

IRS Reveals Surprising US Expat Tax Filing Habits

The IRS 2019 Data Book released this week reveals some surprising details about the way Americans living abroad file US taxes.

NEW YORK, NEW YORK, US, July 3, 2020 /EINPresswire.com/ -- All American citizens, including those living abroad, are required to file a US federal tax return every year, reporting their worldwide income.



Filing from abroad is often challenging, but with expert advice, the process can be painless, and as long as expats claim an IRS provision to avoid double taxation, most don't end up owing any US tax."

Bright!Tax partner and managing CPA Katelynn Minott

Bright!Tax, a multi award-winning, global US expat tax services provider, has been digging into the data and unearthed some interesting insights.

- Many more expats file paper returns than e-file

Between October 1st 2018 and September 30th 2019, only 34% of expats e-filed, with the vast majority (66%) filing paper returns. This is in contrast to Americans overall, 89% of whom e-filed.

Expats married to a foreigner that doesn't have a US tax identification number can't e-file if they don't use a tax professional, however it is still a surprisingly high percentage who don't e-file, given that many expats live in countries that don't have reliable postal services, while posting a return back to the US is also an additional cost from abroad.

- Despite the [Streamlined Procedure](#), many expats still aren't filing

The State Department estimates that there are around 9 million Americans living overseas, of whom Democrats Abroad estimates that there are 6.5 million expat adults. But the IRS only received 1,705,656 income tax returns from abroad last year. Even allowing for many being married couples, and those who earn below IRS minimum filing thresholds, there are still a lot of expats who should be filing but aren't.

This is surprising because the IRS has several amnesty programs for these expats, such as the Streamlined Procedure, which allows those expats who weren't previously aware of the requirement to file from abroad to catch up without facing any penalties. Most don't end up

owing any US tax, either.

- The IRS audits more expats

There's a common misconception that Americans live abroad to avoid US taxes. The idea is totally false though, firstly because Americans still have to file US taxes if they live abroad, and secondly because in reality most expats are ordinary folks who have moved abroad either for a relationship, a career posting, or for an adventurous retirement.

Nonetheless, in 2019 the IRS audited nearly 1 in 10 tax returns received from abroad.

- 3% of tax revenue from expats was interest and penalties

When expats file US taxes from abroad, they can claim IRS provisions such as the [Foreign Earned Income Exclusion](#) and the [Foreign Tax Credit](#) to reduce their US tax bill (most often to zero).

When expats neglect to file from abroad on the other hand, it can be rather more costly. Of the \$12.6 billion the federal government received in US tax from expats in 2019, around \$400 million, or 3%, was from penalties and interest from folks who didn't file or pay on time.

Bright!Tax partner and managing CPA Katelynn Minott said: "Filing from abroad is often challenging, but with expert advice, the process can be painless, and as long as expats claim an IRS provision to avoid double taxation when they file, most don't end up owing any US tax."

Hugo Lesser

Bright!Tax US Expat Tax Services

+1 212.465.2528

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