

Tokyo, Japan
April 6, 2010

Anita Ertel

IRS TAX SEMINAR FOR U.S. CITIZENS RESIDING ABROAD



WHO MUST FILE?

- U.S. citizens and resident aliens file Form 1040
 - Self-employed: Over \$400
 - Wages earners: who meet certain income thresholds
- Nonresident aliens file Form 1040NR

WHAT TO REPORT:

- Worldwide Income From All Sources
- Report in U.S. Dollars
- File To: Austin, Texas

WHEN TO FILE

- U.S. Citizen Residing Overseas?
Automatic extension to June 15
- Need additional extension?
File Form 4868
- Extension to File is not Extension to Pay
- Payment must be received by IRS by April 15

FOREIGN EARNED INCOME EXCLUSION

- Foreign Earned Income
- Tax Home in Foreign Country
- Must Meet Either:
 - A. Bonafide Residence Test or
 - B. Physical Presence Test

Foreign Earned Inc. Exclusion

- Bonafide Residence Test

Resident of foreign country for an entire tax year

- Physical Presence Test

Physically present in foreign country 330 full days during any period of 12 consecutive months.

Foreign Earned Inc. Exclusion

- Husband and wife could be eligible to exclude up to \$91,400 each for total exclusion of \$182,800
- Exclusion/Deduction for qualifying foreign housing expenses
- Income above excluded amount taxed at higher rate



Foreign Tax Credit

- Eliminates double taxation
- Must be:
 - Income tax on foreign income
 - Legally owed and paid
- No credit for foreign taxes on excluded income
- Form 1116

Moving Expenses

- Move must be related to start of work
Within 1 year of report to new location
- Distance Test
At least 50 miles further from prior home
- Time Test
Must work 39 weeks during
first 12 months at new location



What Expenses Can Be Claimed?

- Moving Household Goods to New Location
- Travel Expenses, including lodging
- Storage Costs

- Use Form 3903 (1040, line 26)

Education Benefits

- American Opportunity Credit
Up to \$2500 per student
- Lifetime Learning Credit
Up to \$2000 per student
- Student Loan Interest Deduction
Reduces income up to \$2500
- Tuition and Fees Deduction
Reduces Income up to \$4000



Individual Retirement Accounts

- **Can Tina contribute?**

Traditional: No income limits
Must be under 70 ½

Roth: MFJ – under \$176,000
Single – under \$120,000
No age limits

Individual Retirement Accounts

- **How much can Tina contribute?**

For Traditional or Roth IRA

Smaller of:

- \$5,000 (\$6,000 if 50 or older)
- Taxable compensation

Individual Retirement Accounts

- Deductions

Traditional – Yes, if certain criteria met

Roth – No

- Conversions

Traditional to Roth: MAGI less than \$100K

Form 8606, Form 1040: lines 15a and 15b

Reporting Foreign Financial Accounts

- Form 1040, Sch. B, Part III
- Form TD F 90-22.1
 - If aggregate value exceeds \$10,000 on any day of the year
 - Filed with Treasury Dept by June 30 (no extensions)



Reporting Foreign Financial Accounts

- Questions?

Email: FBARquestions@irs.gov

Need Help?

Call International Customer Service

(215) 516-2000 (not toll free)

Mon. – Fri. 6:00 a.m. – 11:00 p.m. EST

Email IRS using www.irs.gov

Email Beijing Office: irs.beijing@irs.gov

Helpful Publications

- 54 Tax Guide for US Citizens and Resident Aliens Abroad
- 514 Foreign Tax Credit
- 4732 Tax Info for Overseas Americans
- 17 Your Federal Income Tax
- 521 Moving Expenses
- 970 Education Benefits
- 590 Individual Retirement Accounts

Having difficulty getting an IRS problem resolved?

Contact the International Taxpayer Advocate:

Phone: (787) 622-8940 (not toll free)

Fax: (787) 622-8933

IRS

Taxpayer Advocate

P.O. Box 193479

Guaynabo, Puerto Rico 00919-3479

Questions?