



Overseas Tax Services

US Income Tax Preparation for Americans Living Abroad

News and Updates

January 22, 2020

Greetings!

Happy Winter! We've got several inches of fresh snow and temperatures dropping towards zero tonight. What better time to hunker down with a pile of tax work? Maybe a hot cocoa? Tax season is here, so I guess it will have to be both!

I'll stay off of politics, but despite certain other events taking place in Washington, Congress managed to pass yet another December tax bill a few weeks ago. This time, in addition to some new changes, they also restored some measures that had expired at the end of 2017. For better or worse, some of them were made retroactive back through 2018. This means that in a few cases, it may be worthwhile amending your 2018 returns to take advantage of these. I'll review that when I'm processing your 2019 returns and let you know if it's worth considering.

The website is now updated with current tax and price information, including this most recent legislation. Some highlights are below, but visit the [Recent Tax Law Changes](#) page for more details. This year's questionnaire is now available to download from the "Shared Folders" section of your ShareFile account.

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.

2020 TAX DEADLINES

If you...	OTS wants your documentation by...	IRS Filing Deadline
Live in the US	March 1 (10% discount)	April 15
Live overseas and expect to have significant tax due	March 1 recommended (10% discount)	June 15 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	April 15 but with an automatic extension to October 15
Live overseas	Early May (10% discount if file complete by March 1; extensions likely after May 20)	June 15
Need more time	Notify OTS as early as possible	October 15 (maybe later if first year overseas) Extension must be filed by April 15 if you're in the US or June 15 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.

Please review the [Getting Started](#) page if you can't remember what you need to do to get things rolling here.

RECENT TAX CHANGES

[A few highlights of recent tax law and IRS changes ...](#)

As I mentioned, there is a [page](#) on my website devoted to this, but here are a few key points to be aware of:

- **Your return will look different--AGAIN.** The 2019 form 1040 has changed format again and now looks more similar to the pre-2018 version. The "postcard" is now a bit longer than half a page, and last year's six schedules have been consolidated into three.
- The IRS is taking a new interest in **virtual/crypto-currency** and has added a specific question about it to Schedule 1. Please note the new item in my questionnaire. If you have any interaction at all with crypto-currency (e.g. Bitcoin) we need to be aware of it.
- There is a **new form 8995** for calculating the Qualified Business Income Deduction that was

- created last year and which applies to many of your Sch. C businesses and Sch. E rental properties.
- The federal penalty for not having **health insurance** was repealed beginning 2019. If you received health insurance through the Marketplace, I'll need your 1095-A form. Otherwise, I no longer need your health insurance information unless you're a Massachusetts resident. (MA still has a health insurance requirement.)
- Your **529-plans** for college savings can now be used, to a limited extent, to make student loan payments for the beneficiary or a sibling of the beneficiary. There is a \$10,000 lifetime cap on this.
- Some IRA rules have changed.** Some of these changes pertain to the age at which you must start taking distributions, and some pertain to the handling of inherited IRAs. If you are age 70-72, or if you recently inherited an IRA, please check in with me for more details.

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 keep popping up, I'm posting them here again...

- 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:** In addition to the change mentioned earlier, remember that 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 83, 84, 85, 86, or 87 or if your ITIN has not been used on a tax return for tax year 2016, 2017, or 2018. 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. And if you've read this far in the newsletter, please email me with the code Reader15 for a \$15 discount off your next invoice.
- 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. In addition, residents of some states now have the option of applying for an Identity Protection PIN from the IRS to help prevent unauthorized submission of a tax return in your name. If you are interested in requesting an IP PIN, please review the information [here](#). And of course be sure to provide us with that PIN so we can submit your return successfully.
- 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. 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.

Wishing you all the best for 2020. I look forward to working with you again soon.

Warm regards,

Kim

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