



# Overseas Tax Services

US Income Tax Preparation for Americans Living Abroad

News and Updates

January 17, 2019

Greetings!

Yes, it's that time of year again. The government may be shut down (at least, as I'm writing this), but the IRS is apparently working to get ready for tax season. They are not answering the phones, but they are preparing their systems to start receiving tax returns in a couple of weeks.

I've updated the website with current tax and price information, including a new resource page covering major points of the new tax law, which is now in effect. Some highlights are below, but visit the [Tax Cuts and Jobs Act](#) page for more details.

I'll be accepting a few new clients this year, so if you have friends or colleagues in need of tax help, do send them my way soon. I also have a personal favor to ask of my June filers: our older daughter will be graduating high school on June 14. Clearly I had no say in planning the date of that event! Please, please, please don't leave things to the last minute. I am setting an internal goal of finishing everything by **June 7th**.

## 2019 TAX DEADLINES

If you...	OTS wants your documentation by...	IRS Filing Deadline
Live in the US	<b>March 1</b> (10% discount)	<b>April 15</b>
Live overseas and expect to have significant tax due	<b>March 1</b> recommended (10% discount)	<b>June 17</b> but interest charged on tax not paid by April 15
Need to file an FBAR to report foreign accounts	With the rest of your tax documentation	<b>April 15</b> but with an automatic extension to October 15
Live overseas	<b>Early May</b> (10% discount if file complete by March 1; extensions likely after May 20)	<b>June 17</b>
Need more time	Notify OTS as early as possible	<b>October 15</b> (maybe later if first year overseas) Extension must be filed by April 15 if you're in the US or June 17 if you're overseas.

Notes

1. Once you have uploaded your questionnaire and all documentation, **you MUST email me to let me know you are ready!** I won't know unless you tell me.
2. Up until April 15 I will generally need to give priority to clients with the April deadline. However, if you have a June deadline but need the return done sooner (e.g. for a financial aid or mortgage application), please let me know your deadline and submit your paperwork as early as possible before then.
3. If your file isn't complete by **May 20**, I will most likely need to put you on an extension and prepare the return after the summer.
4. I charge **rush fees** if your file is complete less than three weeks before your return is due.
5. **FBAR (Foreign Bank Account Report) extensions:** Extensions are automatic with no request needed.

The website has been updated with current tax information. And the **Getting Started** page will help if you can't remember what you need to do to get things rolling here.

## THE TAX CUTS AND JOBS ACT

### A few highlights...

As I mentioned, there is a new **page** on my website devoted to this, but here are a few key points to be aware of:

- **Your return will look different.** The 1040 form is now two sides of a half-sheet of paper ("postcard"), plus up to six attached schedules that break down the various details that were formerly on the 1040.
- **Moving expenses are no longer deductible.** This also means that moving allowances or expense reimbursements from your employer will need to be reported as part of your income.
- Small businesses are eligible for a **new 20% Qualified Business Income deduction.** This "Sec. 199A" or "QBI" deduction is limited based on taxable income and type of business, but will apply to most of you with small Sch. C activities, and possibly to some Sch. E rental owners.
- **Higher standard deduction and changes to itemized deductions:** The standard deduction has roughly doubled, meaning fewer people will find it advantageous to itemize. This will depend on the amounts and kinds of deductions you have. Check the **website** for some changes to the itemizing rules.
- **Personal exemptions are eliminated.** i.e. no more deduction for yourself, spouse, or dependents.
- **Child Tax Credit is increased** to \$2,000, of which \$1,400 is refundable, and is available at a larger income range.
- For **divorces** finalized after Dec. 31, 2018, there is no deduction for alimony paid, and alimony received is not taxable to the recipient.
- Penalty for not having **health insurance** is repealed beginning 2019. i.e. you were still required to have qualifying health insurance or an exemption for 2018.

## TAX REMINDERS AND COMMENTS

### Things to know for the coming tax season...

Some of these you've heard from me before, but based on inquiries and issues that we've seen over the past year, I think they bear repeating...

