or deduction, the additional child tax credit, or the earned income credit in a subsequent year, your foreign earned

income exclusion election or foreign housing exclusion election would be considered revoked for that year. For more details on other deductions and credits, see [Deductions and Credits](#), later.

## Effect of Revoking the Exclusions

You can revoke your choice for any year. You may revoke in several different ways. You may revoke by attaching a statement that you are revoking one or more previously made choices to your 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. Alternatively, if you decide to take the foreign tax credit, additional child tax credit, or earned income credit in a subsequent year, you will be considered to have revoked your prior choice.

**Note:** You do not need to revoke a prior choice just because you have no foreign earned income or foreign housing costs for the year.

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. Requests can be submitted by fax, encrypted email, or mail. See section 8.05(6).04(1)–(3) of Revenue Procedure 2024-1, 2024-01 I.R.B. 42, available at [IRS.gov/irb/2024-01\\_IRB#REV-PROC-2024-1](https://www.irs.gov/irb/2024-01_IRB#REV-PROC-2024-1). For fax requests, transmissions of full packages with a cover sheet can be faxed to 844-249-6231. For email requests, the IRS encourages use of secure electronic facsimile method, or encrypted email attachment to [lbi.irt.info@irs.gov](mailto:lbi.irt.info@irs.gov).



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 approve your request to re-elect, 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/Revoking-Your-Choice-To-Exclude-Foreign-Earned-Income](https://www.irs.gov/Individuals/International-Taxpayers/Revoking-Your-Choice-To-Exclude-Foreign-Earned-Income).



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 Earned Income Exclusion

### Limit on Excludable Amount

You may be able to exclude up to the maximum amount allowed for the specific tax year of your foreign earned income.

You cannot exclude more than the smaller of:

- The maximum annual exclusion amount allowed for the specific tax year, or
- Your foreign earned income for the tax year minus your [foreign housing exclusion](#) (discussed later).

If both you and your spouse work abroad and have a tax home in a foreign country, and each of you meets either the bona fide residence test or the physical presence test, you can each choose the foreign earned income exclusion. You both don't need to meet the same test. Each of you can exclude up to the maximum annual exclusion amount allowed for the year, for a total of twice the maximum annual exclusion amount for that year.

## Foreign Housing Exclusion and Deduction

In addition to the foreign earned income exclusion, you can also claim an exclusion and/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 qualify 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 is tied to the maximum foreign earned income exclusion. That amount is 16% of the maximum annual exclusion amount allowed for the specific tax year, or the daily amount (maximum annual exclusion amount allowed, divided by 365 days, or 366 days for leap years), multiplied by the number of days in your qualifying period that fall within your tax year.

See the Limit on Housing Expenses Worksheet in Part IV of the [Instructions for Form 2555](#).

**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.

**Exclusion of meals and lodging.** You don't include in your income the value of meals and lodging provided to you and your family by your employer at no charge if the following conditions are met.

1. The meals are furnished:
  - a. On the business premises of your employer, and
  - b. For the convenience of your employer.
2. The lodging is furnished:
  - a. On the business premises of your employer,
  - b. For the convenience of your employer, and
  - c. As a condition of your employment.

If these conditions are met, don't include the value of the meals or lodging in your income, even if a law or your employment contract says that they are provided as compensation.

Amounts you don't include in income because of these rules aren't foreign earned income.

If you receive a Form W-2, excludable amounts shouldn't be included in the total reported in box 1 as wages.

**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. For a list of eligible housing expenses, see Part VI of the Instructions for Form 2555.

**Caution: 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 standard 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.

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 a specific tax year can use housing expenses that total more than the standard limit on housing expenses to determine the housing amount. An individual who does not incur housing expenses in a high-cost locality is limited to the standard limit.

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

**Tip:** You can elect to apply the current year housing cost limits to figure your prior year housing exclusion instead of using the prior year limits. The IRS and the Department of the Treasury anticipate that you will be able to elect to apply the subsequent year limits to figure your current year housing exclusion instead of using the current year 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. For details, see the [Instructions for Form 2555](#).

