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Current as of April 15 2020 for DA Global Tax Webinar

CARES ACT & Expat Tax 101

Presented by Nathalie Goldstein, CEO



# Hi, nice to meet you!



**Nathalie Goldstein, MSc & EA**

**CEO & Co-Founder of MyExpatTaxes**

- From California, based in Vienna, Austria
- Background:
  - Finance & Information Technology
- Specialized in U.S. Expat Taxation
- Created MyExpatTaxes, awarded 2019's Best US Expat Tax Management Platform



# MyExpatTaxes provides award-winning US expat tax software

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149 EUR flat fee



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Ability to talk to a tax professional



Worldwide Tax Partnerships



MyExpatTaxes provides electronic filing for the majority of 2019 Expat Tax Returns (married with NRA spouse, tax treaties, PFICs, etc.)

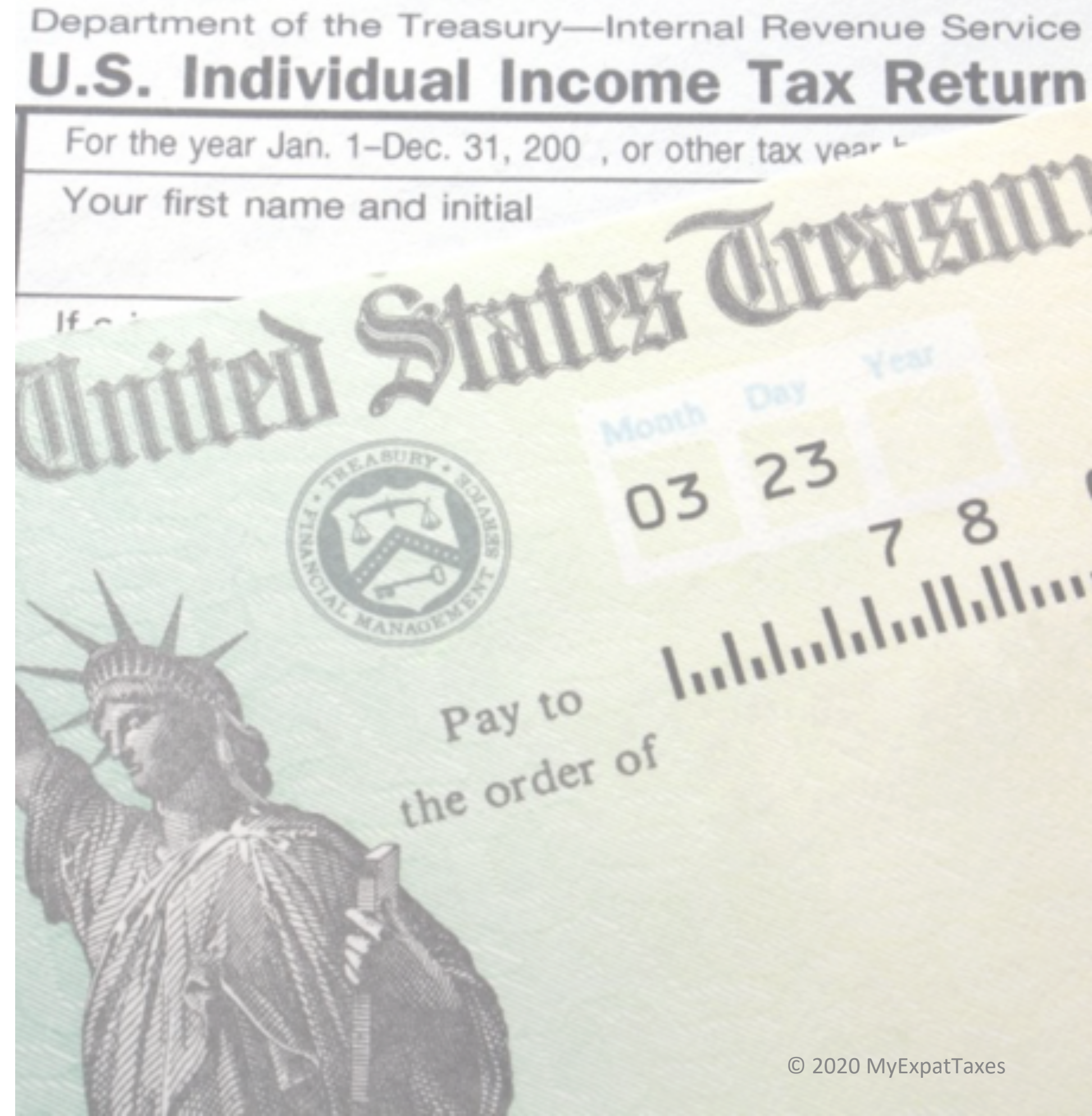
# What we will cover

## CARES ACT Basics

- Who is eligible for payments?
- How much is the payment?
- How will the IRS pay you?

