PacificCPE

COURSE

33901B

U.S. Tax Rules for Americans Living Abroad

Designed for tax professionals working with clients who live or earn income outside the United States, this course covers the essential rules from filing requirements and withholding to self-employment tax and treaty benefits. You'll explore the foreign earned income and housing exclusions, Form 2555 requirements, available deductions and credits, and how tax treaties can reduce or eliminate double taxation. Whether you're new to international tax or refreshing your knowledge, this course provides a solid foundation for advising U.S. citizens and residents with overseas tax obligations.

CREDIT HOURS 2 | FIELD OF STUDY TAXES | EXAM QUESTIONS 10

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LEARNING ASSIGNMENTS AND OBJECTIVES

Assignment

- Study the full course materials included here.
- Complete the review questions after each chapter.
- Answer 10 final exam questions.
- Final exam is scored immediately, 70% or better passes.
- Certificate of completion is available in your account.
- Failed exams can be retaken free of charge.

Course Objectives

- Identify general filing requirements for taxpayers out of the country.
- Identify the different types of tax withholdings.
- Recall the taxation rules for self-employed individuals related to social security.
- Identify the requirements for the foreign earned income and housing exclusions and the foreign housing deduction.
- Identify personal exemptions that can apply to resident aliens.
- Recall the basic rules regarding tax treaty benefits.

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Publication Date: January 2026

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INTRODUCTION

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.

II. WHAT'S NEW

A. 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. 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.

B. MORTGAGE AND STUDENT LOAN FORGIVENESS RELIEF EXPIRES IN 2025

The exclusion from income of discharged mortgage debt for qualified principal residence indebtedness and qualified student loan debt under section 108(f)(5) expired on December 31, 2025.

C. SPECIAL RELIEF FOR TERRORIST ATTACKS IN ISRAEL, GAZA, AND THE WEST

BANK

On September 30, 2025, the IRS announced that due to the ongoing conflict in Israel, it 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.

D. 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 1/3 the number of days of presence in the first preceding year, and only 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 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 (1/3 of 120), and 20 days in year 1 (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.

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 generally determine whether you must file an income tax return. Generally, you must file an income tax return for 2025 if your worldwide gross income is at least the amount shown for your filing status in the following table.

Filing Status	Amount
Single	$15,750
65 or older	$17,750
Head of household	$23,625
65 or older	$25,625
Qualifying surviving spouse	$31,500
65 or older	$33,100
Married filing jointly	$31,500
Not living with spouse at end of year	$5
One spouse 65 or older	$33,100
Both spouses 65 or older	$34,700
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.

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).

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 table shown earlier.

You are considered to be age 65 on the day before your 65th birthday. For example, if your 65th birthday is on January 1, 2026, you are considered 65 for 2025.

Note

If you are (or were) a bona fide resident of a U.S. possession, you may be required to file Form 8898, *Statement for Individuals Who Begin or End Bona Fide Residence in a U.S. Territory*.

A. FILING AND PAYMENT DUE DATES

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.

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.

1. Extensions