2025

US Expat TAX Guide

The Ultimate Guide to US Taxes for Americans Abroad

my expat taxes

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2025 US Expat Tax Guide

It’s 2025, and the US tax season is in full swing, meaning it’s time to start preparing to file your 2024 tax return. MyExpatTaxes wants to ensure that you, as an American abroad, know how to file your US taxes. Knowing what to expect and when to act will save you time and money.

This guide aims to help you become (and stay) tax-compliant! We know no one likes filing a tax return, but at least we can make the process as painless as possible!

The Basics

Who Needs to File US Taxes?

- US citizens (living in the US or abroad) including Accidental Americans
- Green Card holders
- Permanent Residents / Resident Aliens of the US
- Nonresident Aliens with US-sourced income

Are You an Accidental American?

You may be an Accidental American and need to file US taxes if one of the following situations applies to you:

- Born in the US to foreign parents
- Born outside the US to American parents who were unaware of their status as US citizens
- Born abroad to at least one US citizen parent who claimed citizenship for you
- Obtained a US birth certification or citizenship around the time of your birth, even if you have been living abroad more than in the US

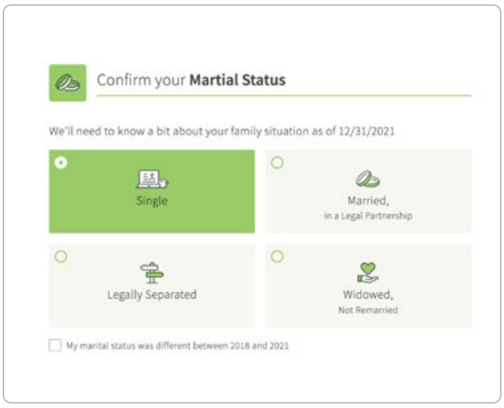
If you meet any of the above criteria, you are a US citizen abroad and may be obligated to file and pay US taxes.

Your Tax Profile

As a US citizen abroad, you may or may not need to file US expat taxes if you meet a certain tax threshold. Your tax threshold is based on your status and your gross income. Starting with your martial status, determine which profile best suits your current position.

Pick Your Filing Profile

These filing profiles are put in place by the IRS.
Select the one that fits your particular situation best



Single

You are not married and filing for yourself.

Married Filing Jointly

You're legally married (including common law), and your spouse files US taxes with you using either an SSN or ITIN.

Married Filing Separately

This is for those with a foreign spouse without an ITIN or those who want to file separately!

TAX TIP: Most expats married to non-US citizens will use this filing status.

Head of Household

You are considered unmarried* and responsible for paying more than half of your household expenses during the tax year (including rent/mortgage, groceries, household bills, repairs, etc).

You must also have a qualifying US child or dependent who has lived with you for more than six months during the tax year.

*The IRS would consider you unmarried if your spouse is a Nonresident Alien for the purpose of this filing status.

Qualifying Widow(er)

You have a dependent US child and retain the benefits from the married filing jointly status for two years after your spouse, whom you usually filed jointly with, passed away.

Check Your Gross Income:

Gross income is generally the total pay you receive from your employer (salary or wages) before taxes and other deductions. It also includes all other compensation sources, such as business income, pensions, dividends, interest, rental income, etc.

Once you know your tax profile and gross income, you can check to see if you must file a US tax return as an expat.

US Tax Filing Thresholds for Your 2024 Tax Return

As an American abroad, you must file a federal tax return if you are:

Single

Under 65, and gross income was at least	**$14,600**
Over 65, and gross income was at least	**$16,550**

Married Filing Jointly

Under 65 (both spouses), and gross income was at least	**$29,200**
65 or older (one spouse), and gross income was at least	**$30,750**
65 or older (both spouses), and gross income was at least	**$32,300**

Married Filing Separately

At any age, and gross income was at least	**$5**

(yes, five US dollars - no typo here)

Please note the STANDARD DEDUCTION does not change from those filing as Single, even though the minimum filing threshold is lower

Head of Household

Under 65, and gross income was at least	**$21,900**
65 or older, and gross income was at least	**$23,850**

Qualifying Widow(er)

Under 65, and gross income was at least	**$29,200**
65 or older, and gross income was at least	**$30,750**

Know the US Tax Deadlines

April 15th: Standard US Tax Deadline

This is the most common deadline for US citizens and the deadline to pay any outstanding taxes owed to the IRS.

