Why Millions of Americans Still Overpay on Their Taxes Every Year

Millions of Americans — especially expats — unknowingly overpay their taxes each year due to outdated withholdings, missed credits, and complex IRS rules.

UNITED KINGDOM, October 29, 2025 /EINPresswire.com/ -- Millions of Americans Overpay the IRS Each Year — Analysis Reveals Why

Every year, millions of Americans pay more tax than they legally owe, and an increasing number of them are US expats living abroad. According to Expat Tax Online, a leading US tax preparation firm for Americans overseas, the main culprits are outdated withholding settings, missed foreign tax credits, and widespread confusion about IRS reporting rules.

“Overpaying your taxes doesn’t mean you did something wrong, it just means you didn’t optimize,” said Clark Stott at Expat Tax Online. “With so many Americans filing US taxes from overseas, it’s easy to lose money simply because your tax setup hasn’t kept up with your life changes.”

Why Millions Still Overpay
Expat Tax Online’s latest analysis highlights seven major causes of tax overpayment, paying attention to both at home and abroad:

1. Outdated Withholding Settings
Taxpayers often forget to update their form W-4 after moving abroad, changing jobs, or starting a family, causing excess withholding.

2. Unclaimed Expat Tax Breaks
Many fail to maximize the Foreign Earned Income Exclusion (FEIE), now up to $130,000 in 2025, or the Foreign Tax Credit (FTC). Using them in the wrong order can even increase future taxes.

3. FBAR & FATCA Misunderstandings
Some expats over-report or prepay tax out of fear. Reporting foreign accounts doesn't mean the balances themselves are taxable.

4. Overlooked US Credits
Even while living abroad, Americans may still [qualify for Child Tax Credits], education credits, or IRA deductions.

5. "Just in Case" Overpayments
Some taxpayers intentionally send extra to the IRS to avoid penalties, effectively giving the government an interest-free loan.

6. Inexperienced Tax Help
Local accountants abroad may know their country's tax code but not US forms like 2555, 8938, or 1116, leading to missed exclusions or double taxation.

7. Copying Last Year's Return
Marriage, new treaties, or side income can all change your tax picture. Filing the same way every year often leads to paying too much.

How Americans Abroad Can Stop Overpaying
Expat Tax Online advises US taxpayers to:

• Review IRS withholding annually using the Withholding Estimator.
• Compare FEIE and FTC benefits before filing.
• Recheck eligibility for US-based credits even when living abroad.
• Work with specialists in U.S. expat taxation, not local accountants.

"We see expats every year getting thousands back that they didn't even realize they were owed," said Clark. "Once you plan ahead and get the right help, you keep more of what you actually earn wherever you live."

About Expat Tax Online
Expat Tax Online specializes in making US taxes simple for Americans overseas. With clients from different countries, the team handles everything, from tax filing preparation yearly to FBARs and foreign trust reporting, so that expats can stay compliant without the stress. Visit https://www.expattaxonline.com/ to find out more.

Clark Stott
Expat US Tax
+44 1904 211005
email us here
Visit us on social media:

LinkedIn
Instagram
Facebook
YouTube
X