

# Publication 54

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

For use in preparing

**2024** Returns

Volume 1 of 3



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## **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**

**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.

**Standard deduction amount increased.**

For 2024, the standard deduction amount has been increased for all filers. The amounts are:

- Single or Married filing separately—\$14,600;
- Married filing jointly or Qualifying surviving spouse—\$29,200; and
- Head of household—\$21,900.





*Due to the increase in the standard deduction, you may be required to file a new Form W-4. For more information, go to [IRS.gov/Payments/TaxWithholding](https://www.irs.gov/Payments/TaxWithholding).*

### **Foreign earned income exclusion**

**amount.** The maximum foreign earned income exclusion is adjusted annually for inflation. For 2024, the maximum exclusion has increased to \$126,500. See *Limit on Excludable Amount* under *Foreign Earned Income Exclusion* in chapter 4.

### **Housing expenses—maximum amount.**

Generally, the maximum amount of housing expenses is limited to \$37,950 for 2024. For such computation, you need to determine your base housing amount (line 32 of [Form 2555](#)) which is \$55.30 per day (\$20,240 per year) for 2024, multiplied by the number of days in your qualifying period that fall within your tax year.

For more details, see Housing Amount under *Foreign Housing Exclusion and Deduction* in chapter 4.

The amount of qualified housing expenses eligible for the housing exclusion and housing deduction may be higher for your foreign geographic location. See Limit on housing expenses under *Foreign Housing Exclusion and Deduction* in chapter 4.

**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. For the 2023 list of foreign countries where individuals were required to leave on or after the specified date due to war, civil unrest, or similar adverse conditions, see Revenue Procedure 2024-17, 2024-15 I.R.B. 873, available at [IRS.gov/irb/2024-15\\_IRB](https://www.irs.gov/irb/2024-15_IRB).

### **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 announces new relief for taxpayers affected by terrorist attacks in Israel.\*](#)

**Self-employment tax rate.** For 2024, the maximum amount of net earnings from self-employment that is subject to the social security part of the self-employment tax has increased to \$168,600. All net earnings are subject to the Medicare part of the tax. For more information, see [chapter 3](#).

**IRA limitations.** You may be able to take an IRA deduction if you were covered by a retirement plan and your 2024 modified adjusted gross income (MAGI) is less than \$87,000 (\$143,000 if married filing jointly or a qualifying surviving spouse).

If your spouse was covered by a retirement plan but you were not, you may be able to take an IRA deduction if your MAGI is less than \$240,000. See the [Instructions for Form 1040](#) for details and exceptions.

**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. See [Digital assets](#) for additional information.

**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 [Tax Exempt Organization Search](#).

See [Publication 526, Charitable Contributions](#), for additional information on claiming charitable contributions.

## **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](https://www.irs.gov/ITIN).

**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 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](#), to your return, use the Foreign Earned Income Tax Worksheet provided in the [Instructions for Form 6251](#).

**Moving expenses suspended.** The deduction for moving expenses is suspended unless you are a member of the U.S. Armed Forces who moves pursuant to a military order and incident to a permanent change of station.

**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 or trusts, 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.

**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\*](#).

**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.

**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).

1. **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 2022, 2023, and 2024. To determine if you meet the substantial presence test for 2024, count the full 120 days of presence in 2024, 40 days in 2023 ( $\frac{1}{3}$  of 120), and 20 days in 2022 ( $\frac{1}{6}$  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 2024.

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 up to \$126,500 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 and earn income from personal services performed in a foreign country. These rules are explained in chapter 4.

If you are going to elect 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](https://www.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](https://www.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](https://www.irs.gov/Forms) to download current and prior-year forms, instructions, and publications.

***Ordering tax forms, instructions, and publications.*** Go to [IRS.gov/OrderForms](https://www.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
- ☐ **501** Dependents, Standard Deduction, and Filing Information
- ☐ **505** Tax Withholding and Estimated Tax
- ☐ **519** U.S. Tax Guide for Aliens
- ☐ **970** Tax Benefits for Education

### **Form (and Instructions)**

- ☐ **1040-ES** Estimated Tax for Individuals
- ☐ **1040-X** 1040-x Amended U.S. Individual Income Tax Return

- ❑ **2350** Application for Extension of Time To File U.S. 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**

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 a return for 2024 if 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](#).

