



All About Filing US Taxes Abroad in 2024 for Fulbright

Free Live Webinar hosted by

Senior Tax Manager, Milena Paytakov



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Milena Paytakov, ACCA & EA

Senior Tax Manager of MyExpatTaxes
The Leading US Expat Tax Software

On Today's Agenda

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- **Fulbright income and US Taxation**
 - What is taxable income
 - How to report taxable income
- **How, When and What to File:**
 - US Expat Tax 101
 - FBAR and FATCA

Fulbright & US Taxation

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The Fulbright Perspective

“Fulbright grants are subject to U.S. income taxes. However, neither the Institute of International Education nor the Department of State are required to issue a 1099 or W2, nor to withhold taxes from grant payments.”

The IRS Perspective

“...amounts paid to United States Citizens for lecturing or teaching abroad.. are compensation for services rendered and are includible in their gross income under section 61 of the Code.”

What does that mean for you?

- No documentation
 - You will need to calculate your own gross income

Fulbright grants fall into two categories – which one is yours?

- Scholarship / Fellowship income
 - Most common for students
- Compensation for personal services a.k.a. Wages/Salary
 - Most common for teaching assistants
 - USTA: If you are an employed, then you receive a salary

Tax-Free vs. Taxable

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Tax-Free

If you receive a scholarship, a fellowship grant, or other grant, all or part of the amounts you receive may be tax-free. Scholarships, fellowship grants, and other grants are tax-free if you meet the following conditions:

- You're a candidate for a degree at an educational institution that maintains a regular faculty and curriculum and normally has a regularly enrolled body of students in attendance at the place where it carries on its educational activities; and
- The amounts you receive are used to pay for tuition and fees required for enrollment or attendance at the educational institution, or for fees, books, supplies, and equipment required for courses at the educational institution.

Taxable

You must include in gross income:

- Amounts used for incidental expenses, such as room and board, travel, and optional equipment.
- Amounts received as payments for teaching, research, or other services required as a condition for receiving the scholarship or fellowship grant. However, you don't need to include in gross income any amounts you receive for services that are required by the National Health Service Corps Scholarship Program, the Armed Forces Health Professions Scholarship and Financial Assistance Program, or a comprehensive student work-learning-service program (as defined in section 448(e) of the Higher Education Act of 1965) operated by a work college.

MyExpatTaxes has a Scholarship section to determine what amounts are deductible and taxable



Filing for your First Year Abroad

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- What is Gross Income?
 - ALL income earned in the US and local country before taxes, expenses, and other deductions
- For which date range?
 - Between 01/01/2023 -12/31/2023
- How to report income on your US tax return?
 - Report taxable scholarship and grants as Wages
 - Foreign Earned Income Exclusion (FEIE) Recommended
 - Fulbright participants tend to pay little to no income tax in local country in their first year abroad, so Foreign Tax Credit (FTC) may not be useful. If you do end up paying a lot of local taxes, FTC can also be an option.
- Common Fulbright taxation issues?
 - Claim all worldwide income earned on your US tax return
 - To claim FEIE need to be physically abroad for 330 full days!
 - You might need to file state taxes if you worked in the US during the year

Abroad for 330 Full Days?

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Part III Taxpayers Qualifying Under Physical Presence Test (see instructions)

16	The physical presence test is based on the 12-month period from ► through ►						
17	Enter your principal country of employment during your tax year. ►						
18	If you traveled abroad during the 12-month period entered on line 16, complete columns (a)–(f) below. Exclude travel between foreign countries that didn't involve travel on or over international waters, or in or over the United States, for 24 hours or more. If you have no travel to report during the period, enter "Physically present in a foreign country or countries for the entire 12-month period." Don't include the income from column (f) below in Part IV, but report it on Form 1040 or 1040-SR.						
	<table><tr><td>(a) Name of country (including U.S.)</td><td>(b) Date arrived</td><td>(c) Date left</td><td>(d) Full days present in country</td><td>(e) Number of days in U.S. on business</td><td>(f) Income earned in U.S. on business (attach computation)</td></tr></table>	(a) Name of country (including U.S.)	(b) Date arrived	(c) Date left	(d) Full days present in country	(e) Number of days in U.S. on business	(f) Income earned in U.S. on business (attach computation)
(a) Name of country (including U.S.)	(b) Date arrived	(c) Date left	(d) Full days present in country	(e) Number of days in U.S. on business	(f) Income earned in U.S. on business (attach computation)		

