A Publication of Live and Invest Overseas™

The Taxman's™ Guide

For Americans Abroad

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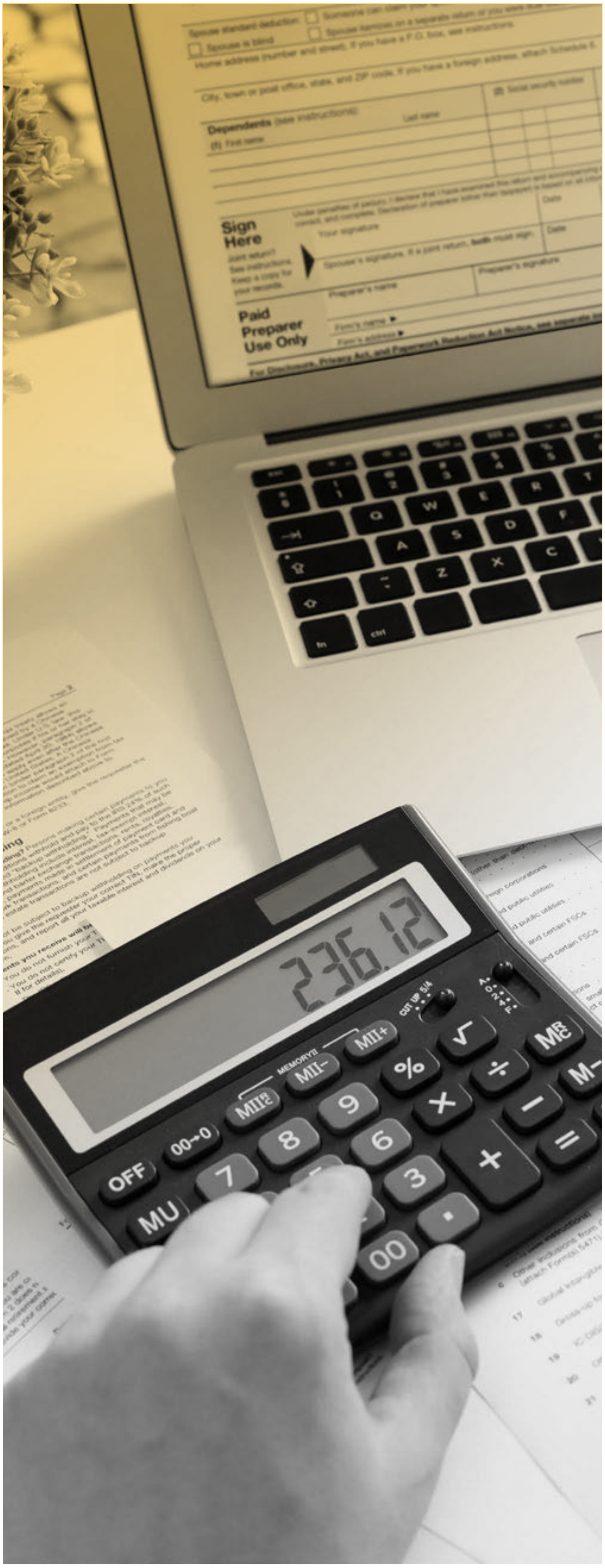


Introduction

This report aims at providing the reader with a basic understanding of the financial and U.S. tax implications of living outside the United States or having international investments.

Every individual's situation is different, and it is important to understand that, although this book explains a number of the details for U.S. expats, it is in no way to be taken as tax advice. The goal is to make readers aware of the requirements that arise when leading an international lifestyle.

To receive a consultation regarding your specific U.S. tax situation, please get in touch with Online Taxman™ here. Online Taxman™ is an international accounting firm with clients all over the world that specializes in expat taxes and is here to help you with any international tax and accounting issues.

Forms For U.S. Citizens Living Abroad

The IRS and FATCA require a number of forms that are specific to individuals living and or doing business abroad. Below we have highlighted the most important forms that relate to expats. Please note that these forms can be highly complicated, and the requirements for each form vary based on each individual situation.

1. Form 2555-Foreign Earned Income Exclusion

Before diving into explaining the Foreign Earned Income Exclusion, it is important to note that the taxpayer must have foreign earned income to be excluded in the first place. "Foreign earned income" is defined as the amount received by an individual from sources, either in the U.S. or abroad, that constitutes earned income attributable to services performed by that individual during such time as he meets the definition of a qualified individual for purposes of §911.

Income is considered to be foreign earned income if it is attributable to services performed by an individual outside the United States, in a foreign country or countries, regardless of the place of receipt. For example, salary paid by a U.S. company into a U.S. bank account for services that an employee rendered in a foreign country is considered to be from sources within a foreign country and subject to the foreign earned income exclusion.

Once you have determined that you have foreign earned income, there are two ways to qualify for the Foreign Earned Income Exclusion (Form 2555).

a. Physical Presence Test

i. This is considered the more black-and-white method of qualifying for the Foreign Earned Income Exclusion. To qualify, you will have to be abroad for 330 days or more in any 365-day period.

1. The 12-month period may begin with any day; it ends on the day before the corresponding day in the twelfth succeeding month. The 12-month period may begin before or after the taxpayer arrives in a foreign country.
2. The 330 full days need not be consecutive; they may be interrupted by periods of presence in the United States. In computing the 330 full days of presence in a foreign country or countries, all separate periods of presence during the period of 12 consecutive months are aggregated in determining the number of days of presence in a foreign country or countries. A full day is a continuous period of 24 hours from midnight to midnight. An individual who has been present in a foreign country and then travels over areas not within any foreign country for less than 24 hours shall not be deemed outside a foreign country during the period of travel. Likewise, an individual traveling between two points outside

the United States, who is physically present in the United States for less than 24 hours while in transit (such as a layover), will be considered as having a full day of foreign presence.

ii. If your 330-day count is within a few days of 330 days, it is important to keep in mind the times of your flights. You need to be abroad for the entire day for it to count for the 330-day test.

1. For example, if you fly from Chicago to Mexico City at 11:30 p.m., your 330-day count will start the day after you arrive since you were still in U.S. airspace after midnight and were not out of the country for the entire 24-hour window.
2. We advise you provide yourself a few buffer days to account for unexpected travel complications.

b. Bona Fide Residency Test

This test allows you to be in the United States for more than 35 days in the year. However, you will need clear-cut proof that you do, in fact, live in a foreign country and not the United States. Second, once you qualify as a resident of a foreign country, you will remain a resident of that country for U.S. tax purposes until you give up your residency. With the 330-day test, you must be out of the country for 330 of each 365-day period. However, with the bona fide residency test, you can qualify for all or part of a year and have the flexibility to be in the United States for more than 35 days (however, still spending the resounding majority of the year outside of the United States).

Here is an example:

Andy is a U.S. citizen who qualified as a bona fide resident of Argentina for all of the year and who received US$62,000 in salary for work he did in Argentina. Assuming he claimed no foreign housing exclusion, Andy was able to exclude all of the salary from his gross income for the current tax year.

Andy continues to work in Argentina until Oct. 31 next year, when his employer permanently reassigns him to the United States. During this time, Andy received a salary of US$100,000 for his work in Argentina. Assuming he claimed no foreign housing exclusion, the maximum amount of foreign earned income he can exclude from his gross income is US$100,274 (the 2023 exclusion amount of US$120,000 multiplied by ratio of the number of days he was a bona fide resident of Argentina {305/365}).

i. Some possible evidence that indicates that you are a bona fide resident of a country include:

1. Resident visa
2. Foreign bank account
3. Long term lease or home ownership
4. Membership in religious, social, or cultural organizations
5. Local driver’s license
6. Health insurance
7. Local taxes paid
8. You or your spouse has family ties to country

ii. It is important that you consult a tax professional to determine if you qualify to be a bona fide resident of the country you are living in.

c. Foreign Housing Exclusion

i. In addition to the Foreign Earned Income Exclusion of §911(a)(1), the Foreign

Housing Exclusion allows expats that are employed abroad to exclude the amount equal to the sum of certain housing expenses from their taxable income in excess of the FEIE. The floor of the exclusion starts at US$19,200 (16% of FEIE) and is capped at US$36,000 (US$114,300 for Hong Kong). This means that any amount spent over US$19,200 annually and below US$36,000 (US$114,300 if Hong Kong resident) can be excluded from taxation.

ii. Adjustment Limitation For Specified Foreign Locations

1. The IRS has issued annual Notices, which include a table identifying countries and locations within those countries with housing costs that are high relative to housing costs in the United States. The Notices provide an adjusted limitation for countries with a higher cost of living than the cap. For certain countries (including Colombia, Germany, Kuwait, Malaysia, the Netherlands, Switzerland, and the United Kingdom) adjusted limitations are provided for specific cities and localities and also a default limitation, higher than the statutory limitation, for all localities in those countries other than those specifically named. For certain other countries (including Japan), adjusted amounts are only provided for specific localities within those countries and the statutory limitation therefore applies for all other localities within those countries. Finally, there are certain smaller countries (including Bahrain, Barbados, Bermuda, the Holy See, Malta, and Singapore) for which the Notice provides an adjusted amount that applies to the whole country.

iii. Housing Expenses

1. The term “housing expenses” for purposes of §911 means the reasonable expenses paid or incurred during the taxable year by or on behalf of an individual for housing in a foreign country for the individual and for his spouse and dependents (if they live with him). The term includes rent, the fair market value of housing provided in kind by an employer, utilities (other than telephone charges), insurance for personal and real property, occupancy taxes, nonrefundable fees for securing a leasehold, rental of furniture and accessories, household repairs, and residential parking. The following are excluded from the scope of housing expenses:

a. Cost of home purchase, improvements or capital expenditures;

b. Cost of purchased furniture or fixtures;

c. Domestic help (maids, gardeners, etc.);

d. Amortized principal payments on a mortgage secured by taxpayer’s housing;

e. Depreciation of housing owned by taxpayer, or amortization or depreciation of capital improvements made to housing leased by the taxpayer;

f. Interest and taxes deductible under §163 or §164, or other amounts deductible under §216(a);

g. Cost of pay television subscription.

Form **2555**

Department of the Treasury
Internal Revenue Service

Foreign Earned Income

Attach to Form 1040 or 1040-SR.
Go to *www.irs.gov/Form2555* for instructions and the latest information.

OMB No. 1545-0074

2023

Attachment Sequence No. **34**

For Use by U.S. Citizens and Resident Aliens Only

Name shown on Form 1040 or 1040-SR | **Your social security number**

Part I General Information

1 Your foreign address (including country)

2 Your occupation

3 Employer's name

4a Employer's U.S. address

b Employer's foreign address

5 Employer is (check any that apply): **a** ☐ A foreign entity **b** ☐ A U.S. company **c** ☐ Self **d** ☐ A foreign affiliate of a U.S. company **e** ☐ Other (specify)

6a If you previously filed Form 2555 or Form 2555-EZ, enter the last year you filed the form.

b If you didn't previously file Form 2555 or Form 2555-EZ to claim either of the exclusions, check here ☐ and go to line 7.

c Have you ever revoked either of the exclusions? . . . . . ☐ **Yes** ☐ **No**

d If you answered "Yes," enter the type of exclusion and the tax year for which the revocation was effective.