## 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 foreign housing exclusion by completing the appropriate parts of Form 2555. Rules about choosing the foreign earned income exclusion also apply to the foreign housing exclusion.

Your foreign 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 foreign 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.

## Foreign Housing Deduction

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

How you figure your foreign 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 foreign 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 exclude the portion of your foreign housing cost amount related to wage income and deduct the portion of your foreign housing cost related to self-employment income. To find the part that you can exclude, multiply your foreign 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 foreign housing amount, subject to the limitation described later.

**Example.** Your foreign 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 foreign housing amount ( $\$18,000 \div 2$ ) is considered provided by your employer. You can exclude \$9,000 as a foreign housing exclusion. You can deduct the remaining \$9,000 as a foreign housing deduction subject to the following limit below.

### Limitation

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

- Your foreign earned income exclusion, plus

- Your foreign housing exclusion.

**Carryover.** You can carry over to the next year any part of your foreign housing deduction that is not allowed because of the limitation. You are allowed to carry over your excess foreign 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, foreign housing exclusion, and foreign housing deduction for that year.

## Married Couples

If both you and your spouse qualify for the foreign housing exclusion and/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 and/or the foreign housing deduction. You both can claim the exclusion and/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 live in the same foreign household and file a joint return, you may figure your housing amounts jointly or separately. However, if you and your spouse live in the same foreign household and you choose to file separate returns, you must figure your housing amounts separately.

In computing the housing amounts jointly, you can combine your housing expenses and figure one base housing amount. Either spouse (but not both) can claim the housing exclusion and/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 and/or deduction, you can claim as housing expenses only the expenses for that shorter period.

In computing housing amounts separately, spouses must figure the housing amounts separately using the spouse's respective base house amount. Spouses may

allocate all housing expenses to one spouse or allocate housing expenses between the spouses so long as there's no duplication of housing expenses being excluded or deducted.

**Tip:** Because each spouse must use their full base housing amount in the calculation, it may be advantageous for spouses residing together and filing jointly to allocate all housing expenses to one spouse and compute their housing cost amounts separately.

**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, 2024, through December 31, 2025. Jane was a bona fide resident of and had her tax home in Ghana from September 15, 2024, through December 31, 2025.

During 2024, 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 2024, 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 2024 period of residence (August 17–December 31, 2024), would be \$7,754 ( $\$56.60 \times 137$  days). Tom's housing amount would be \$5,246 (\$13,000 – \$7,754). 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, 2024), would be \$6,113 ( $\$56.60 \times 108$  days). Jane's housing amount would be \$4,387 (\$10,500 – \$6,113).

For more guidance on foreign earned income exclusion, foreign housing exclusion, and foreign housing deduction, see [Form 2555 and its instructions](#), and [International practice units are available for help with questions and issues](#), earlier.

- 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** Dependents, Standard Deduction, and Filing Information
- ☐ **514** Foreign Tax Credit for Individuals
- ☐ **523** Selling Your Home
- ☐ **526** Charitable Contributions
- ☐ **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

## 5.

# Deductions and Credits

## Topics

This chapter discusses:

- The rules concerning items related to excluded income,
- Contributions to foreign charitable organizations,



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 2022, 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 2022 return.

In 2023, you received an \$18,000 bonus for work you did abroad in 2022. You can exclude \$16,400 of the bonus because the limit on the foreign earned income exclusion for 2022 was \$112,000 and you have already excluded \$95,600. Because you must include \$1,600 of the bonus (\$18,000 – \$16,400) for work you did in 2022 in income, you can file an amended return for 2021 to claim \$133.80 ( $\$9,500 \times \$1,600 / \$113,600$ ) 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 (\$1,600) and divided by the total foreign earned income for 2022 (\$113,600).

## 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, Information on the United

States-Canada Income Tax Treaty, available at [IRS.gov/Pub597](#), and Pub. 526, Charitable Contributions, available at [IRS.gov/Pub526](#), for more information.

## Contributions to Individual Retirement Arrangements (IRAs)

Contributions to your IRAs that are traditional IRAs or Roth IRAs are generally limited to the lesser of the maximum annual amount for the specific tax year, 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 MAGI. 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, Contributions to Individual Retirement Arrangements (IRAs), available at [IRS.gov/Pub590A](#).

