

2010

TAX FORUM

IRS Nationwide

Form 2555 and the Foreign Earned Income Exclusion.

Tax Benefits for U.S. Citizens and Resident
Aliens working Abroad



ELIGIBILITY REQUIREMENTS

- US Citizen/bona fide resident of foreign country.
- Resident Alien who is a citizen or national of treaty country and bona fide resident of a foreign country.
- US Citizen or Resident Alien physically present in foreign country at least 330 full days.



ELIGIBILITY REQUIREMENTS

- Tax home must be in a foreign country (main place of business, employment or post of duty).
- Must have foreign earned income (Must meet bona fide residence or physical presence test).



TAX HOME

- General area of your main place of business, employment, or post of duty.
- Place where you are permanently or indefinitely engaged to work.
- May be wherever you work.
- May depend on whether your work is temporary or indefinite.



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BONA FIDE RESIDENCE TEST

Must be a bona fide residence of a foreign country and can be used to qualify for exclusions and deduction only if:

- US citizen, or
- US resident alien who is a citizen or national of a treaty country.

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PHYSICAL PRESENCE TEST

- Physical present in foreign country 330 full days for 12 consecutive months.
- The 330 days do not have to be consecutive.
- Do not have to be in the foreign country only for employment purposes.

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FOREIGN EARNED INCOME

Income you receive for services you perform during the period you meet both of the following:

- Your tax home in the foreign country.
- You meet either Bona fide residence test or the physical presence test.

FOREIGN EARNED INCOME EXCLUSION

For 2009 Limited To:

- \$91,400 or
- Your foreign earned income for the tax year minus your foreign housing exclusion.
- Can only be figured after figuring the foreign housing exclusion if foreign housing exclusion is taken.

FOREIGN HOUSING EXCLUSION

Applies only to amounts paid for by the individual's employer.

Lesser of :

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



FOREIGN HOUSING DEDUCTION

Applies only to amounts paid for with self-employment earnings.

Must be more than your foreign earned income minus the total of:

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

WHERE TO GET MORE INFORMATION

- Internal Revenue Code Section 911 and related Treasury Regulations
- IRS Publications 54 and 519
- Instructions for Forms 2555 and 2555-EZ
- <http://www.irs.gov/businesses/small/international/index.html>

POINT OF CONTACT

International Help Line:

- 215-516-2000 (not toll-free)
- Extended hours, Mon thru Friday, 6:00 a.m. to 11:00 p.m.