7 Of what country are you a citizen/national?

8a Did you maintain a separate foreign residence for your family because of adverse living conditions at your tax home? See ***Second foreign household*** in the instructions . . . . . ☐ **Yes** ☐ **No**

b If "Yes," enter city and country of the separate foreign residence. Also, enter the number of days during your tax year that you maintained a second household at that address.

9 List your tax home(s) during your tax year and date(s) established.

Next, complete either Part II or Part III. If an item doesn't apply, enter "N/A." If you don't give the information asked for, any exclusion or deduction you claim may be disallowed.

Part II Taxpayers Qualifying Under Bona Fide Residence Test

Note: Only U.S. citizens and resident aliens who are citizens or nationals of U.S. treaty countries can use this test. See instructions.

10 Date bona fide residence began ____, and ended ____

11 Kind of living quarters in foreign country: **a** ☐ Purchased house **b** ☐ Rented house or apartment **c** ☐ Rented room **d** ☐ Quarters furnished by employer

12a Did any of your family live with you abroad during any part of the tax year? . . . . . ☐ **Yes** ☐ **No**

b If "Yes," who and for what period?

13a Have you submitted a statement to the authorities of the foreign country where you claim bona fide residence that you aren't a resident of that country? See instructions . . . . . ☐ **Yes** ☐ **No**

b Are you required to pay income tax to the country where you claim bona fide residence? See instructions . ☐ **Yes** ☐ **No**

If you answered "Yes" to 13a and "No" to 13b, you don't qualify as a bona fide resident. Don't complete the rest of this part.

14 If you were present in the United States or its territories during the tax year, complete columns **(a)**–**(d)** below. **Don't** include the income from column **(d)** in Part IV, but report it on Form 1040 or 1040-SR.

(a) Date arrived in U.S.	**(b)** Date left U.S.	**(c)** Number of days in U.S. on business	**(d)** Income earned in U.S. on business (attach computation)	**(a)** Date arrived in U.S.	**(b)** Date left U.S.	**(c)** Number of days in U.S. on business	**(d)** Income earned in U.S. on business (attach computation)

15a List any contractual terms or other conditions relating to the length of your employment abroad.

b Enter the type of visa under which you entered the foreign country.

c Did your visa limit the length of your stay or employment in a foreign country? If "Yes," attach explanation . ☐ **Yes** ☐ **No**

d Did you maintain a home in the United States while living abroad? . . . . . ☐ **Yes** ☐ **No**

e If "Yes," enter address of your home, whether it was rented, the names of the occupants, and their relationship to you.

For Paperwork Reduction Act Notice, see the Instructions for Form 1040. Cat. No. 11900P Form **2555** (2023)

Above is Form 2555 that is required to be filed in order to elect the foreign earned income exclusion. It is required to be filed every year the exclusion is elected.

If one of these tests are passed, you are eligible for the exclusion. By filing Form 2555 with your Form 1040, you can exclude up to US$120,000 for the 2023 tax year and US$126,500 for 2024 of your *earned* income from your taxable income. This exclusion can be up to that amount for you, and also for your spouse. If you have more than the exclusion amount in income and you paid foreign taxes on that income, you may be able to apply the foreign tax credit (discussed below) in addition to the foreign earned income exclusion.

2. Form 1116—Foreign Tax Credit (FTC)

a. Form 1116, also known as the Foreign Tax Credit, is filed to claim a credit for any foreign taxes paid to foreign countries. The foreign tax credit may be used in addition to the Foreign Earned Income Exclusion if the taxpayer's income is greater than the excludable amount. In some situations, the Foreign Tax Credit may even be a better option than filing the Foreign Earned Income Exclusion.

i. Form 2555 + 1116

1. Taxpayers that have income over the exclusion amount can elect to use the Foreign Tax Credit in addition to the Foreign Earned Income Exclusion if they paid foreign taxes.
2. When using the Foreign Tax Credit in addition to the Foreign Earned Income Exclusion, the taxpayer must reduce their foreign taxes available for credit by the percentage of their income that they excluded.

    a. It is important to reduce this amount to avoid what is considered to be ''double dipping" by the IRS.

ii. Form 1116 Instead Of 2555

1. If the taxpayer has income over the exclusion amount and lives in a country with higher tax rates than the United States, it may be more beneficial to claim only the Foreign Tax Credit.
2. FTC may be beneficial in cases where certain other credits or tax benefits may be disallowed if one is claiming the FEIE, such as the Child Tax Credit or Roth IRAs for certain income levels.

iii. Revoking The Foreign Earned Income Exclusion (Form 2555)

1. If the taxpayer does decide to use Form 1116 and revoke the Foreign Earned Income Exclusion, they must wait five years to use the Foreign Earned Income Exclusion again.

iv. General Versus Passive 1116

1. The taxes paid for a foreign tax credit are divided between two types of income: passive versus general category income. Passive income includes interest, dividend, rental, pension income; general income is earned from salary. For example, you cannot use taxes paid from your foreign salary to offset taxes due on

your foreign interest income. Unused portions of the FTC (i.e. if you live in an area with taxes higher than in the United States), can be carried over to future years, however, it cannot be used to offset income earned in the United States.

v. Converting To U.S. Dollars

1. The IRS requires that your foreign income be converted to U.S. dollars on your tax return, but the IRS does allows you to use either:

    a. The foreign exchange rate on the day you earned the money;

    b. The average FX rate for the month;

    c. The average FX rate for the year.

You can use sources including the IRS, Oanda, or the Treasury, as long as it is applied consistently. In countries with a lot of currency fluctuation, it is important to optimize the exchange rates used.

vi. Cash Versus Accrual

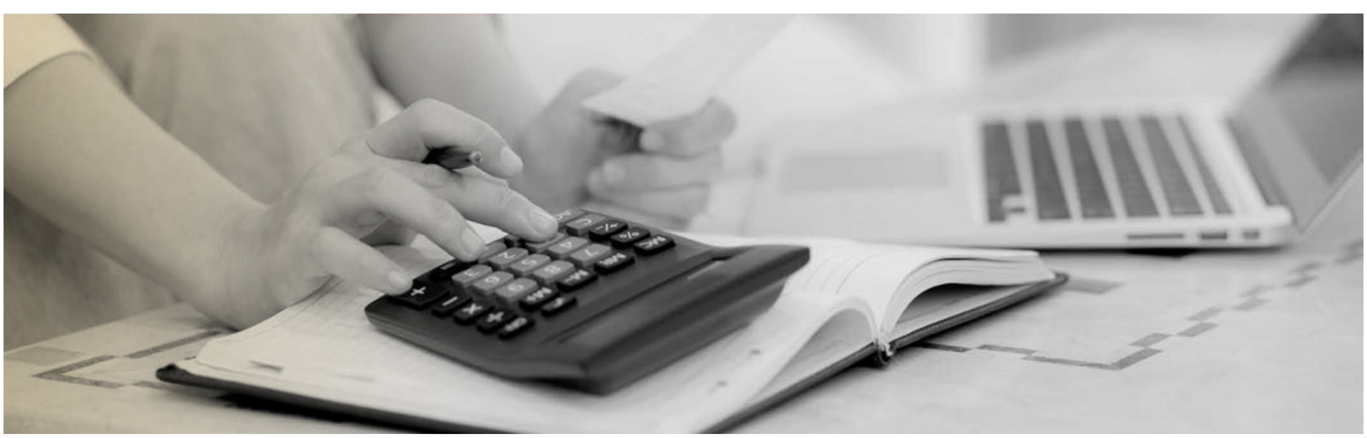
1. Form 1116 may be completed on a cash or accrual basis. Accrual means that if you earned all of your income in one year and were taxed in another, you can elect the accrual basis and use the taxes you paid in the following year for your current year foreign tax credit.

vii. Foreign Tax Credit Carryovers

1. Any foreign taxes that are not used as a credit are carried forward for a maximum of 10 years. However, foreign taxes can only be used to offset any tax that would be levied on foreign income. This carryover is an important factor when planning any moves between countries.

    The Foreign Tax Credit is a great way to avoid double taxation. However, due to the complications, it is important to contact a tax professional in order to make the best decision for your overall situation.

    Below is the front page of Form 1116. As you can see, you need to specify a number of items: category of income, country, currency, any related deductions, etc.



Form **1116**

Department of the Treasury
Internal Revenue Service

Foreign Tax Credit

(Individual, Estate, or Trust)

Attach to Form 1040, 1040-SR, 1040-NR, 1041, or 990-T.
Go to *www.irs.gov/Form1116* for instructions and the latest information.

OMB No. 1545-0121
2023
Attachment Sequence No. **19**

Name | **Identifying number** as shown on page 1 of your tax return

Use a separate Form 1116 for each category of income listed below. See *Categories of Income* in the instructions. Check only one box on each Form 1116. Report all amounts in U.S. dollars except where specified in Part II below.

a ☐ Section 951A category income
b ☐ Foreign branch category income
c ☐ Passive category income
d ☐ General category income
e ☐ Section 901(j) income
f ☐ Certain income re-sourced by treaty
g ☐ Lump-sum distributions

h Resident of (name of country)

Note: If you paid taxes to only one foreign country or U.S. possession, use column A in Part I and line A in Part II. If you paid taxes to **more than one** foreign country or U.S. possession, use a separate column and line for each country or possession.

Part I Taxable Income or Loss From Sources Outside the United States (for category checked above)

		Foreign Country or U.S. Possession A	B	C	Total (Add cols. A, B, and C.)
i	**Enter the name of the foreign country or U.S. possession**				
1a	Gross income from sources within country shown above and of the type checked above (see instructions):				1a
b	Check if line 1a is compensation for personal services as an employee, your total compensation from all sources is $250,000 or more, and you used an alternative basis to determine its source. See instructions ☐				
	Deductions and losses (**Caution:** See instructions.):				
2	Expenses **definitely related** to the income on line 1a (attach statement)				
3	Pro rata share of other deductions **not definitely related:**				
a	Certain itemized deductions or standard deduction (see instructions)				
b	Other deductions (attach statement)				
c	Add lines 3a and 3b				
d	Gross foreign source income (see instructions)				
e	Gross income from all sources (see instructions)				
f	Divide line 3d by line 3e (see instructions)				
g	Multiply line 3c by line 3f				
4	Pro rata share of interest expense (see instructions):				
a	Home mortgage interest (use the Worksheet for Home Mortgage Interest in the instructions)				
b	Other interest expense				
5	Losses from foreign sources				
6	Add lines 2, 3g, 4a, 4b, and 5				6
7	Subtract line 6 from line 1a. Enter the result here and on line 15, page 2				7

Part II Foreign Taxes Paid or Accrued (see instructions)

Country	Credit is claimed for taxes (you must check one) (j) ☐ Paid (k) ☐ Accrued	Foreign taxes paid or accrued								
		In foreign currency				In U.S. dollars				
		Taxes withheld at source on:				Taxes withheld at source on:				
	(l) Date paid or accrued	**(m)** Dividends	**(n)** Rents and royalties	**(o)** Interest	**(p)** Other foreign taxes paid or accrued	**(q)** Dividends	**(r)** Rents and royalties	**(s)** Interest	**(t)** Other foreign taxes paid or accrued	**(u)** Total foreign taxes paid or accrued (add cols. (q) through (t))
A										
B										
C										