**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 \(Form 1040\)](#).

**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](#). Net earnings from self-employment are defined in [Pub. 334](#).

**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, 2025, you are considered 65 for 2024.

**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.

## When To File and Pay

If you file on a calendar-year basis, the due date for filing your return 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.



*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.*

**Direct Pay option.** You can pay online with a direct transfer from your bank account using Direct Pay, the Electronic Federal Tax Payment System (EFTPS), or by debit or credit card. You can also pay by phone using EFTPS or by debit or credit card. For more information, go to [IRS.gov/ Payments](https://www.irs.gov/Payments).

**Foreign wire transfers.** If you have a U.S. bank account, you can use:

- EFTPS, or
- Federal Tax Collection Service (same-day wire transfer).

If you do not have a U.S. bank account, ask if your financial institution has a U.S. affiliate that can help you make same-day wire transfers.

For more information, go to [EFTPS.gov](https://eftps.gov). Also, see the International Guide for Paying Federal Taxes Electronically, available at [download.EFTPS.gov/International Taxpayer Fact Sheet 1010.pdf](https://download.eftps.gov/International_Taxpayer_Fact_Sheet_1010.pdf).

## **Extensions**

You can get an extension of time to file your 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](#) for a discussion of extensions of deadlines.

**Automatic 2-month extension.** You are allowed an automatic 2-month extension to file your 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.

If you use a calendar year, the regular due date of your return is April 15. 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.

***Married taxpayers.*** 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 get the extension.*** To use this automatic 2-month extension, you must attach a statement to your return explaining which of the two situations listed earlier qualified you for the extension.

***Automatic 6-month extension.*** If you are not able to file your return by the due date, you can generally get an automatic 6-month extension of time to file (but not of time to pay). To get this automatic extension, you must file paper [\*Form 4868\*](#) or use IRS *e-file* (electronic filing). For more information about filing electronically, see *E-file options*, later.

The form must show your properly estimated tax liability based on the information available to you.



***You may not be eligible.*** *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.*

***E-file options.*** You can use *e-file* to request an extension of time to file. You can file Form 4868 electronically, or you can pay part or all of your estimated income tax due and indicate that the payment is for an extension. Payment can be made by:

- Using your bank account;
- A digital wallet such as Click to Pay, PayPal, and Venmo;
- Cash; or
- Credit or debit card.

First, complete Form 4868 to use as a worksheet. If you think you may owe tax when you file your return, use Part II of the form to estimate your balance due. Then, do one of the following.

1. ***E-file Form 4868.*** You can use a tax software package with your personal computer or a tax professional to file Form 4868 electronically. You will need to provide certain information from your tax return for 2023. If you wish to make a payment by electronic funds withdrawal, see the instructions for Form 4868. If you *e-file* Form 4868, do not also send a paper Form 4868 unless you also mail a check or money order for your tax payment.
2. ***E-file and pay by credit or debit card.*** You can get an extension by paying part or all of your estimate of tax due by using a credit or debit card.

You can do this by phone or over the Internet. If you do this, you do not file Form 4868. For more information, see the instructions for your tax return.

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

***Previous 2-month extension.*** If you cannot file your return within the automatic 2-month extension period, you can generally get an additional 4 months to file your return, for a total of 6 months. The 2-month period and the 6-month period start at the same time. You have to request the additional 4 months by the new due date allowed by the 2-month extension.

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.

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).

**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 returns (to December 15 for calendar-year taxpayers).

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) to the following address.

Department of the Treasury  
Internal Revenue Service  
Austin, TX 73301-0215

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](#), discussed next.

**Extension of time to meet residency tests.** You cannot generally get an extension of more than 6 months. However, 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 tax return if you need the time to meet either the bona fide residence test or the physical presence test to qualify for either the foreign earned income exclusion or the foreign housing exclusion or deduction. The tests, the exclusions, and the 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 to 30 days beyond the date on which you can reasonably expect to qualify for an exclusion or deduction under either the bona fide residence test or the physical presence test.

***How to get an extension.*** To obtain an extension, file Form 2350 either by giving it to a local IRS representative or other IRS employee or by mailing it to:

Department of the Treasury  
Internal Revenue Service  
Austin, TX 73301-0215

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 either the bona fide residence test or the physical presence test, you should file your income tax return as soon as possible because you must pay interest on any tax due after the regular due date of the return (even though an extension was granted).



