

What's New in 2022

US Tax Updates for Americans Abroad



Disclaimer!

Takeaway - this is general information and cannot be relied upon for your specific and unique situation

Democrats Abroad cannot provide individual tax advice. Advice requires consideration of your individual circumstances and needs, none of which can be done on this webinar. We are not tax lawyers, accountants or advisers. Please consult a professional tax advisor/accountant/return preparer when addressing your personal tax matters.

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If you are need of tax advice you can consult the American Citizens Aboard Tax Return Preparer Directory to find an advisor or tax return preparer near you. Buyers need always beware.

Agenda

Expatriate Tax Filing Basics

1. Who needs to file?
2. What has stayed the same?
3. Overview of 2022 Updates



Who needs to file?

Federal Tax Return for 2021

Rules apply to:

- US citizens
- US Green Card holders
- Accidental Americans
- Substantial presence in the US



Who needs to file?

State Tax Returns for 2021

- State filing requirements vary widely
- Many states do not recognize Federal deadlines, credits, or even treaty provisions
- Be extra careful when:
 1. Moving in or out of a State
 2. Keeping close ties to a state (maintain home, drivers license, voter registration)
 3. Having income producing assets in a state (rental properties, businesses, etc.)



Filing beyond the 1040

Other Important Forms: Financial Assets & Informal Disclosures

1. FBAR, FinCEN Report 114- Separate from your Federal & State tax filing
 - \$10,000 USD equivalent at any time during the tax year
 - Due date coincides with Federal Tax return deadline (April 18th, June 15th or extended deadline)
2. FATCA (Form 8938): Part of your Federal tax return
 - Foreign account thresholds between \$50,000-\$200,000
3. Foreign Corporate & Foreign Partnership Disclosure (Form 5471, Form 8865, Form 8858)
 - Dependent on ownership structure & share

Important Dates (for 2021 tax filing in 2022)

Federal Deadlines for Americans Abroad

- **April 18th**
US based taxpayer Federal tax & FBAR deadline
- **June 15th**
Automatic Extension for Americans Abroad
Automatic FBAR Extension
- **Oct 17th**
1st Extension deadline for Tax return & FBAR
- **Dec 15th**
Additional Expat Extension



Foreign Earned Income Exclusion

Common Tax Benefits for American Expats

- Foreign Earned Income Exclusion (FEIE): allows Americans overseas to claim **\$108,700** per person
- How to qualify:
 1. Physical Presence Test: 330 days abroad during any 365 day period
 2. Bona Fide Residence Test: Abroad for at least 1 calendar year, pay taxes abroad

Foreign Tax Credit

Common Tax Benefits for American Expats

- **Foreign Tax Credit (FTC)**: allows Americans who pay foreign income taxes to claim non-refundable US tax credits
- How to qualify:
 1. Paid foreign income taxes on non-US source income
 2. Paid foreign tax must be a TRUE income tax (not property tax or other misc. taxes)

US Tax Compliance

What if I didn't file a US return?

Streamline Foreign Offshore Procedure:

1. Available to US taxpayers who had a qualified foreign residence in at least one of the filing years
2. 3 tax returns
3. 6 FBARs
4. Certify that the filing was non-willful conduct
5. **Important:** Disclose before the IRS contacts you



What's new

For 2021 Tax Year (Filing in 2022)

1. Standard deduction
2. Updated Tax brackets: ordinary & long-term
3. 2021 Recovery Rebate Credit
4. Advance Child Tax Credit
5. What to expect when dealing with the IRS this season

Filing Thresholds

Federal Tax Return

US expats who meet certain thresholds must file US taxes & report foreign accounts, assets & businesses

2021 Filing Thresholds
Single: \$12,550
Head of Household*: \$18,800
Married Filing Jointly: \$25,100
Married Filing Separately: \$5 (yes, FIVE USD)
Self-employed: \$400

*See IRS Publication 54, Tax Guide for U.S. Citizens & Resident Aliens Abroad for more information

Ordinary Income: Tax brackets

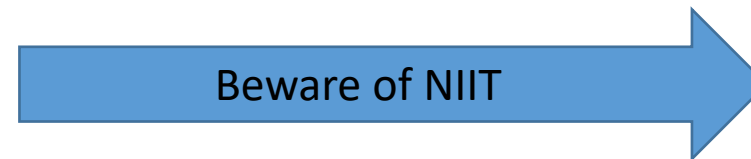
2021 Federal Rates (taxes due in 2022)

Tax Rate	Single	Married Filing Jointly (MFJ)
37%	Above \$523,600	Above \$628,300
35%	\$209,426 to \$523,600	\$418,851 to \$628,300
32%	\$164,926 to \$209,425	\$329,851 to \$418,850
24%	\$86,376 to \$164,925	\$172,751 to \$329,850
22%	\$40,526 to \$86,375	\$81,051 to \$172,750
12%	\$9,951 to \$40,525	\$19,901 to \$81,050
10%	\$0 to \$9,950	\$0 to \$19,900

Long-Term Capital Gain: Tax brackets

2021 Federal Rates (taxes due in 2022)

Tax Rate	Single	Married (MFJ)
0%	Up to \$40,400	Up to \$80,800
15%	\$40,401 to \$445,850	\$80,801 to \$501,600
20%	Over \$445,851	Over \$501,601



Third Economic Impact Payment

Advance payment of 2021 Recovery Rebate Credit

- \$1,400 for each eligible individual, including qualifying dependents
- Adjusted gross income was not more than:
 - \$150,000 Married Filing Jointly (phased out at \$160,000)
 - \$112,500 for Head of Household (phased out at \$120,000)
 - \$75,000 for Single (phased out at \$80,000)
- If you were eligible for the third payment and didn't receive it, you **MUST** file a US tax return

Advance Child Tax Credit

New in 2021

- Advance child tax credit was rolled out July 2021 with monthly payments
- US taxpayers who spent more than 6 months outside of the US are not eligible
- If you incorrectly received the payments, you **MUST** file a tax return to reconcile
- You can opt out of the payments, log into the Child Tax Credit Portal on the IRS website



What's new

Dealing with the IRS in 2022

- IRS e-filing for the 2021 tax year opened on January 24, 2022
- Electronic filing is more important than ever- the IRS 8+ months behind in processing paper returns
- Only 11% of IRS calls were answered last year
- File with direct deposit (if applicable)- don't wait for a paper check
- MUST file to claim a Recovery Rebate Credit or reconcile advance Child Tax Credit payments- even if you don't meet the filing threshold

Don't Forget!

When you file your 2021 tax return

- In 2021 you can claim a \$300/\$600 charitable deduction, even if you don't itemize
- If you contributed to your US retirement account, don't forget to report it
Contributions can be made through April 18, 2022 for the 2021 tax year
- Log onto bank, investment and other accounts to download tax information



Questions?