8 Add lines A through C, column (u). Enter the total here and on line 9, page 2 . . . **8**

For Paperwork Reduction Act Notice, see instructions. Cat. No. 11440U Form **1116** (2023)

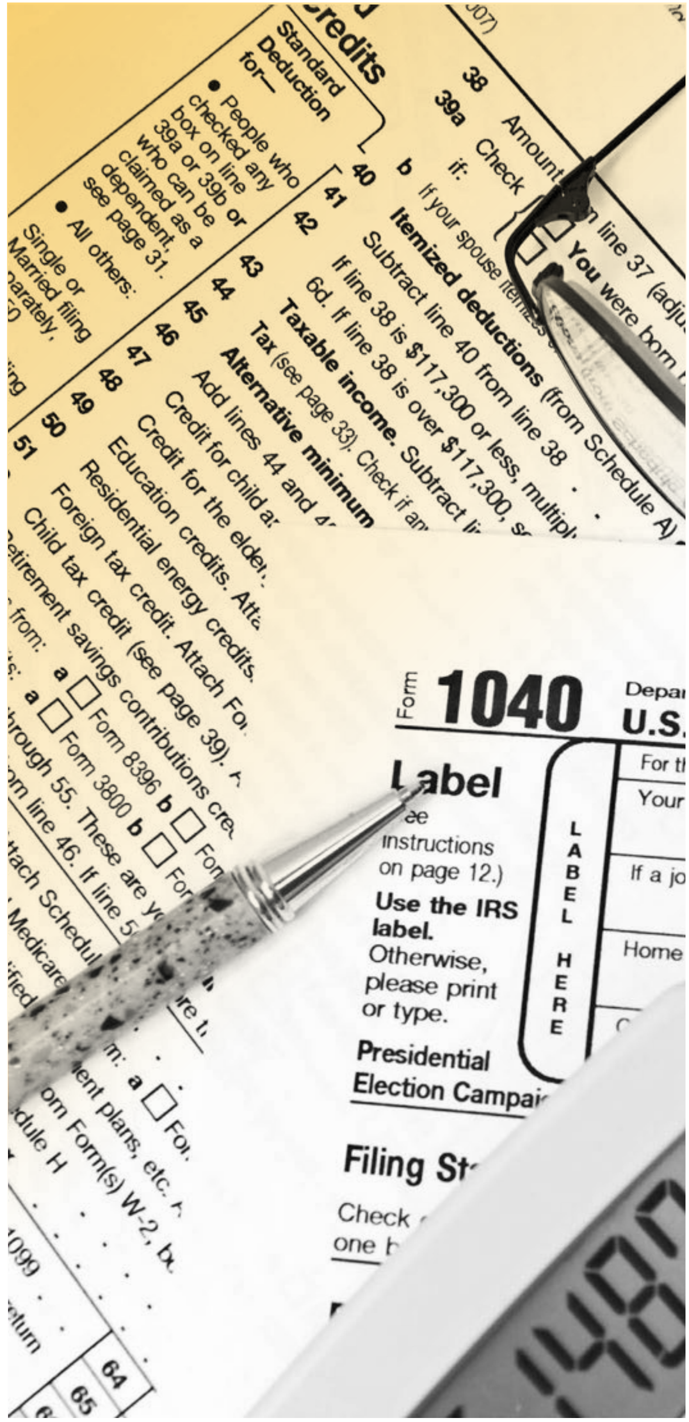
3. State Taxes

If you have a choice of where to live and work overseas, it is important to understand how your last state of residency, the IRS, and your new home country will tax your income.

First, it is important to understand the difference between residency and domicile. For tax purposes, your residence is generally where you currently live and work. Your domicile, on the other hand, may be the place you presently live, or it may be where you previously lived if you have a definite intention to return after living elsewhere. Your domicile may also be a state in which you formerly lived, but you failed to fulfill the conditions to abandon domicile when you moved elsewhere.

For most of us, we are residents and domicile of the same state, regardless of whether that state is a U.S. state or a foreign country. Residence and domicile are important distinctions for those states that subject both their residents and their domiciliaries to state income tax. For example, you may have moved to another state and established residency in that new state, but you still have to file tax returns in your former state (where you are officially domiciled).

U.S. states that take a strong view on former residents who move overseas as still being domiciled and therefore taxed by the state include California, Virginia, Massachusetts, and New Mexico.



4. 5471—Information Return of Foreign Corporations

Form 5471 is used to report any ownership of a foreign corporation that a U.S. person had for an uninterrupted period of at least 30 days during the foreign entity's annual accounting period.

Depending on the ownership interest percentage and the date of acquisition/disposal, the U.S. person will fall into one of four categories which determine the schedules that need to be reported on this form.

The Trump Tax Reform affected the reporting procedures for anyone filing Form 5471.

You can find the instructions for the form here.

5. 8621—Passive Foreign Investment Company (PFIC)

a. A Passive Foreign Investment Company, or PFIC, can be considered simply a foreign mutual fund. If you are a shareholder in a PFIC, you will need to file Form 8621 annually and be subject to higher tax rates. Essentially, the income earned from these investments is taxed entirely at the highest marginal rate—not banded. Furthermore, interest is due for the period of time the investment was held and tax not paid.

b. As a general rule of thumb, we advise our clients not to invest in foreign mutual funds because of the additional reporting requirements. You can find similar investments in U.S. registered mutual funds that do not open up additional reporting requirements. You can also invest in these foreign funds via your self-directed IRA without the tax consequence, as income earned by IRAs are tax deferred making the PFIC tax regime moot.

6. FBAR—FinCEN 114

a. FinCEN Form 114a, filed separately from your tax return, is required when you have more than US$10,000 in aggregate in your foreign bank accounts. This form is required to be filed every year if the total balances of your foreign bank accounts are above that threshold. It is due on the same due date as the tax return, either April 15, June 15 or Oct. 15 depending on the extension taken. (This form is discussed in more detail on page 19.)

7. 8938—FATCA

Form 8938 is filed with your tax return. This form is to disclose your foreign financial assets when you reach certain thresholds. If you reach the thresholds described later on in the FATCA section, you will need to disclose all of your foreign financial assets, including your foreign bank accounts (even if you aren't required to file the FBAR), with the highest maximum values they had for the year.

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Reporting Gold And Foreign Currency

By now, you may be wondering what you don't have to report, rather than what you do. Maybe you just really don't want to fill out one of those 8938 forms. Why should you?

FATCA demands to know about which foreign financial assets you have. Technically, a safe deposit box is not a foreign account. The contents may be just as valuable as a foreign financial asset, however, those contents don't need to be reported if they are a tangible—like gold or even cash. Physical gold and precious metals that you held directly or in a segregated account aren't reportable.

Real estate also qualifies if you hold title in your own name. The Q&A below is from the frequently asked questions section of the Internal Revenue Service Website. They acknowledge that directly held, tangible assets need not be reported.

Be careful though. If the foreign currency or precious metal is in a fund, your ownership in the fund must be reported (assuming you meet the thresholds for Form 8938).

Also, if foreign real estate is held in a foreign entity, then the entity is reportable and therefore the real estate gets reported as an asset of the entity.

Cash or foreign currency, real estate, precious metals, art and collectibles

Q1. I directly hold foreign currency (that is, the currency isn't in a financial account). Do I need to report this on Form 8938?

Foreign currency is not a specified foreign financial asset and is not reportable on Form 8938.

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Q2. Does foreign real estate need to be reported on Form 8938?

Foreign real estate is not a specified foreign financial asset required to be reported on Form 8938. For example, a personal residence or a rental property does not have to be reported.

If the real estate is held though a foreign entity, such as a corporation, partnership, trust or estate, then the interest in the entity is a specified foreign financial asset that is reported on Form 8938, if the total value of all your specified foreign financial assets is greater than the reporting threshold that applies to you. The value of the real estate held by the entity is taken into account in determining the value of the interest in the entity to be reported on Form 8938, but the real estate itself is not separately reported on Form 8938.

Q3. I directly hold tangible assets for investment, such as art, antiques, jewelry, cars and other collectible, in a foreign country. Do I need to report these assets on Form 8938?

No. Directly held tangible assets, such as art, antiques, jewelry, cars and other collectibles, are not specified foreign financial assets.

Q4. I directly hold precious metals for investment, such as gold, in a foreign country. Do I need to report these assets on Form 8938?

No. Directly held precious metals, such as gold, are not specified foreign financial assets. Note, however, that gold certificates issued by a foreign person may be a specified foreign financial asset that you would have to report on Form 8938, if the total value of all your specified foreign financial assets is greater than the reporting threshold that applies to you.

Physical gold not in account, no need to report...

Gold in mutual fund, must report...

IRAs

IRAs, or Individual Retirement Arrangements, have been a staple of American retirement planning for decades. Though the aspect of forced saving is psychologically important (you can get tagged with a 10% penalty if you withdraw your contributions early), the main benefit to IRAs is that contributions can grow tax deferred or even tax-free. Income, including that from capital gains, can accrue in IRAs and is not taxed while growing. As the tax savings are designed for your retirement, you typically cannot withdraw from the account until 59-and-a-half years old, though there are a few exceptions. The two IRA types are the Traditional IRA and the Roth IRA.

Traditional IRA

The Traditional IRA was the first introduced in 1974. The maximum contribution for someone less than 50 years of age is currently at US$7,000 and for those 50 years of age or older it is US$8,000. The benefit to the Traditional IRA is the contribution is tax-free. That is, if Sally, a 30-year-old, earns US$50,000 in pre-tax income, she can contribute up to US$7,000 of it to a Traditional IRA. This would result in only US$43,000 being included in her taxable income. Unfortunately for Sally, tax will need to be paid on her IRA distributions. The Traditional IRA benefits people who are in a higher bracket now than they will be when they start taking distributions. If they are currently making US$80,000 annually for example, the tax savings of the US$7,000 will be much higher than if at retirement, their only income is Social Security and IRA distributions totaling US$40,000 annually.

Alternatively, someone who expects to be receiving more money in retirement (for example someone who is set to inherit 10 rental properties netting US$200,000 a year) will not realize this same tax-saving advantage. This is because Traditional IRA distributions will be added to the taxpayer's other income, and the marginal tax rate will be much higher.

Roth IRA

While the Traditional IRA was wildly popular, something drastic happened 23 years after they were created. The Taxpayer Relief Act of 1997 and Senator William Roth of Delaware paved the way for the first Roth IRAs in 1998.

For many with the willpower to stave off the instant gratification of the tax savings provided by contributing to an IRA, the Roth IRA offers a chance for potentially much more tax savings.

Like Sally, the Traditional IRA contributor from above, Bart also makes US$50,000 a year in pre-tax income. He decides to go the Roth IRA route, though, and will have to include all US$50,000 in his taxable income. Here is where Bart may win: While Roth IRAs do not allow tax-free contributions, they do allow for the same tax-free growth, plus tax-free distributions. So maybe after 20 years of IRA contributions, Bart's Roth IRA has grown from the US$75,000 he contributed to US$300,000. Bart paid income tax on the US$75,000 but will now be able to withdraw the US$225,000 of earnings tax-free (as well as the US$75,000 original contribution tax-free).