*You should make any request for an extension early, so that if it is denied, you still can file your return on time. Otherwise, if you file late and additional tax is due, you may be subject to a penalty.*

***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 include all income from both U.S. and foreign sources and pay the tax on that income.

If you later meet either of the tests, you can claim the foreign earned income exclusion, the foreign housing exclusion, or the foreign housing deduction on [Form 1040-X](#).

## **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 (QBU). A QBU is a separate and clearly identified unit of a trade or business that maintains separate books and records.

Even if you have a QBU, your functional currency is the dollar if any of the following apply.

- You conduct the business in U.S. dollars.
- The principal place of business is located in the United States.
- You choose to or are required to use the U.S. dollar as your functional currency.
- The business books and records are not kept in the currency of the economic environment in which a significant part of the business activities is conducted.

Make all income tax determinations in your functional currency. If your functional currency is the U.S. dollar, you must immediately translate into U.S. dollars all items of income, expense, etc. (including taxes), that you receive, pay, or accrue in a foreign currency and that will affect computation of your income tax.

Use the exchange rate prevailing when you receive, pay, or accrue the item. You can generally get exchange rates from banks and U.S. Embassies. You may also need to recognize foreign currency gain or loss on certain foreign currency transactions. See section 988 and the regulations thereunder.

If you have a QBU with a functional currency that is not the U.S. dollar, make all income determinations in the QBU's functional currency, and, where appropriate, translate such income or loss at the appropriate exchange rate.

## **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](#). 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 (discussed later), figure the amount you can pay to the IRS in nonconvertible foreign currency using the following formula.

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

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*. Keep the copy for your records.

## **Does My Return Have To Be on Paper?**



IRS *e-file* (electronic filing) 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*.



**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.

## **Where To File**

If any of the following situations apply to you, do not file your return with the service center listed for your home state.

- You claim the foreign earned income exclusion.
- You claim the foreign housing exclusion or deduction.
- You live in a foreign country.

Instead, use one of the following special addresses. If you are not enclosing a check or money order, file your return with:

Department of the Treasury  
Internal Revenue Service  
Austin, TX 73301-0215  
USA

If you are enclosing a check or money order, file your return with:

Internal Revenue Service  
P.O. Box 1303  
Charlotte, NC 28201-1303  
USA

If you do not know where your legal residence is and you do not have a principal

place of business in the United States, you can file with the appropriate address listed above.

However, you should not file with the addresses listed above if you are a bona fide resident of the U.S. Virgin Islands, Guam, or the Commonwealth of the Northern Mariana Islands during your entire tax year.

### **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.



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\*](#), and attach a copy to both your U.S. return and your USVI return. You should file your U.S. return with the address listed under [\*Where To File\*](#), earlier.

See [\*Pub. 570, Tax Guide for Individuals With Income from U.S. Territories\*](#), for information about filing USVI returns.

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



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. Send your return to the address listed under *Where To File*, 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.



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. Send your return to the address listed under *Where To File*, 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.

## **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 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.



*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](#).*

## **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](https://www.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](#), 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 2024 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](#) and [Estimated Tax for 2024](#) in Pub. 505 (2024).

**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. 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](#).

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>

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# **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.

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 for foreign financial accounts maintained during calendar year 2024 is April 15, 2025, to coincide with the filing date for the 2024 Form 1040 or 1040-SR. For more information, go to [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 [Travel—Money and Other Monetary Instruments](#).



The form is either completed online on the U.S. Customs and Border Protection's website, available at [FinCEN Form 105, Currency and Monetary Instruments Report \(CMIR\)](#), 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, see [Form 8938](#).

**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, see [Form 5471](#).

**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, see [Form 926](#).

**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, see [Form 8865](#).

**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, see [Form 8858](#).

**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).

For more information, see [Form 8621](#).

**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, see [Form 8854](#).

## **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, see [Form 3520](#).

**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, see [Form 3520-A](#).

## **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 [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](#), 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](#).

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 re-view 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* 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 *Where To File*, 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 res-ident alien reporting all of my worldwide income. I have not claimed benefits for the tax year under an in-come 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.