## Expatriate Tax Filing Basics

- Do you need to file?
- Getting into compliance
- Filing deadlines



# CARES ACT Basics

**CARES = Coronavirus Aid, Relief & Economic Safety**

## Key terms to know

- **Americans Abroad**

*All US Citizens living/working/retired outside of the US, who may or may NOT be filing US taxes every year.*

- **Economic Impact Payment (IRS Official Term)**

*The \$1,200+ Stimulus Payments that every American (or lawful resident) should receive if they meet the eligibility requirements.*

*Payments will be made between mid April 2020 to December 2020.*

- **Valid Social Security Numbers**

*Tax identification number for U.S. Citizens and lawful residents*

- **Dependent of Another Filer**

*Has a parent or guardian claimed you on their tax return?*

# Eligibility

## Do Economic Impact Payments extend to Americans Abroad?

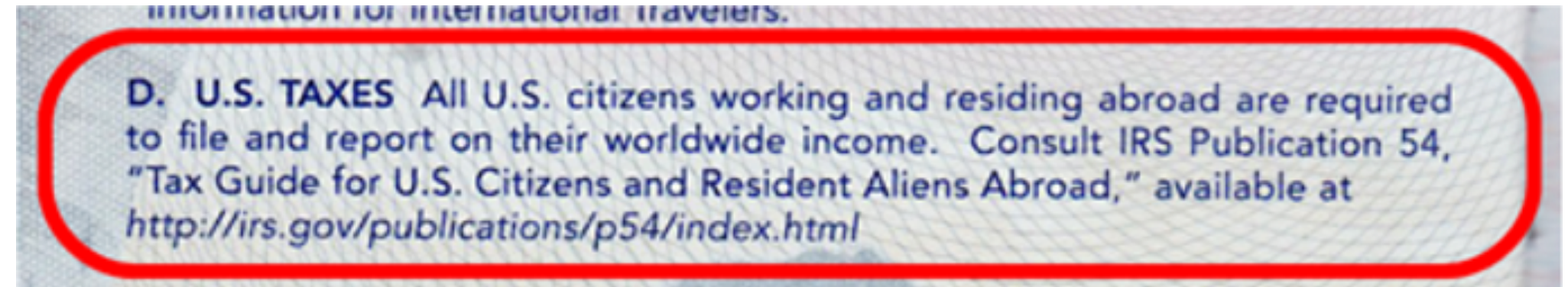
- **The Three Checks**



- **Required:** Valid SSN (not ITIN), Cannot be claimed as a Dependent, No Minimum Income Required but there is a Maximum Income Threshold Limit
  - Eligible even if you have \$0 income & pay \$0 US tax, but high earners may get reduced/no payments
- **Do you need to file taxes to be eligible?**
  - **Yes** if you meet the US tax filing threshold
    - [File your 2018 or 2019 taxes ASAP](#) to get into the IRS system
  - **No** if you don't have a filing return obligation, or too little income to file
    - Add your information and payment details into the [IRS Non-Filer Payment Portal here](#)

# Filing Requirements for Americans Abroad

- Americans abroad are subject to the same taxation laws as their family & friends back home (check US passport)
- You have to file if your gross income is over the tax filing threshold **from ALL sources** (US income + Non US income)
- Every year the filing requirements change
- The current tax season is always the year before (2019 tax season in year 2020)



**Example of Tax Filing Requirements for 2019 (more on next slide):**

**Married Filing Separately (Most Common): \$5 (yes, Five USD)**

Single: \$12,200

Head of Household: \$18,350

Married Filing Jointly or Qualifying Widow: \$24,400

**or you have over \$400 in Self-Employment Net Earnings**

Filers beware, the IRS Non-Filer Portal does not highlight the MFS/Self-Employment Filing Requirements