June 15th: Expat Tax Deadline

US expats receive a two-month automatic extension until June 15th. This extension does not apply to paying US taxes to the IRS.

October 15th: Extension Deadline

This deadline is important for those who cannot file by June 15th and must file an FBAR. With MyExpatTaxes, you can file extension Form 4868 and your FBAR with one platform! Making the filing process significantly more efficient.

TAX TIP: Expats must request this extension by June 15th to avoid penalties!

December 15th: Additional Deadline for Special Tax Cases

If you cannot make the October 15th deadline, you can apply for the December 15th extension. This extension is not granted as easily; a special request must be made to the IRS via mail, and you MUST apply for it by October 15th. Otherwise, you can face penalties.

2021 Pandemic and Taxes

Coronavirus & Stimulus Payment Information

Due to the COVID-19 pandemic, the US government issued three stimulus payments to offer economic relief to American citizens. The final stimulus payment can still be claimed in 2025, but the window has passed to claim the first and second payments.

How to Qualify for the Third Stimulus Check?

You need to meet the following requirements:

- You filed your 2021 US tax returns to the IRS (if you haven't filed these yet, you can do so using the Streamlined Amnesty Program)
- You were not claimed as a dependent on another taxpayer return in 2021
- Have a Social Security Number
- Have an adjusted gross income of up to $75,000 for individuals, $112,500 for head of household filers, and $150,000 for taxpayers filing as 'Married Filing Jointly'

Eligible US expats could receive $1,400 or $2,800 for joint filings for the third stimulus check, possibly receiving an additional $1,400 per qualifying dependent.

Common Tax Forms for US Expats

As a US American abroad, these are some of the most common forms you will use to optimize your US expat taxes:

- Form 1040 - US Individual Income Tax Return +
    - Form 1040, Schedule 1 (For Foreign Earned Income Exclusion)
    - Form 1040, Schedule 2 & Schedule 3 (For Foreign Tax Credit)
- Schedule A - Itemized Deductions
- Schedule B - Interest and Ordinary Dividends
- Schedule C - Business Income
- Schedule D / Form 8949 - Capital Gains Income
- Schedule E - Worldwide Rental Income
- Schedule SE - Self-Employment Tax (For those who cannot use a Totalization Treaty)
- Form 2555 - Foreign Earned Income
- Form 1116 - Foreign Tax Credit
- Form 8812 - Additional Child Tax Credit (For US Tax Refunds for Families Abroad)
- Form 8833 - Treaty-Based Return Position Disclosure (For Tax Treaty Benefits)
- FBAR / Form 8938 - Report of Foreign Bank and Financial Accounts / FATCA
- Form 4868 - Application for Automatic Extension of Time To File US Individual Income Tax (If you need the extra time!)

Amending Your Tax Return

The IRS Form 1040X can be your saving grace to amend a mistake via your federal tax form. This form can correct forms 1040 or 1040-NR. You can also use it to adjust income previously modified by the IRS or to claim a carryback for a loss or an unused credit.

Form 1040X lets you amend your return within three years of its original due date to request a refund. For example, if you made a mistake on your 2023 tax return (due June 15th, 2024, for expats), you have until June 15th, 2026, to make the necessary changes to claim your refund.

Expat Tax Benefits

Avoiding Double Taxation

Double taxation happens when your income taxes are paid twice on the exact source of income. If you are working in Switzerland and earning $140,000 after converting to USD, you can use the Foreign Earned Income Exclusion to deduct $126,500, leaving you with $13,500. Only $13,500 is subject to double taxation, but options exist to reduce this amount.

Foreign Earned Income Exclusion

The Foreign Earned Income Exclusion, also known as Form 2555, allows US expats to exclude up to $126,500 of foreign earned income from their US taxes.