Meanwhile, if Sally has the same IRA growth, she will be paying tax on all of her distributed earnings for that year at a rate consistent with her tax bracket.

Self-Directed IRA

While all IRA's are technically self-directed, as you tell your custodian what you want the IRA invested in, marketing experts have taken the term self-directed to use for investing your IRA funds outside of traditional stocks and bonds. Your investment options for your IRA are set out by the IRS, and the IRS doesn't have many restrictions beyond not allowing self-dealing or benefit from your IRA investment and to not allow investment in collectibles like art or jewelry.

It's your custodian that limits your investment options. Traditional custodians like stock brokerages (Schwab, Fidelity, Merrill Lynch, and the like) only allow you to invest in what they understand, which also happens to be what they sell—stocks, bonds, mutual funds. However, if you choose a more open-minded custodian for your IRA, you can invest in real estate (both in the United States and foreign), as well as other investment options like direct investments in non-listed companies, directly held precious metals, partnerships and businesses, make loans to earn interest, and offshore mutual funds that you can't access through U.S. brokers.

In other words, it allows you to make investments in areas you know and may have more understanding/control over, such as the following:

- Single/Multi family rental property,
- Commercial real estate
- Raw land
- Contractual interest in real estate,
- Water rights
- Mineral rights, oil and gas
- Real estate development tax liens,
- LLC Membership Interest in technology, manufacturing, and other service businesses,
- Limited Partnership Interest (LP) in the business of real estate, technology, manufacturing, and other service businesses,
- Corporation, C corp, in technology, manufacturing, and other service businesses,
- Real estate loan, promissory note, and deed of trust/mortgage,
- Business loan, secured by equipment/assets of business,
- Purchase of livestock,
- Gold, silver, and other precious metals.
- Hedge funds investments private placement companies,
- Intellectual property patent interest,
- Private placement memorandum investments,
- Stock options and warrants non-publicly traded company ownership.

Let's take Gary. Not surprisingly, like Sally and Bart, Gary is making US$50,000 a year. He wants Sally's instant gratification and so goes with the Traditional IRA. Gary is a very confident investor and thinks he can outperform any of the typical IRA custodians, so he sets up his Traditional IRA to be self-directed. After contributing US$30,000 to his IRA, he uses the money to buy a US$25,000 apartment in Brazil. He finds a tenant, and the tenant pays his IRA US$500 a month in rent.

Notice how the tenant paid Gary's IRA rather than Gary himself. Self-directed IRAs can be risky in the sense that they need to be separate entities acting on their own benefit. "Self-dealing" and "prohibited transactions" need to be avoided.

For example, Gary cannot pay himself or his children to manage his IRA's property. Additionally, he cannot have his IRA sell to him this US$25,000 apartment for US$5,000. Self-directed IRAs are easy vehicles for fraud, and the IRS is well aware of this.

If you are to start a self-directed IRA, it is important to know all of the complex rules of what you can and cannot do with them. There are many prohibited transaction rules that prevent one from self-dealing or deriving personal benefit from the use of an IRA. The prohibited transaction rules do not specify what your IRA may invest in. Rather, they restrict who your IRA may transact with.

For example, my IRA can buy a rental property from an unrelated third-party seller, but it cannot buy a rental property from my spouse, as my spouse is disqualified by law to my IRA. Self-dealing involves you or the IRA deriving benefit from each other. For example, an IRA may use debt to leverage its investments, but the debt cannot be secured, guaranteed, or extended from the personal assets of the IRA owner as that results in an extension of credit which is a prohibited transaction. If an IRA is obtaining debt, it must get a non-recourse loan in the IRA's name (or IRA/LLC's name, as applicable).

Self-dealing prohibited transactions occur when a disqualified person (e.g. IRA owner) benefits from an IRA's investment. Self-dealing prohibited transactions can arise when an IRA invests into a company in which the IRA owner or other disqualified persons are owners or part of management, or when the IRA's owner stays in the rental property owned by the IRA. Self-directed IRAs can be a great investment vehicle, however, the rules for dealing with disqualified persons must be followed. The penalties for violations are severe. A full 100% of your IRA could become immediately taxable, retroactive to the first day of the year of violation.

Expat Implications Of IRAs

If you decide to contribute to a Roth IRA while using the Foreign Earned Income Exclusion, the income that you contribute to your Roth IRA cannot also be excluded via the Foreign Earned Income Exclusion, as this would be considered "double-dipping" by the IRS. One strategy often used is to spend time working during trips back to the United States in order to claim that up to US$6,000 of your income was earned in the United States and thus not excludable under the Foreign Earned Income Exclusion.

Below is a graphic that shows the location of the IRA deduction that is reported on line 20 of page 2 of Form 1040 Schedule 1. As mentioned, this deduction is only available for Traditional IRAs.

Part II	Adjustments to Income		
11	Educator expenses	11	
12	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	12	
13	Health savings account deduction. Attach Form 8889	13	
14	Moving expenses for members of the Armed Forces. Attach Form 3903	14	
15	Deductible part of self-employment tax. Attach Schedule SE	15	
16	Self-employed SEP, SIMPLE, and qualified plans	16	
17	Self-employed health insurance deduction	17	
18	Penalty on early withdrawal of savings	18	
19a	Alimony paid	19a	
b	Recipient's SSN		
c	Date of original divorce or separation agreement (see instructions):		
20	IRA deduction	20	
21	Student loan interest deduction	21	

Report Of Financial Bank And Foreign Accounts

United States Persons Are Required To File An FBAR If:

1. They had a financial interest in or signature authority over at least one financial account located outside of the United States; and

2. The aggregate value of all foreign financial accounts exceeded US$10,000 at any time during the calendar year reported.

U.S. person includes U.S. citizens, U.S. residents, entities, including but not limited to, corporations, partnerships, or limited liability companies, created or organized in the United States or under the laws of the United States; and trusts or estates formed under the laws of the United States (IRS).

Example: Jim has three foreign bank accounts. The account balances for each account are as follows:

- Account A: US$3,000
- Account B: US$3,000
- Account C: US$5,000
- Total combined value: US$11,000

Result: Jim's combined value of all his foreign accounts is over the US$10,000 threshold and thus is required to file the FBAR.

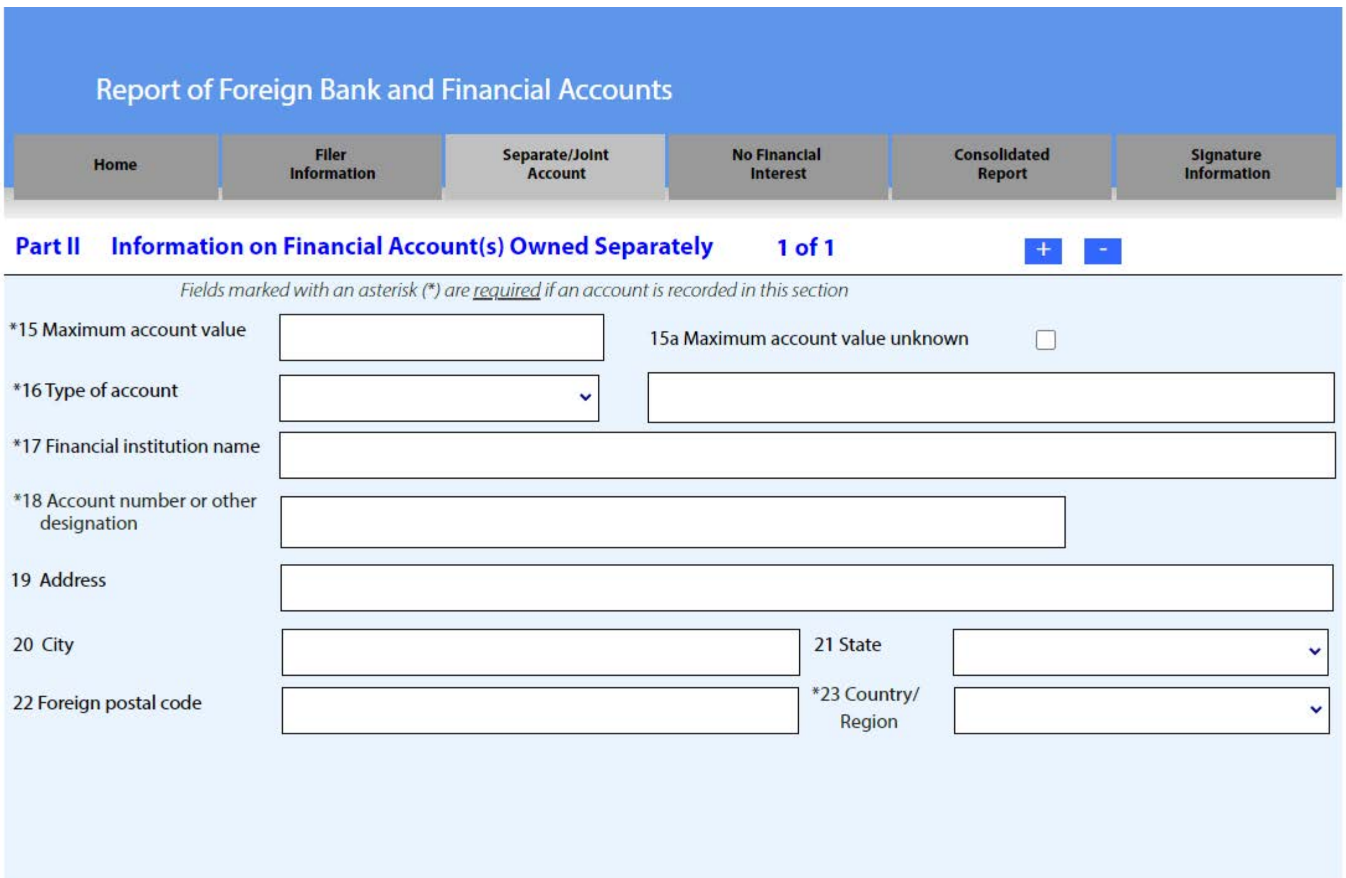
Penalties

A US$10,000 penalty may be assessed for failure to file the FBAR. If the IRS can prove you purposely

did not file the FBAR, the penalty can be as high as US$100,000 or 50% of the greatest value of the accounts. However, FBAR penalties can be waived if the taxpayer shows that there was reasonable cause for the failure to file. The due date is April 15.

Whether or not you're required to file the FBAR form, if you have any foreign financial accounts, e.g. a foreign bank account or a foreign securities or brokerage account, you must complete Part III of Schedule B for Form 1040.