# Filing Income Thresholds for 2018-2019

Table 1. 2019 Filing Requirements Chart for Most Taxpayers

IF your filing status is...	AND at the end of 2019 you were...*	THEN file a return if your gross income was at least..."
single	under 65	\$12,200
	65 or older	\$13,850
head of household	under 65	\$18,350
	65 or older	\$20,000
married, filing jointly***	under 65 (both spouses)	\$24,400
	65 or older (one spouse)	\$25,700
	65 or older (both spouses)	\$27,000
married, filing separately	any age	\$5
qualifying widow(er)	under 65	\$24,400
	65 or older	\$25,700

Table 1. 2018 Filing Requirements Chart for Most Taxpayers

IF your filing status is...	AND at the end of 2018 you were...*	THEN file a return if your gross income was at least..."
single	under 65	\$12,000
	65 or older	\$13,600
head of household	under 65	\$18,000
	65 or older	\$19,600
married, filing jointly***	under 65 (both spouses)	\$24,000
	65 or older (one spouse)	\$25,300
	65 or older (both spouses)	\$26,600
married, filing separately	any age	\$5
qualifying widow(er)	under 65	\$24,000
	65 or older	\$25,300

*From IRS.gov*

❖ Haven't filed? Don't stress, we'll cover the Streamlined/Amnesty Procedure to Catch Up Without Penalties

# Q&A Break

## Filing Requirements

I receive only social security benefits from both the US and my resident country, do I need to file my taxes?

- Yes, as US Social Security Benefits was not your only source of income. Normally, you would use 8833 (Treaty-Based Return Position Disclosure ) for foreign social security benefits and failure to disclose a treaty-based return position may result in a penalty of \$1,000

If all of my income is from my resident country and have no US income, do I need to file a return?

- Yes, if you surpass the filing income thresholds (previous slide). Generally starting at \$12,200 for Single, but as low as \$5 for those who are married to a non US Citizen who does not have an ITIN or \$400 net profit for those who are self-employed

## Filing Back Taxes

How can non-compliant filers ensure they receive the stimulus due (without delay) if filing under the current amnesty program?

- While you paper mail your 2016 – 2018 back taxes, make sure you eFile your 2019 taxes asap if you can

# Q&A Break

## Your Family and the Payments

My husband is a green card holder and files jointly with me. Is he eligible for a stimulus payment?

- If he has a valid US SSN, then yes.

Are my kids who are 16 and 19 able to receive IRS payments and how much.

They have not filed tax returns before as they are both still our dependents. Both are born in the USA.

- Yes, if they have US SSNs.
  - Ideally the 16 year old should be claimed on your tax return for the \$1,400 additional child tax credit (independent of COVID-19), then you will also get an additional \$500 for them on the Economic Impact Payment
  - The 19 year old should NOT be claimed on your tax return as they don't qualify for either benefit mentioned for above, which is only available to those 17 and under. Instead, the 19 year old (if they don't have enough income to warrant filing a 2019 tax return) should use the Non-Filer Portal (will be mentioned in the following slides)

I had a child born in 2019. How can I make sure that she is included in the stimulus payment calculation I will receive?

- Make sure they have a valid US SSN. Claim them on your 2019 taxes and eFile asap.

# How much is the payment?

## Maximum amount of payments:

- 1,200 for individuals
  - Filing Status: single, married filing separately, head of household, qualifying widow
- \$2,400 for joint filers
  - Filing Status: married filing jointly
- Plus an additional \$500 per qualifying child
  - Can be claimed as a dependent, is younger than 17 & has a valid SSN

# Income Restrictions & Phase-Out

## Maximum adjusted gross income threshold to receive full payment:

- Up to \$75,000 for single filers
- \$112,500 for head of household filers
- \$150,000 for married couples filing joint returns

## When your payment gets reduced:

- \$75,000 to \$99,000 for single or married filing separately
- 112,500 to \$136,500 for head of household
- \$150,000 to \$198,000 if their filing status was married filing jointly

## When your payment is reduced to \$0:

- Starting from \$99,000 for single taxpayers with no children and \$198,000 for joint taxpayers with no children

# Calculating your Adjusted Gross Income

Economic Impact Payments amounts are based on your adjusted gross income (AGI)

- If your most recent tax return was in 2018 = Form 1040, Line 7

Form 1040 (2018)Page 2

Attach Form(s) W-2. Also attach Form(s) W-2G and 1099-R if tax was withheld.