Are You Eligible for the Foreign Earned Income Exclusion?

To determine eligibility for the Foreign Earned Income Exclusion, you can use the Bona Fide Residence Test or the Physical Presence Test.

- **Bona Fide Residence Test:**

  You were a registered resident subject to local income taxes in your host country for at least a full calendar year.

- **Physical Presence Test:**

  You must be outside the US for 330 full days in a consecutive 12-month period that begins or ends in the tax year. The Foreign Earned Income Exclusion amount might have to be adjusted depending on your qualifying period in the tax year.

Foreign Housing Exclusion

The Foreign Housing Exclusion allows you to exclude qualifying housing expenses paid. A maximum of 16% ($20,240 in 2025) can be deducted from your total housing expenses.

Qualifying housing expenses include home utilities, personal property insurance, accessory rentals, and household repairs. The exclusion does not include furniture you purchase online, domestic labor, or mortgage payments.

Calculating Foreign Earned Income?

- Let's say you earned $142,900 as a foreign income. Subtract the maximum exclusion rate ($126,500) from your yearly salary. This leaves $16,400 that becomes taxable by the IRS.

The taxable portion of your income is subject to the stacking rule, which means your tax rate is determined before applying the Foreign Earned Income Exclusion. Any other income from pension funds, interest, capital gains, etc, cannot be excluded using the Foreign Earned Income Exclusion.

Foreign Tax Credit

The Foreign Tax Credit allows American expats to offset their US tax liability using taxes paid to a foreign government. For example, if you paid $3,000 (after converting from Euros to USD) to the German government as a resident of this foreign country, $3,000 can be deducted from any owed US taxes.

As an American expat, you cannot claim the Foreign Tax Credit on income you excluded using the Foreign Earned Income Exclusion.

TAX TIP: Keep track of unused foreign tax credits because they can be carried over for ten years. Better yet, if you use MyExpatTaxes, we will keep a record for you, so you don't have to!

Tax Treaties

The US and certain foreign countries have agreed to reduce or eliminate dual-income taxation for Americans living and working abroad.

Tax treaties are beneficial when determining income forms such as pensions, Social Security benefits, alimony, etc. Since these types of income are considered unearned, they cannot be excluded using the Foreign Earned Income Exclusion and may not be subject to local income tax in your country of residence.

Americans living in foreign countries with a tax treaty are taxed at a reduced rate or exempt from US taxes on certain income items sourced in the US. Rates and specific income items vary between each foreign country. If your foreign country does not have a treaty with the US and the Foreign Earned Income Exclusion and Foreign Tax Credit do not cover your entire income, you could end up paying US taxes.

Totalization Agreements (US Self-Employment Tax)

The Totalization Agreement is an agreement between the US and 26 other countries that works to prevent individuals from paying Social Security taxes twice on the same earnings.

Americans who reside in countries such as France, Germany, Belgium, and Australia can avoid dual Social Security taxes because they can choose the country where they wish to pay Social Security. For the complete list of the countries included and not included, follow the link to the Totalization Agreement list.

These agreements for US citizens abroad factor in where you are hired, where your employment is sourced, and how long you plan to stay overseas. Totalization Agreements help American expats avoid foreign social security costs if they do not plan to stay abroad for more than five years or are sent overseas on a short-term contract.

If you do not plan to return to the US in the next five years, you may be able to contribute to the social insurance system in your host country. By doing this, you can ensure that your retirement and healthcare benefits align with the local system.

Family Tax Credits

The US provides financial assistance to parents through tax credits and refunds, regardless of where they live and work.

The Child Tax Credit is the non-refundable portion of this credit, while the Additional Child Tax Credit refers to the refundable portion. In this sense, "additional" doesn't refer to an extra credit or child; it simply means that this portion of the credit can be refunded if it exceeds your tax liability.

MyExpatTaxes specializes in getting US expats their Additional Child Tax Credit, even if that means amending prior year returns.

MAX AGE LIMIT: Generally, only qualifying dependents under 17 are eligible for the (Additional) Child Tax Credit. If your child was **under** 17 on December 31st of that tax period, they are eligible.

