



Overseas Tax Services

US Income Tax Preparation for Americans Living Abroad

News and Updates

January 20, 2021

Greetings!

I would say Happy Inauguration Day to those celebrating, but I'm writing this several days beforehand and I'm not sure I should assume anything about where the world will be at a future date. Wherever things are when you read this, I hope you are safe and healthy and managing to find peace and fresh air in sufficient quantities.

Beyond that, I think I'll stick to talking taxes! Last tax season was a doozy, and I expect this one to be even more so. Please read through the information below, review updates on the website, ask questions, and please don't shoot the messenger! I'm here to help make the process as painless as I possibly can. Questionnaires are available to download from the "Shared Folders" section of your ShareFile account. A couple of quick highlights here, but please read the details and your "homework assignment" further down--probably with a large cup of coffee!

- As of now, **deadlines are back to normal** this year.
- **Two rounds of stimulus money** have been issued so far. We will need to know how much, if any, you received in each round.
- **If you ended up being in the US unexpectedly** this year due to the pandemic, this may impact your taxes in several ways.

I will try to keep the **COVID** page of the website updated if more changes come along with the new administration.

2021 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.

TAX UPDATES

Things to know for the coming tax season...

Stimulus payments: As I mentioned above, there have been two rounds of stimulus payments so far. There may be more coming, but we'll have to wait to see what additional legislation gets passed. In the meantime, your 2020 tax return will include a reconciliation of what you've received compared to what your 2020 income entitles you to. If you received too much, you do not have to repay anything. But if you received too little, the balance will increase your refund or reduce your tax bill. We therefore need accurate information on how much you received in each round. You can look up when and how the payments were made **here**, though it does not show you the amounts. But it may help you figure out where to look in your bank records. The **COVID** page on my website includes more information about eligibility and income thresholds.

2019 Refunds: If you were due a refund on your 2019 tax return and it was issued after April 15, the IRS also paid you interest on it. You may have seen this as an unexpected small deposit in your bank account around the same time as your refund. If the interest was \$10 or more, you will receive a 1099-INT from the IRS reporting that income. Be sure to upload that for me with the rest of your 2020 documentation. We have also heard a couple of reports of 2019 refunds that still haven't been received. Unfortunately, I don't

have any good advice on how to get these to shake loose. The IRS still has nearly 7 million pieces of mail to open from the shut-down, and is behind on reviewing e-filed returns as well. Keep checking the IRS's [Where's my Refund](#) tool for updates.

COVID Impact on Foreign Earned Income Exclusion: If you normally claim the Foreign Earned Income Exclusion, you're probably wondering how this year might be affected, especially if you ended up back in the US unexpectedly. The good news is that the IRS issued guidance saying that if you returned to the US due to COVID, the extra time in the US won't keep you from qualifying for the exclusion on your foreign income. The catch is that income is only "foreign" if you were physically in a foreign country when you performed the work to earn it. So if you worked overseas until March 31 and then came to the US and worked remotely from April to June, your income from January to March qualifies for the exclusion, but your income from April to June is considered US income and will be taxed accordingly. To further dig in the knife, whatever state you were working in is likely to tax that US income as well. (Remember I asked you not to shoot the messenger?)

COVID Impact on Foreign Tax Credit: If you normally claim the Foreign Tax Credit, either instead of or in addition to the Foreign Earned Income Exclusion, the same rules apply. Work performed while you were physically in the US is generally considered US-source income, even if done remotely for a foreign employer. As such, the US has the first right to tax that income. If your employer continued to withhold foreign tax on your income, you should work with them to try to get a refund from the foreign tax agency. You cannot claim a Foreign Tax Credit on US-source income.

Working from Home and Home Office Expenses: Once upon a time, employees who were required to maintain office space in their homes were eligible to deduct some costs related to that space. With much of the world working from home lately, you may be wondering if you can take such a deduction. Unfortunately, that perk was abolished a couple of years ago. There's been talk of reinstating it, but so far that has not happened. Currently, only taxpayers who are self-employed are entitled to deduct home office expenses.

COVID Impact on IRAs: There is one little bit of good news. If you were working in the US for a portion of the year, you may be eligible to contribute to an IRA or Roth IRA. These contributions can be made up until April 15 for the prior tax year. There were also special rules made allowing more generous withdrawals from IRAs if you were impacted by COVID in specific ways. See the [IRA](#) page of the website for more information on contribution eligibility and the [COVID](#) page for temporary changes to distribution rules. If you are not sure about your eligibility, please check with me before taking action.

Charitable Donations: New this year, you can deduct up to \$300 of qualified cash charitable donations even if you don't itemize deductions. (Donations above that amount, or of non-cash items, can be claimed if you itemize.) For 2021, that will rise to \$600 for couples filing joint returns.

New 1099 Information Form: If you are self-employed or do consulting or contract work, income that used to be reported to you on a 1099-MISC form will now be reported on a 1099-NEC (Non-Employee Compensation) form instead. Where applicable, these should be showing up in your mail in the next couple of weeks. (The reason for the change, should you be interested, is that they are due by January 31 while some of the other items on the 1099-MISC have later deadlines.)

HOMEWORK ASSIGNMENTS

- **Everyone**, please dig through your records and verify how much you received in each round of stimulus payments.
- **Overseas clients**, be prepared to provide detailed information about what dates you worked in what locations, if COVID (or anything else) caused you to work in multiple places.

TAX REMINDERS AND COMMENTS

These are mostly things I've mentioned in past years, but which seem to be in need of regular 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.
- **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 allow K-12 expenses. If you're making withdrawals from a 529-plan to pay tuition at any level, 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. All ITINs issued before 2013 with middle digits of 88 expired at the end of 2020. Those with middle digits of 90, 91, 92, 94, 95, 96, 97, 98, or 99 that were assigned before 2013 and have not already been renewed also expired at the end of 2020. If 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:** There are a number of new questions this year, mainly connected with the COVID issues mentioned above. Please read and answer carefully.
- **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. If you fail to respond, the situation can get much more complicated and expensive to resolve.
- **Identity Theft and Identity Protection PINs:** If you have any reason to believe that 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, everyone now has the option of requesting 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](#). Note that if you do not

have a US cell phone number, you might not be able to complete the PIN request process. If you do obtain one, be sure to provide us with that PIN so we can submit your return successfully. And if you've read this far in the newsletter, please email me with the code Snowy15 for a \$15 discount off your next invoice.

- **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. Various phone scams continue to be common, such as the caller claiming to be an IRS or other government or law enforcement 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 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 everyone a safer and calmer year ahead. Wear your masks and get your vaccines!

Warm regards,

Kim

Kim Genzer, EA, MPA
Overseas Tax Services

US Income Tax Preparation
for Americans Living Abroad

Overseas Tax Services