

# EXPATS: HAVE YOU PAID YOUR TAXES?

U.S. income tax is complicated enough for those of us living in the U.S. Living abroad adds an even greater level of complexity. Here are five myths and misunderstandings about U.S. tax obligations for American expats:



## MYTH #1 / I DON'T HAVE TO FILE A U.S. TAX RETURN BECAUSE I DON'T LIVE IN THE U.S.

In order to avoid penalties in the U.S., Americans living abroad must still file a U.S. tax return.



## MYTH #2 / I DON'T HAVE TO FILE A U.S. RETURN SINCE I DON'T OWE ANY U.S. TAX.

In general, if you earn more than \$10,350 you should file an income tax return, even if you are an expat American. Expats are able to take advantage of the Foreign Earned Income Exclusion or claim a foreign tax credit, however in order to do so, you must file an income tax return.



## MYTH #3 / IF I'VE NOT FILED IN A LONG TIME, I'M IN BIG TROUBLE AND WILL FACE PENALTIES.

If you were not willfully negligent—meaning that you had an inadvertent misunderstanding of the law—you may be eligible to use the current streamlined offshore filing procedure where there is no penalty for those who qualify.



## MYTH #4 / I DON'T HAVE TO FILE A FOREIGN FINANCIAL ACCOUNT DISCLOSURE FORM IF I HAVE AN ACCOUNT BALANCE OF LESS THAN \$10,000 DOLLARS.

In order to avoid filing the foreign financial account disclosure forms, all of your financial accounts must be less than \$10,000. And if at any time during the year the aggregate value of all of your accounts—including securities accounts—was greater than \$10,000, you are required to file.



## MYTH #5 / I DON'T HAVE TO REPORT CONTRIBUTIONS TO MY PENSION/RETIREMENT SAVINGS IN A FOREIGN COUNTRY BECAUSE IT IS NOT PAID DIRECTLY TO ME.

The benefit of pension plans, like U.S. IRA's for example, is that you get tax-deferred savings, and in the case of a Roth IRA, tax avoidance when you take a distribution. In many countries outside the U.S. pension plans are allowed tax deferral and tax avoidance strategies under local laws. However, under U.S. laws, foreign pension plans are generally not compliant with U.S. income tax rules and therefore, leveraging a foreign pension for tax deferral or tax avoidance is not allowed. In some cases, there may be a favorable income tax treaty where the tax deferral or avoidance is allowed, but this is on a country-by-country basis.

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