Child Tax Credit:

American expat families can claim $2,000 as a tax credit for each of their dependent children who have valid US Social Security Numbers and are under the age of 17.

Additional Child Tax Credit

If you do not owe US taxes and have a qualifying child, you could receive up to $1,700 as a refundable credit. Even if you had to use a small amount of the Child Tax Credit to offset your US tax liability, whatever is left could still be refundable.

The team at MyExpatTaxes can quickly figure out if you can get this refundable credit of up to $1,700 per child per year!

TAX TIP: Expats will not qualify for the Additional Child Tax Credit if they use the Foreign Earned Income Exclusion. Check out how the MyExpatTaxes software will automatically calculate the best way for you to file.

Foreign Financial Accounts

The Foreign Account Tax Compliance Act

FATCA stands for the Foreign Account Tax Compliance Act. This federal law requires foreign financial institutions, like banks, to report data on US account holders and requires US citizens to disclose this information themselves.

Every foreign bank that allows a US Citizen to open an account must be able and willing to comply with FATCA laws. Therefore, it is possible to be rejected by a foreign bank simply because you are a US citizen.

If the bank allows you, as an expat, access to a foreign bank account, you must fill out and sign lots of paperwork that gives the US Department of Treasury access to your bank account.

Form 8938

Under FATCA, you must file Form 8938 in addition to the FBAR if the total value of your foreign financial assets exceeds the reporting threshold. According to the IRS:

SINGLE OR MARRIED FILING SEPARATELY: If you are not married, you satisfy the reporting threshold only if the total value of your specified foreign financial assets is more than $200,000 on the last day of the tax year or more than $300,000 at any time during the tax year.

MARRIED FILING JOINTLY: If you are married and you and your spouse file a joint income tax return, you satisfy the reporting threshold only if the total value of your specified foreign financial assets is more than $400,000 on the last day of the tax year or more than $600,000 at any time during the tax year.

Source: https://www.irs.gov/instructions/i8938

Foreign Bank Account Report

The Foreign Bank Account Report, commonly known as the FBAR, must be filled out if the max balance of your foreign financial accounts collectively exceeds $10,000 at any point in a year. The FBAR is strictly for information tracking purposes, and you will not be taxed on your foreign bank accounts.

TAX TIP: The FBAR is not sent to the IRS but to the Financial Crimes Enforcement Network (FinCEN), part of the US Department of Treasury.

Determining Whether You Need to File an FBAR

If you have any foreign bank or financial accounts as an American abroad, you must keep track of your accounts and check your bank statements. An FBAR is required every year if you have over $10,000 combined max balances within all your foreign financial accounts at any time during the year. If you had $10,010 for one day, you must still file an FBAR. Submit the FBAR via the BSA E-filing system or, better yet – with expert support through MyExpatTaxes!

The FBAR is due on April 15th every year to coincide with the tax date for Americans both inland and overseas. If you missed the filing deadline, the FBAR grants an automatic extension until October 15th. You do not need to file any paperwork to receive this automatic extension.

Completing the FBAR

You'll need Form 114, the Report of Foreign Bank and Financial Accounts, to file successfully. With MyExpatTaxes, Form 114 is always included with your federal tax return.

The FBAR, though known as a daunting form, doesn't need to be. It's precisely why we created MyExpatTaxes: to make it easier for you to stay IRS and FinCEN compliant. Our support team can assist you every step of the way.

Only Filing an FBAR

In some cases, US expats may only need to file an FBAR when they don't meet the US tax filing threshold. Filing your FBAR is simple: create an account with MyExpatFBAR, enter the required details, and submit it!

Abandoning Your Green Card

What is a Green Card?

A Green Card allows individuals to live and work inside the US permanently. With a Green Card, you do not need to go through the hassle of applying for work or residency visas. You are already considered a permanent resident of the US.

In the eyes of tax law, a Green Card is similar to citizenship. Meaning your worldwide income is subject to US taxation. However, just like a citizen, you will need to renounce or abandon your Green Card if you'd like to avoid US taxes.

How do You Abandon Your Green Card?

