



# Taxation for Citizens and Residents Abroad

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Course #33901A

Taxes

2 Credit Hours

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# TAXATION FOR CITIZENS AND RESIDENTS ABROAD

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This course covers key tax rules for U.S. citizens and resident aliens living abroad. It outlines general filing requirements, types of tax withholdings, and who must pay self-employment tax. The course also explains the foreign earned income and housing exclusions, the foreign housing deduction, personal exemptions for resident aliens, and common tax treaty benefits, providing essential guidance for international tax compliance.

## LEARNING ASSIGNMENTS AND OBJECTIVES

*As a result of studying each assignment, you should be able to meet the objectives listed below each individual assignment.*

### SUBJECTS

**Introduction**  
**Filing Information**  
**Withholding Tax**  
**Self-Employment Tax**  
**Foreign Earned Income and Housing: Exclusion – Deduction**  
**Deductions and Credits**  
**Tax Treaty Benefits**

Study the course materials

Complete the review questions at the end of each chapter

Answer the exam questions 1 to 10

### Objectives:

- To identify general filing requirements for taxpayers out of the country
- To identify different types of tax withholdings for U.S. citizens and resident aliens living abroad
- To identify who needs to pay self-employment tax
- To identify the requirements for the foreign earned income and housing exclusions and the foreign housing deduction
- To identify personal exemptions that can apply to resident aliens
- To identify some of the common tax treaty benefits

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## EXAM OUTLINE

- **TEST FORMAT:** The final exam for this course consists of 10 multiple-choice questions and is based specifically on the information covered in the course materials.
- **ACCESS FINAL EXAM:** Log in to your account and click Take Exam. A copy of the final exam is provided at the end of these course materials for your convenience, however you must submit your answers online to receive credit for the course.
- **LICENSE RENEWAL INFORMATION:** This course qualifies for **2** CPE hours.
- **PROCESSING:** You will receive the score for your final exam immediately after it is submitted. A score of 70% or better is required to pass.
- **CERTIFICATE OF COMPLETION:** Will be available in your account to view online or print. If you do not pass an exam, it can be retaken free of charge.

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# INTRODUCTION

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## I. INTRODUCTION

This course 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 generally is 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.

### A. 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  $\frac{1}{3}$  the number of days of presence in the first preceding year, and only  $\frac{1}{6}$  the number of days in the second preceding year.

### Example



You were physically present in the United States on 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.



## B. FILING BASICS

**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 Widow(er)—\$29,200.
- Head of Household—\$21,900.

Due to the increase in the standard deduction, you may be required to file a new Form W-4.

**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.

**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 increases to \$168,600. All net earnings are subject to the Medicare part of the tax. For more information, see chapter 3.

**IRA limitations for 2024.** 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 2024 MAGI is less than \$240,000.

# CHAPTER 1: FILING INFORMATION

## Chapter Objective

**After completing this chapter, you should be able to:**

- Identify general filing requirements for taxpayers out of the country.

## I. 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 in the United States or abroad.

Your income, filing status, and age usually determine whether you must file an income tax return. Generally, you must file a return for 2024 if your gross income from worldwide sources is at least the amount shown for your filing status in the following table.

Filing Status	Amount
Single	\$14,600
65 or older	\$16,550
Head of household	\$21,900
65 or older	\$23,850
Qualifying surviving spouse	\$29,200
65 or older	\$30,750
Married filing jointly	\$29,200
Not living with spouse at end of year	\$5
One spouse 65 or older	\$30,750
Both spouses 65 or older	\$32,300
Married filing separately	\$5

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