Below is a screenshot of the reporting requirements for each bank account that is owned separately and next page is a screenshot of the reporting requirements for accounts owned jointly:


Report of Foreign Bank and Financial Accounts

Home | Filer Information | Separate/Joint Account | No Financial Interest | Consolidated Report | Signature Information

Part II Information on Financial Account(s) Owned Separately 1 of 1 + -

Fields marked with an asterisk (*) are required if an account is recorded in this section

*15 Maximum account value

15a Maximum account value unknown

*16 Type of account

*17 Financial institution name

*18 Account number or other designation

19 Address

20 City

21 State

22 Foreign postal code

*23 Country/Region

Report of Foreign Bank and Financial Accounts

Home | Filer Information | Separate/Joint Account | No Financial Interest | Consolidated Report | Signature Information

Part III Information on Financial Account(s) Owned Jointly 1 of 1 + -

Account Information

Fields marked with an asterisk (*) are required if an account is recorded in this section

*15 Maximum account value

15a Maximum account value unknown

*16 Type of account

*17 Financial institution name

*18 Account number or other designation

19 Address

20 City

21 State

22 Foreign postal code

*23 Country/ Region

*24 Number of joint owners

Principal Joint Owner Information

Check ☐ if entity

25 Taxpayer Identification Number (TIN)

25 a TIN type

26 Last name or organization name

27 First name

28 Middle name

28a Suffix

29 Address

30 City

31 State

32 ZIP/postal code

33 Country/ Region

Form 8938

In addition to filing the FBAR, it is possible that you might also be required to file Form 8938. FATCA, or the Foreign Account Tax Compliance Act, was enacted in 2014 as a way of tracking foreign assets owned by U.S. citizens and residents. Washington D.C. thought that U.S. persons have the audacity to hide their assets in other countries in an effort to evade taxes.

Whatever the reason for this skepticism, it has caused a reporting headache for foreign financial institutions and many U.S. persons. As such, U.S. persons with significant foreign interests will possibly have to file Form 8938: Statement of Specified Foreign Financial Assets. The threshold for having to file this daunting form varies based on residency as well as marital status, etc.

Living Outside The United States
Single or married filing separately:
US$200,000 on 12/31 or
US$300,000 at any time during year
Married filing jointly:
US$400,000 on 12/31 or
US$600,000 at any time during year

Living In The United States
Single or married filing separately:
US$50,000 on 12/31 or
US$75,000 at any time during year
Married filing jointly:
US$100,000 on 12/31 or
US$150,000 at any time during year

Taken from the IRS Summary of FATCA, "Specified foreign financial assets include foreign financial accounts and foreign non-account assets held for investment (as opposed to held for use in a trade or business), such as foreign stock and securities, foreign financial instruments, contracts with non-U.S. persons, and interests in foreign entities." This nearly all-inclusive definition includes the following:

- Depository, custodial, or other financial accounts maintained by a foreign financial institution (such as a bank or brokerage company),
- Shares of a foreign company held directly and not through a broker,
- Foreign pension funds/mutual funds,
- Interests in foreign entities,
- Loans to foreign persons or entities,
- Any financial instrument or contract held for investment that has a foreign issuer or counterparty.

As mentioned earlier, there are also a few exceptions, including gold held in a vault, foreign real estate put in the person's name, and assets put in the name of a foreign spouse. Foreign assets that were reported on other forms, such as Form 5471 (foreign corporation), 3520 (foreign trust), and 8621 (foreign passive income company) do not need to be reported again on 8938—but it should be reported on 8938 that these forms were filled out.

Obviously, valuation of assets may come into play. For currency assets such as bank accounts, the IRS wants you to use their U.S. Department of the Treasury's Bureau of the Fiscal Service's exchange rates, found here. For other valuations, you may use conversions from other publicly reliable sources or private valuations. Failure to file the form when necessary can result in a US$10,000 failure-to-file penalty which can grow to a maximum US$50,000 penalty if the failure continues. Below is the front page of Form 8938. It is important to become familiar with this form if you are required to fill it out.

Form **8938**
(Rev. November 2021)
Department of the Treasury
Internal Revenue Service

Statement of Specified Foreign Financial Assets

► Go to *www.irs.gov/Form8938* for instructions and the latest information.
► Attach to your tax return.

OMB No. 1545-2195
Attachment Sequence No. **938**

For calendar year 20 or tax year beginning , 20 , and ending , 20

If you have attached additional statements, check here ☐ **Number of additional statements**

1 Name(s) shown on return
2 Taxpayer identification number (TIN)

3 Type of filer
a ☐ Specified individual   b ☐ Partnership   c ☐ Corporation   d ☐ Trust

4 If you checked box 3a, skip this line 4. If you checked box 3b or 3c, enter the name and TIN of the specified individual who closely holds the partnership or corporation. If you checked box 3d, enter the name and TIN of the specified person who is a current beneficiary of the trust. (See instructions for definitions and what to do if you have more than one specified individual or specified person to list.)
a Name   b TIN

Part I Foreign Deposit and Custodial Accounts Summary

5	Number of deposit accounts (reported in Part V) ►	
6	Maximum value of all deposit accounts	$
7	Number of custodial accounts (reported in Part V) ►	
8	Maximum value of all custodial accounts	$
9	Were any foreign deposit or custodial accounts closed during the tax year?	☐ Yes ☐ No

Part II Other Foreign Assets Summary

10	Number of foreign assets (reported in Part VI) ►	
11	Maximum value of all assets (reported in Part VI)	$
12	Were any foreign assets acquired or sold during the tax year?	☐ Yes ☐ No

Part III Summary of Tax Items Attributable to Specified Foreign Financial Assets (see instructions)

(a) Asset category	**(b)** Tax item	**(c)** Amount reported on form or schedule	Where reported **(d)** Form and line	**(e)** Schedule and line
13 Foreign deposit and custodial accounts	a Interest	$		
	b Dividends	$		
	c Royalties	$		
	d Other income	$		
	e Gains (losses)	$		
	f Deductions	$		
	g Credits	$		
14 Other foreign assets	a Interest	$		
	b Dividends	$		
	c Royalties	$		
	d Other income	$		
	e Gains (losses)	$		
	f Deductions	$		
	g Credits	$		

Part IV Excepted Specified Foreign Financial Assets (see instructions)

If you reported specified foreign financial assets on one or more of the following forms, enter the number of such forms filed. You do not need to include these assets on Form 8938 for the tax year.

15 Number of Forms 3520 ____   16 Number of Forms 3520-A ____   17 Number of Forms 5471 ____
18 Number of Forms 8621 ____   19 Number of Forms 8865 ____

For Paperwork Reduction Act Notice, see the separate instructions.   Cat. No. 37753A   Form **8938** (Rev. 11-2021)

Owning Foreign Real Estate And Assets Anonymously

There are several items that are either not required to be reported or not required to be directly reported on Form 8938. The most notable asset that is not required to be reported on Form 8938 is foreign real estate held directly. However, foreign real estate that is held through a foreign entity is disclosed indirectly by being included in the maximum value of the interest in the foreign entity.

This distinction is often misunderstood and leads to taxpayers mistakenly omitting this from the maximum value of their foreign entity interest on Form 8938. If you do not want to have foreign real estate in your name, a foreign corporation holding that real estate is an option. Just be sure to report it accordingly.

Where And When To File

File Form 8938 with your Form 1040 tax return by April 15 or Oct. 15 with extension.

Below is a chart that breaks down the difference between 8938 and the FBAR:

	Form 8938, Statement of Specified Foreign Financial Assets	FinCEN Form 114, Report Of Foreign Bank And Financial Accounts (FBAR)
Who must file?	Specified individuals, which include U.S citizens, resident aliens, and certain non-resident aliens that have an interest in specified foreign financial assets and meet the reporting threshold.	U.S. persons, which include U.S. citizens, resident aliens, trusts, estates, and domestic entities that have an interest in foreign financial accounts and meet the reporting threshold.
Does the United States include U.S. territories?	No	Yes, resident aliens of U.S territories and U.S. territory entities are subject to FBAR reporting.

	Form 8938, Statement of Specified Foreign Financial Assets	FinCEN Form 114, Report Of Foreign Bank And Financial Accounts (FBAR)
Reporting threshold (total value of assets)	Taxpayers living in the United States: Unmarried taxpayer (or married filing separately): Total value of assets was more than US$50,000 on the last day of the tax year, or more than US$75,000 at any time during the year. Married taxpayer filing jointly: Total value of assets was more than US $100,000 on the last day of the tax year, or more than US$150,000 at any time during the year. Taxpayers living outside the United States: Unmarried taxpayer (or married filing separately): Total value of assets was more than US $200,000 on the last day of the tax year, or more than US$300,000 at any time during the year. Married taxpayer filing jointly: Total value of assets was more than US $400,000 on the last day of the tax year, or more than US$600,000 at any time during the year.	Aggregate value of financial accounts exceeds US$10,000 at any time during the calendar year. This is a cumulative balance, meaning if you have a combined account balance of US $12,000 at any one time (but divided between two accounts), both accounts would have to be reported.
Reporting threshold (total value of assets)	Unmarried taxpayer (or married filing separately): Total value of assets was more than US $200,000 on the last day of the tax year, or more than US$300,000 at any time during the year. Married taxpayer filing jointly: Total value of assets was more than US $400,000 on the last day of the tax year, or more than US$600,000 at any time during the year.	Aggregate value of financial accounts exceeds US$10,000 at any time during the calendar year. This is a cumulative balance, meaning if you have a combined account balance of US $12,000 at any one time (but divided between two accounts), both accounts would have to be reported.

When do you have an interest in an account or asset?	If any income, gains, losses, deductions, credits, gross proceeds, or distributions from holding or disposing of the account or asset are or would be required to be reported, included, or otherwise reflected on your income tax return.	Financial interest: You are the owner of record or holder of legal title; the owner of record or holder of legal title is your agent or representative; you have a sufficient interest in the entity that is the owner of record or holder of legal title. Signature authority: You have authority to control the disposition of the assets in the account by direct communication with the financial institution maintaining the account. See instructions for further details.
What is reported?	Maximum value of specified foreign financial assets, which include financial accounts with foreign financial institutions and certain other foreign non-account investment assets.	Maximum value of financial accounts maintained by a financial institution physically located in a foreign country.
How are maximum account or asset values determined and reported?	Fair market value in U.S. dollars in accord with the Form 8938 instructions for each account and asset reported. Convert to U.S. dollars using the end of the taxable year exchange rate and report in U.S. dollars.	Use periodic account statements to determine the maximum value in the currency of the account. Convert to U.S. dollars using the end of the calendar year exchange rate and report in U.S. dollars.
When due?	Form is attached to your annual return and due on the date of that return, including any applicable extensions.	Same due date as your tax return, including any extensions except you file this form separately.
Where to file?	File with income tax return pursuant to instructions for filing the return. Form 8938 and instructions can be found here.	File electronically through FinCENs BSA E-Filing System. The FBAR is not filed with a federal tax return.
Penalties	Up to US$10,000 for failure to disclose and an additional US $10,000 for each 30 days of non-filing after IRS notice of a failure to disclose, for a potential maximum penalty of US$60,000; criminal penalties may also apply.	If non-willful, up to US$10,000; if willful, up to the greater of US$100,000 or 50% of account balances; criminal penalties may also apply.