Renouncing your Green Card is also known as abandoning your residency status in the US. You must file Form I-407, which is an application for abandonment. Form I-407 can be filed in any country with the US embassy or with the US immigration office. You can also send a letter to abandon residency status with your Green Card enclosed in the letter. It is highly recommended that this be done at any US embassy or official office.

Whatever you do, keep a documented copy of your I-407 Form or letter, Green Card, and postal information. It could be needed as proof that you are no longer a Green Card holder.

Forgot to Abandon Your Green Card?

If you do not abandon your Green Card, you'll be treated as any US citizen when filing US taxes. Now that you're earning from abroad, you must report your worldwide income to the IRS and ensure you file your FBARs. You can do this using the MyExpatTaxes software, which includes income tax returns and FBARs.

Not knowing you must file US taxes abroad is a common mistake for many Green Card Holders and US citizens. There are procedures you can use to catch up on missed tax returns, and there are tax benefits to nearly eliminate double taxation. It is not as scary as it may seem, but it is a responsibility, so do not avoid it.

If you do not file US taxes when obligated to, you could face hefty fines from the IRS. Therefore, if you haven't abandoned your Green Card, it's time to do so!

Renouncing US Citizenship

Should I Renounce My US Citizenship?

While it's possible to renounce your US citizenship, it is a deeply personal decision, and it's important to consider the potential impact carefully. After renouncing, you may face challenges finding employment in the US, and if your children don't already have US citizenship, they could lose the ability to claim it in the future.

The US Citizenship laws and policies require you to renounce responsibly. All US Citizens must do these four things to relinquish their citizenship:

- They must be tax-compliant continuously for at least five years
- They will need to appear in person before a US consular or diplomatic officer (US Embassy or Consulate)
- They must sign an oath of renunciation in person
- An exit fee of $2,350* needs to be paid
  *This fee can change at any time!

Renouncing your US Citizenship does not mean you are done with US taxes, though. You will still need to file a final US tax return with Exit Form 8854 and comply with all the requirements. Otherwise, you might still need to file US taxes even without US citizenship.

Retiring Abroad

Retired or Planning to Retire Abroad?

US expats can still receive Social Security benefits, but some requirements exist. You must have worked for approximately 10 years or accumulated 40 credits.

Must-Do for Retirees

You must update this information for the Social Security Administration before you leave to ensure you receive your Social Security payments without disruptions.

- Update your address
- Report any work from outside of the US
- Submit your Marriage or Divorce paperwork

Failure to report changes to the Social Security Administration could result in overpayment charges or payments being stopped entirely. To prevent this, ensure you immediately share any changes with the Social Security office.

Why Might Your Payments Stop?

If you live in a country that does not have a Totalization Agreement with the US, your Social Security benefits will stop after six months of living outside the US. However, if the foreign country has an agreement with the US, you can still receive Social Security benefits.

What happens if your country is missing from the Totalization Agreement list? You will not lose your Social Security benefits; they will be withheld until you move to a country on the list or return to the US.

Retired Widow

Suppose you are an American abroad who is also a widow (survivor) or a dependent from a deceased taxpayer. In that case, you may need to meet additional requirements to receive your Social Security benefits, such as:

- Being a resident of the foreign country for at least five years
- Having the authorization to receive benefits from an individual who died
- Live in a country on the Totalization Agreement list

Get Your Social Security Payments Online

You can use online payments to get faster direct deposits instead of waiting for a paper check in the mail. An online Social Security account will prevent future checks from getting lost or stolen. Your US Consulate can provide more information regarding relevant Federal Benefits Unit offices closest to you. Unlike US tax refunds, the IRS can deposit US Social Security Benefits directly into foreign bank accounts.

Self-Employment Taxes for US Expats

Before filing self-employment taxes, US expats must check to see if their income is over $400, even if it was earned abroad. For self-employed expats with an income over $400, you must pay 15.3% self-employment tax. The 15.3% is divided into **Social Security** (12.4%) and **Medicare** (2.9%).