1	Wages, salaries, tips, etc. Attach Form(s) W-2 . . . . .	1	
2a	Tax-exempt interest . . . . .	2a	
3a	Qualified dividends . . . . .	3a	
4a	IRAs, pensions, and annuities . . . . .	4a	
5a	Social security benefits . . . . .	5a	
6	Total income. Add lines 1 through 5. Add any amount from Schedule 1, line 22 . . . . .	6	
7	Adjusted gross income. If you have no adjustments to income, enter the amount from line 6; otherwise, subtract Schedule 1, line 36, from line 6 . . . . .	7	

Standard

- If your most recent tax return was in 2019 = Form 1040, Line 8b

\$18,350  
• If you checked any box under Standard Deduction, see instructions.

b	Subtract line 8a from line 7b. This is your adjusted gross income . . . . .	8b	
9	Standard deduction or itemized deductions (from Schedule A) . . . . .	9	
10	Qualified business income deduction. Attach Form 8995 or Form 8995-A . . . . .	10	
11a	Add lines 9 and 10 . . . . .	11a	
b	Taxable income. Subtract line 11a from line 8b. If zero or less, enter -0- . . . . .	11b	

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 11320B

Form 1040 (2019)

# How will the IRS make the payments?

## Option 1: Direct Deposit into your US Bank Account

*This info should be on 2018/2019 tax returns*

- Didn't add your US bank account to an already filed 2019 tax return?
  - Use the [IRS Economic Impact Payment page](#)
- Don't have a US Bank Account?
  - [TransferWise](#) allows you to create a US bank account
    - Routing/Account number is accepted by the IRS eFiling System
    - Successful IRS Stimulus direct deposits are still being verified, so use at your own risk (*for tips to use - go to the end of the slides*)

## Option 2: Paper Check sent to your Most Recent Mailing Address (US or Foreign)

*This address is the one used on Form 1040*

### Filers: Get Your Payment

Use the "Get My Payment" application (coming mid-April) to:

- Check your payment status
- Confirm your payment type: direct deposit or check
- Enter your bank account information for direct deposit if we don't have your direct deposit information and we haven't sent your payment yet

**Get My Payment (coming mid-April)**

### Moved Recently?

If you already filed your 2019 taxes and didn't add new your address and bank account info, the IRS will have a portal available soon for you to update that information.

Also file Form 8822 (only paper mailed):  
<https://www.irs.gov/pub/irs-pdf/f8822.pdf>

# Filer Portal

Get My Payment

IRS official Filer Tool

- Freshly opened on April 15, 2020, with many reported issues and glitches
- For those who filed a 2018/2019 Federal Tax Return and would like to check their payment status, change their payment information (bank account, mailing address)

## Get My Payment

If you need additional help, please visit our [Frequently Asked Questions](#) page.

All fields marked with an \* (asterisk) are required.

Social Security Number (SSN) or Individual Tax ID Number (ITIN) \* 

Date of Birth \*

MM/DD/YYYY



Street Address \* 

ZIP or Postal Code \* (Required, except for countries without ZIP or postal codes) 

## Payment Status Not Available

According to information that we have on file, we cannot determine your eligibility for a payment at this time.

For more information on the eligibility rules, see our [Frequently Asked Questions](#) page.

EXIT

IRS releases tool to track stimulus payments but many taxpayers report problems (both in the states and abroad)

# Non-Filer Portal

Non-Filers: Enter Payment Info Here

[IRS official Non-Filer Website](#)

- For people with no or low-income below the tax filing threshold
- This tool effectively files a tax return on your behalf (Form 1040) declaring that you are under the income filing threshold to the IRS

## Known Issues for Americans Abroad:

- Need a US phone number to get registration code
- Asks for state-issued drivers license (you should be able to leave this blank)
- If you end up needing to file a 2019 tax return later, you will NO longer be able to eFile after using this tool

Filers beware, the IRS Non-Filer Portal does not highlight the \$5 MFS OR \$400 Net Profit Self-Employment Filing Requirements

# When do the payments come?

- The first payments have already started
- Can check on payment status starting mid-April via [IRS payment website](#)
- Americans abroad have up to December 31, 2020 to receive Stimulus Check
- **Important Message:**
  - If you want the Stimulus Payment sooner than later:
    - must file 2019 taxes ASAP (if 2018 taxes not in the IRS system)
      - 2019 should be eFiled to speed things up
  - Make sure you are tax compliant and file the years you need to