Types Of Foreign Assets And Whether They Are Reportable		
Financial (deposit and custodial) accounts held at foreign financial institutions	Yes	Yes
Financial account held at a foreign branch of a U.S. financial institution	No	Yes
Financial account held at a U.S. branch of a foreign financial institution	No	No
Foreign financial account for which you have signature authority	No, unless you otherwise have an interest in the account as described above.	Yes, subject to exceptions.
Foreign stock or securities held in a financial account at a foreign financial institution	The account itself is subject to reporting, but the contents of the account do not have to be separately reported.	The account itself is subject to reporting, but the contents of the account do not have to be separately reported.
Foreign stock or securities not held in a financial account	Yes	No
Foreign partnership interests	Yes	No
Indirect interests in foreign financial assets through an entity	No	Yes, if sufficient ownership or beneficial interest (i.e. a greater than 50% interest) in the entity. See instructions for further detail.
Foreign mutual funds	Yes	Yes

Domestic mutual fund investing in foreign stocks and securities	No	No
Foreign accounts and foreign nonaccount investment assets held by foreign or domestic grantor trust for which you are the grantor	Yes, as to both foreign accounts and foreign non-account investment assets.	Yes, as to foreign accounts.
Foreign-issued life insurance or annuity contract with a cash value	Yes	Yes
Foreign hedge funds and foreign private equity funds	Yes	No
Foreign real estate held directly	No	No
Foreign real estate held through a foreign entity	No, but the foreign entity itself is a specified foreign financial asset and its maximum value includes the value of the real estate.	No
Foreign currency held directly	No	No
Precious metals held directly	No	No
Personal property, held directly, such as art, antiques, jewelry, cars, and other collectibles	No	No
Social Securitytype program benefits provided by a foreign government	No	No

Asset Protection Strategies
Both Domestic And Foreign

Many people do not have an asset protection strategy or Plan B, which ultimately will put their wealth at risk. Accidents happen, and with the ownership of assets comes the potential of having those assets taken away from you. There are some methods to alleviate the constant fear of getting sued for everything you have, which largely depends on the type of assets you have and where they are located. For example, if you have rental property in Florida, you may wish to consider rolling over the title to your rental properties to newly formed Florida LLCs (the best practice is generally to place each property into a separate LLC, although groups of properties with relatively low values (e.g. with an aggregate value of US$300,000 or less) often are placed into a single LLC.

This precaution is designed to isolate "internal" risks on any one property, so that any judgment related to a single property is collectible only up to the value of that property itself. An internal risk is one that originates with the property itself, such as an injury suffered by someone working on or in the property. In this event, the LLC contains the risk associated with the claim to that property, thus preventing the claimant from seizing or foreclosing on other assets.

A membership interest in an LLC is also protected from liabilities that originate through one's personal actions, such as a car accident. In this case, the LLC acts as a shield to collection actions and limits any effort to seize control of the LLC. In a properly designed LLC, the only remedy of the creditor in this situation is through a legal mechanism called the "charging order."

Under the charging order concept, creditors of individual members of the LLC don't generally have the right to force the business to liquidate, or to seize the interests of the liable member or members. Creditors only have the right to receive future distributions made from the business to the liable member. One can retitle their real estate holdings in Florida into LLCs with no federal tax implications. However, the counties in which the real estate is situated may impose higher property taxes on parcels owned by an LLC than on parcels owned by individuals.

In addition, mortgages are often written so that if a mortgaged property is retitled, the mortgage terminates immediately, with the balance on the mortgage due immediately. In practice, many banks do not enforce these provisions so long as mortgage payments are made in a timely manner.

While the easiest way to take title to international assets is usually in one's name, this isn't necessarily the best choice. Like all personally owned assets, international investments held in one's name can be foreclosed upon, although it's more likely that a creditor would obtain a "turnover order" for personally owned assets it couldn't foreclose upon through the U.S. court system.

In addition, international investments held personally may be subject to probate, estate taxes, and inheritance taxes in each country where assets are held upon the death of the title holder. Many countries, especially in the non-English speaking world, even restrict or tax transfers to a surviving spouse.

One way to both protect international assets from creditors and possibly from probate is to use an LLC to hold them.

A foreign LLC may also provide some protection against civil forfeiture or other domestic confiscation orders. In the context of civil forfeiture, this type of confiscation order is directed against property (in rem), not against an individual (in personam).

Property held outside the Unites States that the U.S. government seeks to confiscate via civil forfeiture is almost impossible to seize unless there is also a civil judgment or criminal action against you personally. However, the government may be able to seize substitute property in the United States equal to the value of the non-U.S. property it is seeking to confiscate. Real estate held in one's name is a personal asset that can be foreclosed upon to satisfy a judgment.

A U.S. creditor may find it difficult or impossible to seize non-U.S. real estate holdings. However, a creditor in the country in which the real estate is located may be able to seize it in the event of an accident or injury on the property. Holding the property in a legal entity may make it difficult or impossible for local creditors to seize, but (especially in the case of a non-U.S. entity) the existence of the property would need to be disclosed on the information return the entity must file annually with the IRS, either Form 5471 (foreign corporation), 8858 (foreign LLC) or 8865 (foreign partnership) depending on the classification of the entity.

Accounts held in a foreign country by non-resident investors through an LLC (domestic or international) will often avoid a local probate proceeding at the death of a person or persons who hold interests in it. In some cases, a two-tier structure, with a LLC holding a local entity, will be necessary to avoid probate. Any international real estate held personally or in the name of IRA at death usually becomes subject to a probate proceeding of some type. In some countries, this is an expensive and time-consuming process that can eat up to 10% or more of the value of the property.

Many countries, especially in the non-English-speaking world, have "forced heirship" rules in effect that provide for mandatory distributions of property and that may supersede, possibly conflicting with, provisions in a will. The maintenance costs of an offshore LLC can be justified if you have US$250,000 or more of liquid assets that can be conveyed into it. In this case, the maintenance cost of the LLC (including preparation of an annual IRS disclosure form) is about US$2,500 annually; about 1% of US$250,000.

Offshore Trusts

An offshore trust in itself is a powerful tool in estate planning. With the mounting evidence that everyone eventually dies, the trust is a way to distribute assets in an easier, cheaper, and more controlled way, all the while protecting assets from creditors and lawsuits. When assets are placed into the trust, the assets are no longer yours. However, the trust can distribute assets and earnings on those assets in a manner in which you so choose. Being a separate entity from you, the offshore trust protects the assets should you be sued personally.

Some countries, including the Cook Islands, Belize, and Nevis, do not acknowledge U.S. judgments in their court systems. The hassle of filing suit on an international trust can be much costlier, as the suit will have to be filed from the country in which the trust is located. If the prosecutors are so resolute that they continue attacking the trust, you can simply re-domicile the trust into one of the other two countries.

How To Optimize Your Tax Situation With An Offshore Structure

Basic Strategy

There is no magic bullet in this strategy, however, if you are not based in the United States and do not have any office or U.S.-based employees, then this might be a good strategy.

1. Form an offshore corporation in a zero-tax jurisdiction, open a foreign bank account, and register that company with the IRS.

2. Draw a salary of up to US$120,000 for 2023 from that foreign corporation. As long as you qualify for the FEIE, and the company's income is derived from active not passive business, there will be no federal income tax on this income.

3. The properly registered and domiciled foreign corporation is not responsible for Medicare, Social Security, or FICA taxes.

4. You are not considered self-employed; you are an employee of your offshore corporation, and not subject to self-employment tax of approximately 15%.

5. The expenses of the offshore corporation do not reduce your foreign-earned income exclusion. For example, if you report on Schedule C, then your business expenses proportionately reduce your foreign-earned income exclusion. If your total sales for 2023 were US$400,000 and your expenses were US$200,000, your foreign earned income exclusion is reduced by 50%. Thus, you can reduce your income for the purposes of figuring the tax you owe by only US$120,000 divided by two, or US$60,000. Hence, you must pay U.S. income tax on the amount over the allowed foreign-earned income exclusion. In our example, that is US$200,000 of net income, minus the remaining FEIE of US $60,000, equals US$140,000 of taxable income.

6. Open a C Corp in the United States which will own the offshore company rather than in the individual shareholder name. This will allow any excess profits (other that what is paid out as salary) to get a 10.5% effective tax rate and avoid additional taxes on this foreign income known as GILTI.

7. If further money is to be drawn from the company, it would be a qualified dividend rate of 0%, 15%, 20% or 23.8%. This dividend would be first paid to the U.S. C Corp from the offshore company and then paid from the C Corp to the individual shareholder to be a qualified dividend.

Therefore, the use of an offshore corporation by an international business with net profits of US$112,000 and one employee saves US$16,800 in U.S. taxes. If the corporation's net profits are US$124,000, and there are two employees, such as a husband and wife, the total savings might be as high as US$32,600.

As stated, this approach may not be for everyone, as you must be managing the company from outside the United States. If the company is incorporated in a country in which you are not a tax resident, then there are certain rules about being a business not a profession. For example, if you are an IT professional, a sole owner and employee of your business that makes US$110,000 revenue and you pay yourself US$100,000, whereas your salary is the primary expense, this is not considered a business and your income may be taxable in the United States.

However, if you are an IT professional and hire contractors/employees around the world and serve clients remotely around the world, making US$110,000—whereas your employees' salaries constitute US$40,000 and you pay yourself the remainder—then this can be considered a business and potentially eligible for the benefits listed above.

If you think you qualify for the above, the next question is always: Where do I incorporate? The first step in the process is to decide what is most important to you—asset protection, privacy, transparency, or a country that will make a good impression on those who contract with your business.

If the primary component is privacy or asset protection, typically a Nevis or Cook Islands (CI) corporation or limited liability company (LLC) are suggested. Both of these countries have exceptional privacy laws, well-tested legal systems, and a long history in the asset protection industry. The CI have long been a leader in international asset protection trusts, modeled after Nevis, and integrate CI's long-standing trust and creditor laws—and their corresponding lack of a bankruptcy statute—into an LLC statute which maximizes both privacy and asset protection. Those who are officers or directors of large U.S.-based businesses or who will operate an offshore hedge fund with U.S. investments, require a country that is fully compliant with the United States. (Compliant generally means that the IRS and SEC can easily find the beneficial owner and gain access the company's books, records, and foreign bank accounts.)

Where transparency is required, Cayman Islands corporations and licensed hedge funds are preferred. This jurisdiction is more expensive than its competitor, the British Virgin Islands, but the availability of quality legal and accounting professionals on Grand Cayman is worth the cost. Because most clients seeking such transparency are operating significant businesses or investment portfolios, cost should not be a primary factor.

The third category, a country that will make a good impression on those who contract with your business, is harder to define. If money is no object and image is everything, a Swiss holding company with Cayman or BVI subsidiaries is a good option. This generally allows you to operate from Switzerland, hold yourself out as a Swiss company, and contract through offshore subsidiaries without incurring Swiss tax on international (holding company) profits.

Unfortunately, operating in Switzerland can be expensive. The typical annual maintenance of a Swiss holding company, including a Swiss director, is US$10,000-plus, compared to about US$850 for a Nevis corporation or LLC without a foreign director. In addition, a lot of planning and complex structuring is required to work through the dividend withholding section of the Swiss tax code.

For those on a budget, Hong Kong or Panama are highly recommended. Hong Kong is an excellent place for a holding company, has a wealth of qualified legal and accounting professionals, balances privacy and business image well, and most banks are comfortable with corporations domiciled in Hong Kong.