Tax Deductions for Self-Employed Expats

Self-employed expats cannot use certain foreign tax benefits when filing US taxes. For instance, expats cannot use the Foreign Earned Income Exclusion to reduce their self-employment taxes. Using the Foreign Tax Credit can also be tricky because it can only be applied to local taxes on self-employment income.

One way to prevent double taxation is to live in a country with a Totalization Agreement. This agreement reduces the risk of double taxation by eliminating the need to pay US self-employment tax or providing a reduced tax rate.

Without a Totalization Agreement, self-employed expats are required to pay US Social Security taxes.

Filing Requirements

Make a note of these sections on your 1040 when filing US self-employment taxes:

- Schedule C: Reports business income and expenses
- Schedule SE: Calculates self-employment taxes

If your company has a high income, quarterly estimated tax payments might be required using Form 1040-ES.

State Tax Considerations

Not every state requires US expats to file state taxes, but it will depend on which state is your domicile state, meaning your permanent home. Therefore, even if you are no longer a resident, you may be subject to state taxes.

Check out your state's official website to determine whether you must file state taxes.

Foreign Corporations and Partnerships

ou may need to complete Form 5471 if you have at least 10% ownership in a foreign corporation with limited liability. If you are involved in a foreign partnership, you may need to file Form 8865.

These forms can be complex and incur high penalties. With MyExpatTaxes, we can help you file these forms correctly and accurately using our Premium plan.

Reduce Your Self-Employment Taxes

It's possible to reduce your self-employment taxes by deducting all your business expenses. There are many different ways, for example:

- Business travel expenses
- Section 179 deduction for specific fixed assets from your business
- Home office expenses

Unfiled Tax Returns

Penalties for Not Filing

Penalties can get serious if you are an American living abroad and fail to file on time. For US expats, the deadline is June 15th of every year, with the option to request an extension.

Unfortunately, if you do not file and the IRS catches you, there are potential penalties:

- 5% will be tacked on interest on your taxes until it reaches 25%
- You won't be able to renew US passport if you are on the hook for a high tax bill

Filing for Previous Years and Back Taxes

Have you missed more than a few tax returns since moving abroad? If so, you'll have a stack of unfiled returns that require your attention. Let's say you forgot or didn't know you had to file US taxes while living abroad. In that case, you have a high probability of qualifying for a tax amnesty program called the Streamlined Procedure.

Qualify for the Streamlined Procedure

Your actions must be non-willful for not filing tax returns in the past, meaning you were unaware of this tax obligation. When you start filing through this program, you must sign a statement stating this fact on Form 14653 (or via our expat tax software).

Requirements to File Back Taxes:

You are eligible to use the Streamlined Procedure if you fall within the following guidelines:

- You did not live in a home in the US for the last three years
- You were living outside of the US for at least 330 days in the year
- You have not filed a federal tax return in the previous three years
- Haven't filed amended or delinquent tax returns in the past using the Streamlined procedure

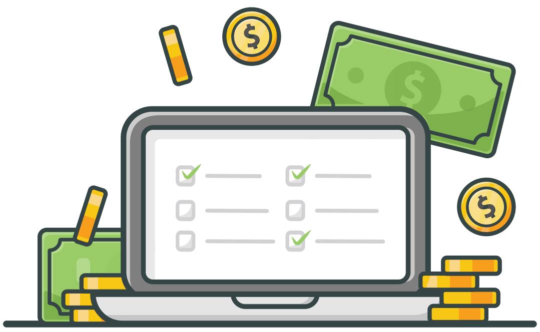
What do You Need for the Streamlined Procedure?

- Three years of back tax returns (not including this year's return)
- Six years of FBAR reports (not including this year's report). FBARs are recommended even if you did not meet the $10,000 reporting threshold
- A signed statement of certification was signed by a US person residing outside the US

How Much Does it Cost?

The cost of filing the Streamlined procedure can vary. It is possible to do it yourself, but it is complicated alone. Most tax companies will charge thousands of dollars to file your US expat taxes. Luckily, MyExpatTaxes services are among the most affordable ways for Americans abroad to be tax-compliant. Even if you have a more extensive or complex tax situation, we remain the most affordable on the market!

Start Filing Today



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