# Streamlining & Back Taxes:

## **Streamlined Procedure:** US Tax amnesty program for Americans Abroad

- Complete only 2016 – 2018 Back Taxes + 2013 – 2018 FBARs
  - Even if you haven't filed for 3+ years
  - No late filing penalties charged under program
  - Most expats don't owe back taxes, some even get refunds
- eFile 2019 ASAP so your information is in the IRS System
  - Filers beware: Most US based tax software do not allow eFiling for Americans Abroad and those who file on their own cannot eFile (print out tax forms, do by hand)
- Prior years normally cannot be eFiled, must be paper mailed and can be delayed in processing

**MyExpatTaxes offers €696 Streamlining Package (€149/Year + €100 Professional Review)**

*Average market price for Streamlining is around \$2,000*

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# Federal Tax Filing deadlines for Americans Abroad

Filing and Payment due (Automatic):

July 15, 2020

Filing Extension (with Form 4868):

October 15, 2020

Back Taxes:

ASAP to avoid penalties/interest if tax due

# Q&A Break #2 with



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# U.S. Expat Tax Forms

New Tax Reform: Easier for those at home, more difficult for expats abroad

Most Common Tax Forms	
1040	Overview Form
1040s1	Report Additional Income & Adjustments
1040s2	Report Additional Taxes
1040s3	Report Tax Credits
8812 & Child Tax Credit Worksheet	Claim up to \$1,400 per qualifying child
2555 (2555ez discontinued)	FEIE: Exclude up to \$105,900 from U.S. Taxes
1116	FTC: Use Foreign Tax Credits
8833	Claim Tax Treaty Benefit
FBAR, Form 8938	Disclose Foreign Financial Accounts



# Expatriate Tax Benefits



	Foreign Earned Income Exclusion (FEIE)	Foreign Tax Credit (FTC)	Tax Treaty
What is it?	Excludes up to \$105,900 of foreign earned income from U.S. Taxation	Uses income taxes paid abroad to offset U.S. Taxes Owed	Reduces or exempts income from U.S. Taxation
Level of Difficulty to Claim	Easy	Difficult	Difficult
Pros	<ul style="list-style-type: none"><li>• Relatively straightforward for those living abroad for more than 1 year</li><li>• <b>Great for low tax countries</b></li></ul>	<ul style="list-style-type: none"><li>• <b>Can claim Additional Child Tax Credit</b></li><li>• Can contribute to U.S. IRA</li></ul>	<ul style="list-style-type: none"><li>• Prevents taxation on non-taxed income abroad</li></ul>
Cons	<ul style="list-style-type: none"><li>• Many limitations</li><li>• Cannot claim Additional Child Tax Credit</li><li>• Cannot contribute to U.S. IRA</li><li>• Strict rules to revoke</li></ul>	<ul style="list-style-type: none"><li>• Calculations can get very complex</li><li>• Requires additional AMT calculations</li><li>• Not ideal for low tax countries</li></ul>	<ul style="list-style-type: none"><li>• Requires understanding of legal language used in Tax Treaties</li></ul>

# FATCA, FBAR, Form 8938

- FATCA = The Foreign Account Tax Compliance Act (US Federal Law)
  - Double Reporting Requirement:
    - Requires foreign financial institutions to report US related clients' assets to the U.S. Department of the Treasury
    - Required US taxpayers to report their foreign financial assets via FBAR and possibly also Form 8938
- FBAR = Foreign Bank Account Report (Form 114)
  - Required if the MAX of all FOREIGN financial accounts COMBINED is over \$10,000 at any point of the year
    - Due April 15<sup>th</sup> with an automatic extension to October 15<sup>th</sup> available
    - Submitted to Financial Crimes Enforcement Network, NOT the IRS (DO NOT attach to your Form 1040)
    - Penalty for Willful -Failure to File FBAR: Up to the greater of \$100,000, or 50% of the amount in the account at the time
- Form 8938 = Statement of Specified Financial Accounts
  - Required 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. (\*if MFJ, amounts are doubled)
    - Due with Federal Tax Return, sent to the IRS
    - If you are required to file Form 8938 but do not file a complete and correct Form 8938 by the due date (including extensions), you may be subject to a penalty of \$10,000.