The drawbacks of Hong Kong are that the directors monitor the company's activities closely, resulting in higher-than-average annual bills; the time difference with the United States often delays communications and transactions by about 24 hours; and you must travel to Hong Kong in order to open a bank account there. If you prefer not to travel, an account can be opened in the Isle of Man. Also, while the directors are active, they are typically well qualified and handle your business in a professional manner.

Panama is another great jurisdiction for someone who will operate a business outside of the United States with employees, an office, and business assets. The Panamanian economy is strong, qualified labor is relatively inexpensive, the costs of firing an employee are minimal compared to Europe, telephone and Internet services are cost effective and of a high quality (certainly superior to all Caribbean islands and some Latin American countries), several local banks provide reasonable service and do not have branches in the United States, and Panama's primary currency is the U.S. dollar, so your Panamanian bank can accept checks from U.S. clients. Also, the shares in a Panama company can be held by a Panama foundation, thereby maximizing asset protection.

Corporate And Trust Filing Requirements

There are a number of filing requirements for offshore corporations and international trusts. Failure to file the required returns may result in civil and criminal penalties and may extend the statute of limitations for assessment and collection of the related taxes.

✔ Form 5471: Information Return Of U.S. Persons With Respect To Certain Foreign Corporations

This form must be filed by U.S. persons (which includes individuals, partnerships, corporations, estates, and trusts) who own a certain proportion of the stock of a foreign corporation or are officers, directors, or shareholders in a U.S.-Controlled Foreign Corporation (CFC). If you prefer not to be treated as a foreign corporation for U.S. tax reporting, you may be eligible to use Forms 8832 and 8858.

A foreign corporation or limited liability company should review the default classifications in Form 8832, Entity Classification Election, and decide whether or not to make an election to be treated as a corporation, partnership, or disregarded entity. Making an election is optional and must be done on or before March 15 (i.e. 75 days after the end of the first taxable year).

✔ Form 8858: Information Return Of U.S. Persons With Respect To Foreign Disregarded Entities

This form was introduced in 2004 and is to be filed with your personal income tax return if making the election on Form 8832 for the offshore entity to be disregarded for tax purposes. A US$10,000 penalty is imposed for each year this form is not filed.

✔ Form 3520: Annual Return To Report Transactions With Foreign Trusts And Receipt Of Certain Foreign Gifts

This form is required when a U.S. person:

1. Creates or transfers money or property to a foreign trust,

2. Receives (directly or indirectly) any distributions from a foreign trust, or
3. Receives certain gifts or bequests from foreign entities.

✔ Form 3520-A: Annual Information Return Of Foreign Trust

This form is required of any foreign trust with a U.S. owner (grantor). Failure to file this form can result in a penalty of 5% of the gross value of the U.S. person's portion of the trust.

✔ Form 5472: Information Return Of A 25% Foreign-Owned U.S. Corporation

This form is required to be filed by a "reporting corporation" that has "reportable transactions" with foreign or domestic related parties. A reporting corporation is either a U.S. corporation that is a 25% foreign-owned or a foreign corporation engaged in a trade or business within the United States. A corporation is 25% foreign-owned if it has at least one director indirect 25% foreign shareholder at any time during the tax year.

✔ Form 926: Return By A U.S. Transferor Of Property To A Foreign Corporation

This form is required to be filed by any U.S. person who transfers property to a foreign corporation if, immediately after the transfer, the U.S. person holds directly or indirectly 10% of the voting power or value of the foreign corporation. Generally, this form is required for transfers of property in exchange for stock in the foreign corporation, but there is an assortment of tax code sections that may require the filing of this form. The penalty for failing to file is 10% of the fair market value of the property at the time to transfer.

Captive Insurance Companies

Captive insurance companies (CIC) are companies that provide coverage and insurance for their owners. These companies can be comprised of one or more companies. Their purpose is cost reduction, greater risk control, insuring different levels of risk-management and risk financing of its owner (or owners), and the user's benefit from the insurer's profits. Commercial market insurance premiums are at set rates and may not tend to your specific company's needs. Premiums are sometimes paid in advance and claims take longer to process. Retaining the premiums within a company saves time and capital, which could be used for investments during the waiting period. CICs also allow the parent company to adjust quickly to changes in the commercial insurance market.

CICs can insure different portions of a business. Primarily they are used for casualty lines, which include workers' compensation and other general liabilities. These CICs have access to the reinsurance market from which companies can then choose certain risk items to cover. Usually the losses are only covered to a set limit. Losses under the limit are used to calculate the expected losses. Amounts which are too high to cover are then transferred over to the commercial insurance market.

Captive insurance is a legitimate tax structure for small-business owners. Premiums paid to a captive insurer can be tax deductible if the arrangement meets certain risk-distribution standards. Thus, the business gets a current year write-off even though losses may never occur. The IRS, in Rev. Rul. 2002-89 and Rev. Rul. 2002-90, has laid out the rules under which captive insurance constitutes insurance for federal income tax purposes so that premiums are deductible. There are two safe harbors under which captive insurance is viewed as real insurance (i.e. premiums are deductible):

- **50% third-party insurance safe harbor**. If the captive insurance company gets at least 50% of its premiums from unrelated third-party insureds, there is sufficient risk distribution.
- **12-insured safe harbor**. If the captive insurance company has at least 12 insured, each having between 5% and 15% of the total risk, then there is sufficient risk distribution, too.

However, the IRS may still challenge premium deductions where it believes there are stopgaps that thwart risk distribution, such as reinsurance or tax-shelter like arrangements. In fact, captive insurance was one of the "abusive tax shelters" on the 2020 IRS "dirty dozen" list of tax scams. The problem arises, according to the IRS, when promoters of small captive insurance companies "assist with creating and 'selling' to [business owners] oftentimes poorly drafted 'insurance' binders and policies to cover ordinary business risks or esoteric, implausible risks for exorbitant 'premiums,' while maintaining their economical commercial coverage with traditional insurers."

Section 831(b) election provides a captive to receive US$1.2 million of income tax exempt premiums annually. Along with the benefits, the business must recognize the risks and responsibilities involved. Businesses need to take into account that the CIC was properly formed and structured, the type of captive, place of domicile, and amounts to be used or capitalized within the captive. If done correctly, the CIC can be beneficial for the future, as it is possible to transfer to the next generation. As an example, in a dynasty trust the captive can be excluded from the taxable estates of family for future generations.

Foreign Real Estate

Foreign real estate investments are generally reported on the same forms you would report income from U.S. real estate investments assuming you've properly structured the holding of the real estate, i.e. you hold the property in your own name or in a pass-through entity like a foreign LLC that you've elected to have disregarded.

Therefore, rental income and expenses are reported on Schedule E; farm rental income is reported on Form 4835; and capital gains from the sale of a property are reported on Form 1040 schedule D (assuming you're not doing a 1031 like-kind exchange discussed in the next section).

If you're also filing a tax return in the country where the property is located, often times you'll have different accounting methods used in that country for calculating taxable income. Be sure that you calculate the figures for your U.S. taxes using U.S. rules.

Specifically, depreciation calculations often differ country by country. Some countries don't let you expense depreciation of the property purchase price against rental income like the United States does. Others will use different depreciation periods for the calculation.

Also, remember that you can deduct reasonable expenses for trips to manage your rental property abroad. If you fly once a year to check on a property, do maintenance, and/or meet with your local accountant or attorney, the cost of the trip can be deducted from your rental income. If you have several properties in the same location, amortize the expense of the trip over the different properties.

1031 Like-Kind Exchange

What Is A Like-Kind Exchange?

Whenever you sell an investment property and you have a gain, you generally must pay tax on the gain at the time of sale. However, IRC Section 1031 provides an exception and allows you to postpone paying tax on the gain if you reinvest the proceeds in another investment property as part of a qualifying like-kind exchange. Gains deferred in a like-kind exchange under IRC Section 1031 are tax-deferred, but you will have to eventually pay tax when you sell at a later date. However, if you receive cash, debt-relief, or property that is not like-kind, you may trigger some taxable gain in the year of the exchange. There can be both deferred and recognized gain in the same transaction when a taxpayer exchanges for like-kind property of lesser value.

What Property Qualifies For A Like-Kind Exchange?

After the Trump Tax law of 2018, only real estate is considered for like-kind exchange (hmmm, I wonder why?). Property used primarily for personal use, like a primary residence or a second home or vacation home, does not qualify for like-kind exchange treatment. Like-kind property is property of the same nature. Most real estate will be like-kind to other real estate. For example, real property that is improved with a residential rental house is like-kind to vacant land.

However, you can only do a 1031 like-kind exchange with U.S. property for U.S. property or foreign property for foreign property.

How Do You Compute The Basis In The New Property?

It is important that you and your tax representative track the basis correctly to comply with Section 1031 regulations. Gains are deferred in a like-kind exchange so you must keep track of your basis in the new property you acquired during the exchange. The basis of property acquired in a Section 1031 exchange is the basis of the property given up with some adjustments. When the replacement property is ultimately sold (not as part of another exchange), the original deferred gain, plus any additional gain realized since the purchase of the replacement property, is subject to tax.

Using The 1031 Provision Can Allow You To…

- Consolidate several smaller properties into one larger investment...
- Shift investment from one area or locale to another to take advantage of local market opportunities...
- Avoid "deferred maintenance" by trading out the older properties into newer ones...
- Diversify your investment portfolio by trading out of a single property into various investments or multiple properties...

The 1031 like-kind exchange is an excellent tax-deferral mechanism when selling a U.S. investment property and buying another (or others). However, when considering taking advantage of the U.S. tax deferral when selling foreign property and reinvesting in another foreign property, you have to take into consideration the foreign taxes that may come into play on the gain.

If the foreign property is in a country where you'll pay as much or more in capital gains taxes as you would in the United States, then deferring the U.S. tax through a 1031 like-kind exchange is pointless as it will cost you more in total tax in the long run. Remember that you can take a tax credit for any tax paid on income that is also taxed in the United States. Therefore, if you pay 20% tax on the gain of the sale of an investment property overseas to the country where the property is located, you can take a credit for that tax on your U.S. tax return. Defer the tax in the United States, and you'll eventually end up paying tax twice on the same gain.