## 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 choose to claim a credit or to change from claiming a deduction to claiming a credit at any time during the period within 10 years from the regular due date for filing the return (without regard to any extension of time to

file) for the tax year in which the taxes were actually paid or accrued. You can also choose to claim a deduction or to change from claiming a credit to claiming a deduction at any time during the period within 3 years from the time you filed the return or 2 years from when you paid the tax, whichever is later. This 10-year or 3-year (or 2-year) period may be extended by an agreement. You make or change your choice on your tax return (or on an amended return) for the year your choice is to be effective.

**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, Foreign Tax Credit (Individual, Estate, or Trust), available at [IRS.gov/Form1116](https://www.irs.gov/Form1116), 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, Foreign Tax Credit for Individuals, available at [IRS.gov/Pub514](https://www.irs.gov/pub514).

**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.

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, of Form 1116. For more information, see the Instructions for Schedule B and the instructions for Form 1116, line 10, at [Form 1116](https://www.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), available at [IRS.gov/ScheduleA](https://www.irs.gov/schedulea).

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 depend 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 \$120,000, your adjusted gross income is \$18,765.

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 92.3% (0.923) (\$13,845) because you excluded 92.3% (0.923) (\$120,000/\$129,875) of your foreign earned income.

The remaining mortgage interest of \$1,155 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 \$120,000 of your gross income. Because your excluded income is 98.48% (0.9848) of your total income, 98.48% (0.9848) 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, \$120,000, foreign earned income exclusion.
- Line 44, \$66,666 (98.48% (0.9848) × \$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 × 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) × \$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 *Example 4*, if this was the first year you were eligible to claim the foreign earned income exclusion, you probably would not want to do so because you have a net loss. However, if you have a valid election in place from an earlier year and decide not to take the exclusion, you will be considered to have revoked your election and cannot claim the exclusion again for the next 5 tax years without IRS approval. See [Effect of Choosing the Exclusions and Deduction](#) 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 \$120,000 of your share of the gross income. Because you exclude 96.77% (0.9677) (\$120,000 ÷ \$124,000) of your share of the gross income, you cannot deduct \$49,474, which is 96.77% (0.9677) of your share of the operating expenses (96.77% (0.9677) × \$51,125). Report \$72,875, your distributive share of the partnership net profit, on Schedule E (Form 1040). On Form 2555, show \$120,000 on line 42 and show \$49,474 on line 44. Your exclusion on Form 2555 is \$70,521.

## 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/TreatyTables](https://www.irs.gov/TreatyTables) 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 may be 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 non-discrimination 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, Application for United States Residency Certification, available at [IRS.gov/Form8802](https://www.irs.gov/Form8802), 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/TreatyTables](https://www.irs.gov/TreatyTables).

## 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.

**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](https://www.irs.gov/Pub901).

Pub. 597, Information on the United States–Canada Income Tax Treaty, available at [IRS.gov/Pub597](https://www.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) ([MilitaryOneSource.mil/MilTax](https://www.militaryonesource.com)).



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 \(IRS.gov/EITCAssistant\)](https://www.irs.gov/EITCAssistant) determines if you're eligible for the earned income credit (EIC).
- The [Online EIN Application \(IRS.gov/EIN\)](https://www.irs.gov/EIN) helps you get an employer identification number (EIN) at no cost.
- The [Tax Withholding Estimator \(IRS.gov/W4App\)](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 \(IRS.gov/SalesTax\)](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](https://www.irs.gov/TipsForChoosingATaxPreparer) on IRS.gov.*

**Employers can register to use Business Services On-line.** The Social Security Administration (SSA) offers on-line 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, Spanish, and ASL.

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

**Online tax information in other languages.** You can find information on [IRS.gov/MyLanguage](https://www.irs.gov/MyLanguage) if English isn't your native language.

**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](https://www.irs.gov/DigitalAssets) 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/OIC) 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](https://www.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](https://www.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](https://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-My-Local-Office-Internationally](http://IRS.gov/help/Contact-My-Local-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/](http://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/pub915) 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](#).

### 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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