- **Social Security benefits:** If you work overseas for a foreign employer, neither you nor your employer will be paying into the US Social Security system. (i.e. no FICA taxes will be withheld from your pay, nor paid on your behalf.) You are not permitted to pay in voluntarily. Therefore, be sure to plan ahead for your retirement. If you work overseas for much of your career, you could find that you are not eligible for much in the way of US Social Security benefits.
- **IRA and Roth IRA contributions:** Please read the information on our **website** and check with me before contributing to any IRA accounts. Due to either the Foreign Earned Income Exclusion or your income level, many of you are not eligible to contribute to these.

- **Tuition and 529-plans:** As of 2018, 529-plans may sometimes be used for K-12 tuition as well as college expenses. Check with your plan to see if they're allowing K-12 expenses. While federal law now permits it, some state plans have chosen not to. If you're withdrawing from a 529-plan to pay tuition at any level, please be sure to match the year of the withdrawal with the year you pay the educational institution. If you make a withdrawal in December but don't pay the tuition bill until January, or pay in December and then withdraw to reimburse yourself in January, you may have a problem. The withdrawals are only tax- and penalty-free to the extent you pay sufficient qualified education expenses *in the same tax year*.
- **New clients:** Please inform your prior tax professional that you have moved on. We have had problems in the past with tax pros submitting extensions without notifying people, leading to problems if we later need to submit a tax payment with an extension request.
- **New babies:** Please apply for a Social Security Number for your newborn as soon as possible after the birth. (If you're overseas, you should be able to do it at the US embassy at the same time you apply for a passport.) Certain tax credits for children cannot be claimed retroactively on an amended return. You need to have the SSN at the time you file your original tax return for the year.
- **ITIN renewals:** A few of you (or your children) who are not US citizens have ITIN numbers rather than Social Security Numbers. These expire on a rotating schedule. If your ITIN is up for renewal, you should have received a letter from the IRS. For this year, renewals are required if the middle digits are 73, 74, 75, 76, 77, 81, or 82 or if your ITIN has not been used on a tax return for tax year 2015, 2016, or 2017. I've been in contact with those of you I think are affected this year, but if I overlooked you and you think this might apply to you, please get in touch right away. More information is available [here](#).

## SECURITY AND LOGISTICS

Keep your information safe, and help us to help you better!

- **OTS Questionnaires:** As usual, I've made a few refinements both to accommodate tax changes and to try to reduce the amount of follow-up needed. Please read carefully before putting "same as last year" for anything.
- **IRS Notices:** If you happen to receive correspondence from the IRS or a state tax agency, please send me a complete copy of it immediately. Many times we can resolve issues quite painlessly if we do so promptly. But the IRS does not like to be ignored. If you fail to respond, the situation can get much more complicated and expensive to resolve.
- **Identity Theft:** If you have any reason to believe you are the victim of ID theft, be sure to let me know so that we can take appropriate steps to notify the IRS (if they are not aware) or file according to their guidelines if they are already aware of your problem.
- **Website and Email:** For your own safety, **please** do not send sensitive personal information via email. Use the secure ShareFile system for any information or documentation that contains Social Security Numbers, account information, etc. Use strong passwords and change them regularly. (ShareFile may force you to update your password if you haven't done so recently.) We highly recommend that you set up **two-step verification** for another layer of security on your ShareFile account. This way, even if someone obtains your password, they will not be able to access your account. You can learn how to set that up [here](#). Feel free as well to delete prior-year documentation and returns from your ShareFile account if you wish, once you have saved them locally.
- **IRS Emails and Phone Calls:** The IRS does not initiate contact with taxpayers by email. Please be alert for **scams**. If you receive an email claiming to be from the IRS, forward it to [phishing@irs.gov](mailto:phishing@irs.gov). And various phone scams continue such as the caller claiming to be an IRS agent and threatening arrest and other scary results if the taxpayer does not cooperate. The IRS nearly always initiates contact by regular snail-mail. If you receive a threatening phone call, hang up and call the IRS main number at +1-800-829-1040. If there really is any issue with your account, the agents there will be able to identify and assist you with it (at least, once the shutdown is over and their phone agents are back on the job!).

Wishing everyone a very happy 2019. I look forward to helping you again soon.

Warm regards,

Kim

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