Breaking it down:

- 330 Full Days Physically Present outside of the US
 - total of max 36 days spent in the US
- 12-month consecutive period beginning/ending in tax year
 - possible time frame of when you moved abroad (Summer 2023) to October 15, 2023 (with filing extension)
- Went back to the states and worked during the holidays
 - US Earned income, not Foreign Earned Income

Who needs to file?

Information for international travelers.

D. U.S. TAXES All U.S. citizens working and residing abroad are required to file and report on their worldwide income. Consult IRS Publication 54, "Tax Guide for U.S. Citizens and Resident Aliens Abroad," available at <http://irs.gov/publications/p54/index.html>

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All US Citizens or US Green Card Holders that pass the Filing Requirements

Your worldwide income is considered when calculating gross income, not only US sourced income.

- Even if you don't meet the filing requirements, you need to file in order to claim any refunds
- Age is not a major factor in determining if you need to file
- Self-Employed individuals need to file a return if they have more than \$400 in net self-employment profit

For your 2023 Tax Return

2024 Filing Thresholds

For Americans Abroad!



Single.....	\$13,850
Married filing jointly.....	\$27,700
Married filing separately...	\$5
Head of Household.....	\$20,800
Qualifying widow/er.....	\$27,700
Self-employed.....	\$400

Federal Tax Filing deadlines for Americans Abroad

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Filing and Payment due (Automatic):

April 15, 2024 for payments

June 17, 2024 for filing



Filing Extension (with Form 4868):

October 15, 2024

Back Taxes:

ASAP to avoid penalties/interest if tax due

June 15, 2024

**Deadline to file a 2020 return to claim
Round 1 & 2 of the Stimulus Payments**

Expatriate Tax Benefits

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	Foreign Earned Income Exclusion (FEIE)	Foreign Tax Credit (FTC)	Tax Treaty
What is it?	Excludes \$100K+ of foreign earned income from U.S. Taxation	Uses income taxes paid abroad to offset U.S. Taxes Owed	Reduces or exempts income from U.S. Taxation
Level of Difficulty to Claim	Easy	Difficult	Difficult
Pros	<ul style="list-style-type: none">• Straightforward for those living abroad for more than 1 year• Great for low tax countries	<ul style="list-style-type: none">• Can claim Additional Child Tax Credit• Provides taxable compensation for IRA contribution eligibility	<ul style="list-style-type: none">• Prevents taxation on non-taxed income abroad
Cons	<ul style="list-style-type: none">• Cannot claim Additional Child Tax Credit• Can limit IRA contributions• Strict rules to revoke	<ul style="list-style-type: none">• Calculations can get very complex• Requires additional AMT calculations• Not ideal for low tax countries	<ul style="list-style-type: none">• Requires understanding of legal language used in Tax Treaties

MyExpatriateTaxes innovative tax engine will determine which are the optimal benefit(s) for your unique case and apply them automatically!

FATCA, FBAR, Form 8938

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FATCA = The Foreign Account Tax Compliance Act (US Federal Law)

Double Reporting Requirement:

- ✎ Requires foreign financial institutions to report US related clients' assets to the U.S. Department of the Treasury
- ✎ Requires US taxpayers to report their foreign financial assets via FBAR and possibly also Form 8938

What form is required and when?

If your combined max balance of all your foreign financial accounts is over...

\$10,000



FBAR (114)

\$200,000*



Form 8938






*on the last day of the tax year or \$300,000 at any time during the year. Amounts doubled if MFJ

FBAR: Calculate your Max

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For example...