# FBAR: Calculate your Max

- **An example situation:**

- You have 3 bank accounts: 1 in the US, 2 in UK

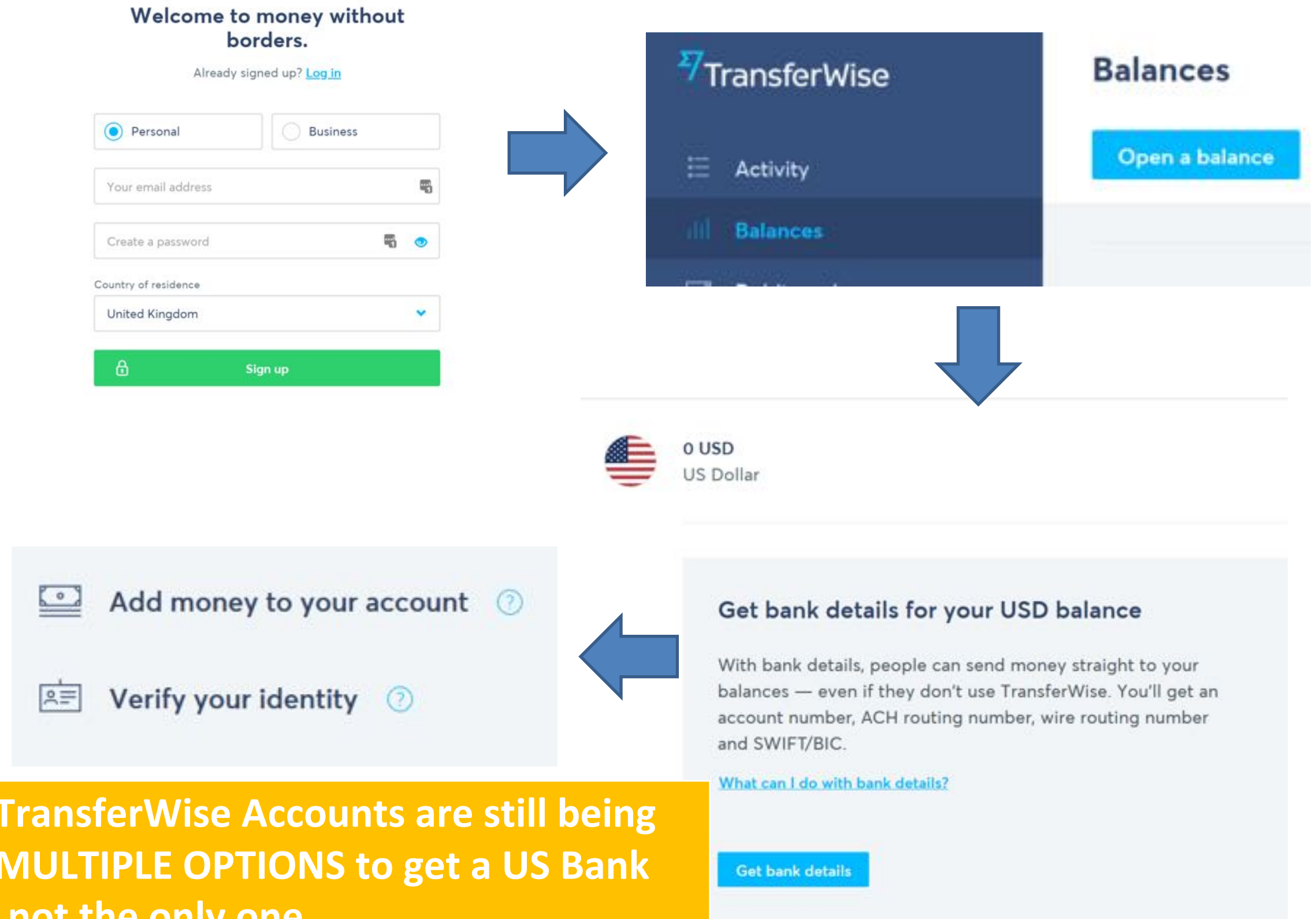
- **What to do:**

1. Ignore any US accounts and instead only sum up total foreign financial accounts
2. Calculate the maximum (not ending) balance in the year for ALL accounts.
  - i.e. UK Bank Account #1 Max = 5K GBP
  - UK Bank Account #2 Max = 6K GBP
3. Add the maximum values together
  - $5K + 6K = 11K$  GBP
4. Convert foreign money to USD to determine if they exceed \$10,000.

- **Remember:** Once the total of the max of your accounts goes over \$10,000 – you'll have to file an FBAR.

# One way to create a US bank account

1. Go to [Transferwise.com](https://transferwise.com)
2. Create an account
3. Create a “Balance”
4. Get bank details by verifying your ID
5. Get routing info



Successful IRS Stimulus direct deposits into TransferWise Accounts are still being verified, so use at your own risk. There are MULTIPLE OPTIONS to get a US Bank Account, TransferWise is not the only one.

# Need quick, easy and affordable tax support?



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