You have 3 bank accounts: 1 in the US, 2 in UK

1. Ignore any US accounts and instead only sum up total foreign financial accounts
2. Calculate the maximum (not ending) balance in the year for ALL accounts including those with only signature authority
 -  UK Bank Account #1 Max = 5K GBP on Jan 1st
 -  UK Bank Account #2 Max = 6K GBP on Dec 31st
3. Add the maximum values together
 -  $5K + 6K = 11K \text{ GBP}$
4. Convert foreign money to USD to determine if they exceed \$10,000

Remember:

Once the total of the max of your accounts goes over \$10,000 – you'll have to file **an FBAR**.

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For those that have to **file US taxes from abroad**



Expat Deadline
to File US Taxes for
Americans Abroad



Americans Abroad are
eligible for the \$1400
US Stimulus Checks

US Expat Tax Support

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Q&A Time with my expattaxes

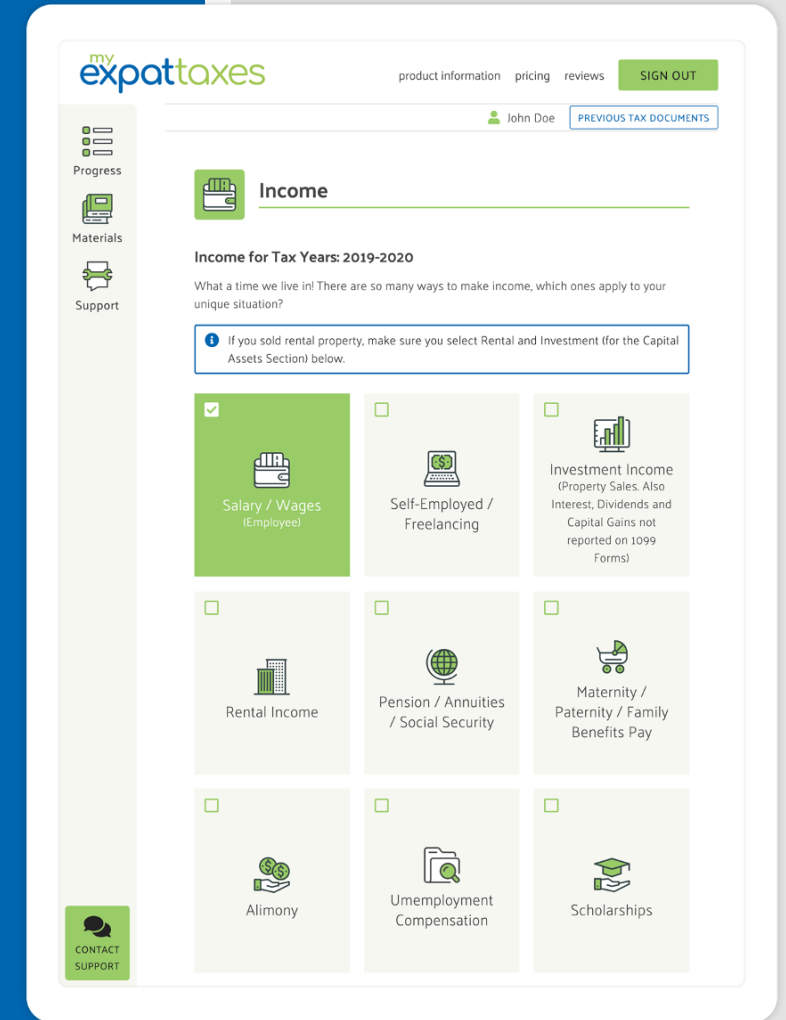
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Stimulus Payments Refunds

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- How much are the refunds?
 - 1st Round: \$1,200 per taxpayer + \$500 per qualifying dependent
 - 2nd Round: \$600 per taxpayer + \$600 per qualifying dependent
 - 3rd Round: \$1,400 per taxpayer + \$1,400 per dependent
- Eligibility Requirements?
 - A Valid US Social Security Number
 - Cannot be claimed as a dependent on a US Tax Return
 - Income Threshold for Higher Earners
- How do you claim the refunds?
 - File or Amend a 2020 Return for Round 1 and Round 2
 - File or Amend a 2021 Return for Round 3