A basic rule of thumb on whether to use a 1031 like-kind exchange when selling foreign real estate investments is as follows:

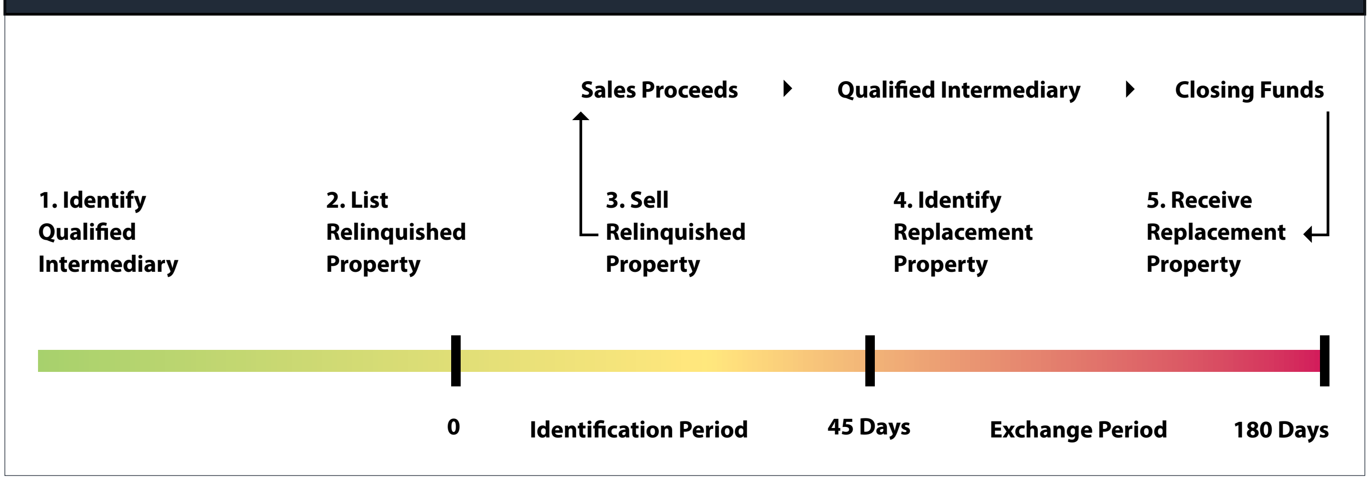
- No—when the foreign tax is as much or more than the tax in the United States.
- Yes—when no foreign tax is due on the sale of the property (some countries don't charge capital gains taxes on gains from real estate sales—New Zealand, Croatia {real estate held for at least three years in your own name}, France {real estate held for 22 years}).
- Maybe—when some tax is payable in the foreign country, but it is less than what is due in the United States.

In the last case where you pay some taxes in the foreign country, but it's less than what you'd own in the United States, you have to make a determination of whether the tax deferral on the U.S. side is worth losing the credit for the tax paid to the foreign country. One scenario where it may be worth not taking the credit and deferring the U.S. tax in full is if the replacement property requires all of the net proceeds from the sale of the property, i.e. you don't have extra cash to pay the U.S. tax even with the partial credit.

How Do You Report Section 1031 Like-Kind Exchanges To The IRS?

File Form 8824 with your tax return for the year in which the exchange occurred.

1031 Exchange Process



Expatriation Taxes

The United States taxes its citizens on worldwide income whether or not they are resident in the United States. Given this financial and reporting burden among other reasons, many U.S. citizens are choosing to renounce their citizenship. They may not owe any tax to the U.S. due to paying taxes in their country of residency, but the bureaucratic hassle and cost of filing a U.S. tax return each year just to tell the IRS that they don't owe any money to Uncle Sam is too much of a burden for keeping their U.S. passport.

Others take the step of renouncing their U.S. citizenship as part of their estate planning to minimize or avoid entirely having their estate heavily taxed when they die. While you can use trusts and other estate planning tools to reduce your ultimate estate taxes in the United States, ultra-high net worth individuals may see a benefit in giving up their U.S. citizenship.

However, you can't just wake up one morning and decide to renounce your U.S. citizenship. You need to take several steps before you can walk away.

STEP 1: Get A Second Passport

In order to renounce your U.S. passport you will need a second passport, and you are required to bring this with you to your renunciation appointment. There are instances in which a permanent resident of another country can still renounce and be stateless until getting the second passport, but this is rare.

STEP 2: Review The Renunciation Forms And Prepare DS-4079

The documents listed below are the ones required by the State Department to process your renunciation. You only need to fill out DS-4079 (Information for Determining Possible Loss of U.S. Citizenship) before your appointment.

STEP 3: Book Your Renunciation Appointment

Ideally, you would book your appointment at the embassy or consulate in the country (and possibly city) where you plan to live once you renounce your passport.

STEP 4: Attend Your Renunciation Appointment

Make sure you take both of your passports to your renunciation appointment. Bring your birth certificate, and if you have a certificate of naturalization from the country of your second passport, bring that too. At the end of renunciation appointment you will be provided with DS-4083, called the CLN for Certificate of Loss of Nationality.

STEP 5: File Your Final U.S. Tax Return

Your final tax return will be from Jan. 1 through the day you expatriate. The day you renounce you are no longer a taxable person to the IRS. If your renunciation date is any day other than

Dec. 1, you'll be filing Form 1040 and 1040NR (if applicable) for your final return. IRS Form 8854 is the expat tax form targeted at "covered expatriates." A covered expatriate is someone having a net worth of US$2 million or more or a threshold annual tax liability from the preceding five years. If you have foreign accounts already extant before you expatriate, you'll also need to file the FBAR (FinCEN Form 114). You may have done this before, as the form applies to all U.S. citizens and is not related to expatriation.

The "exit tax" (for those who meet the requirements) applies to citizens and foreign long-term resident green card holders who have spent 8 or more years in the United States during the previous 15 years before expatriation. The exit tax takes form as a capital gains tax against unrealized gain attribute. This tax is applied upon the renunciation of citizenship on top of taxes previously paid/due for the tax year. You meet the requirements of needing to pay the expatriation tax if you meet any of the following (based on IRC 877A):

1. Your average annual net income tax for the five years ending before the date of expatriation or termination of residency is more than a specified amount that is adjusted for inflation (US$171,000 is the figure for 2020 and the last figure published by the IRS).
2. Your net worth is US$2 million or more on the date of your expatriation or termination of residency.
3. You fail to certify on Form 8854 that you have complied with all U.S. federal tax obligations for the five years preceding the date of your expatriation or termination of residency.

There is one exemption from these limits if you are a dual citizen at birth and:

i. You continue to hold the other citizenship,
ii. Are currently being taxed in that country, and
iii. Haven't resided in the United States for more than 10 years prior to the U.S. citizenship renunciation.

If your average net income tax is below the threshold, your net worth is below US$2 million, and are in compliance with the five previous returns before the expatriation date, or meet the requirements of the dual citizenship stated above, you are exempt from the exit tax.

After you have completed the documentation necessary for the expatriation forms, you will be able to relinquish your citizenship on the earliest of four dates:

1. The date the individual renounces his or her U.S. nationality before a diplomatic or consular officer of the United States, provided the renunciation is subsequently approved by the issuance to the individual of a certificate of loss of nationality by the U.S. Department of State.
2. The date the individual furnishes to the U.S. Department of State a signed statement of voluntary relinquishment of U.S. nationality confirming the performance of an act of expatriation specified in paragraph (1), (2), (3), or (4) of section 349(a) of the Immigration and Nationality Act (8 U.S.C. 1481(a)(1) -(4)), provided the voluntary relinquishment is subsequently approved by the issuance to the individual of a certificate of loss of nationality by the U.S. Department of State.
3. The date the U.S. Department of State issues to the individual a certificate of loss of nationality.
4. The date a U.S. court cancels a naturalized citizen's certificate of naturalization.

Green card-holding long-term residents can cease their permanent residence if they meet either requirement of:

1. The individual's status of having been lawfully accorded the privilege of residing permanently in the United States as an immigrant in accordance with immigration laws has been revoked or has been administratively or judicially determined to have been abandoned.

2. The individual meets all of these conditions:

   i. Commences to be treated as a resident of a foreign country under the provisions of a tax treaty between the United States and the foreign country,

   ii. Does not waive the benefits of the treaty applicable to residents of the foreign country, and

   iii. Notifies the IRS of such treatment on Forms 8833 and 8854.

If you do meet any of the requirements for the expatriation tax stated above, you will need to take into consideration a "mark-to-market" regime (according to IRS 877A). All property that you own will need to be "deemed sold" for its fair market value on the day before the expatriation date. Both gains and losses are taken into consideration. Items include salary, homes, savings (including retirement savings), artwork, jewelry, stocks, and other items that have value. Once all net gains are calculated, these gains are then reduced by US$767,000.

You must take other items into account when renouncing your U.S. citizenship. With regards to inheritance tax, if you pass it along to your children (doesn't apply to spouses), the amount given to the children would be taxed based on the amount given. For example, if you leave around US$1 million for your child, they will owe US$400,000 of federal tax. You will also need to apply for visas to visit the U.S. and may find it hard to stay for more than 120 days a year.

Following is a quick reference section to filling out IRS forms on your own.

Form **1040** Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return **2023** OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2023, or other tax year beginning , 2023, ending , 20 See separate instructions.

Your first name and middle initial	Last name	**Your social security number**
If joint return, spouse's first name and middle initial	Last name	**Spouse's social security number**

Home address (number and street). If you have a P.O. box, see instructions.		Apt. no.	**Presidential Election Campaign** Check here if you, or your spouse if filing jointly, want $3 to go to this fund. Checking a box below will not change your tax or refund. ☐ You ☐ Spouse
City, town, or post office. If you have a foreign address, also complete spaces below.	State	ZIP code	
Foreign country name	Foreign province/state/county	Foreign postal code	

Filing Status
Check only one box.
☐ Single
☐ Married filing jointly (even if only one had income)
☐ Married filing separately (MFS)
☐ Head of household (HOH)
☐ Qualifying surviving spouse (QSS)
If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QSS box, enter the child's name if the qualifying person is a child but not your dependent:

Digital Assets At any time during 2023, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.) ☐ Yes ☐ No

Standard Deduction **Someone can claim:** ☐ You as a dependent ☐ Your spouse as a dependent
☐ Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness **You:** ☐ Were born before January 2, 1959 ☐ Are blind **Spouse:** ☐ Was born before January 2, 1959 ☐ Is blind

Dependents (see instructions):
If more than four dependents, see instructions and check here ☐

(1) First name	Last name	(2) Social security number	(3) Relationship to you	(4) Check the box if qualifies for (see instructions): Child tax credit	Credit for other dependents
				☐	☐
				☐	☐
				☐	☐
				☐	☐

Income

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.
If you did not get a Form W-2, see instructions.

1a	Total amount from Form(s) W-2, box 1 (see instructions)	1a
b	Household employee wages not reported on Form(s) W-2	1b
c	Tip income not reported on line 1a (see instructions)	1c
d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)	1d
e	Taxable dependent care benefits from Form 2441, line 26	1e
f	Employer-provided adoption benefits from Form 8839, line 29	1f
g	Wages from Form 8919, line 6	1g
h	Other earned income (see instructions)	1h
i	Nontaxable combat pay election (see instructions) 1i	
z	Add lines 1a through 1h	1z
2a	Tax-exempt interest 2a — b Taxable interest	2b
3a	Qualified dividends 3a — b Ordinary dividends	3b
4a	IRA distributions 4a — b Taxable amount	4b
5a	Pensions and annuities 5a — b Taxable amount	5b
6a	Social security benefits 6a — b Taxable amount	6b
c	If you elect to use the lump-sum election method, check here (see instructions) ☐	
7	Capital gain or (loss). Attach Schedule D if required. If not required, check here ☐	7
8	Additional income from Schedule 1, line 10	8
9	Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your **total income**	9
10	Adjustments to income from Schedule 1, line 26	10
11	Subtract line 10 from line 9. This is your **adjusted gross income**	11
12	**Standard deduction or itemized deductions** (from Schedule A)	12
13	Qualified business income deduction from Form 8995 or Form 8995-A	13
14	Add lines 12 and 13	14
15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your **taxable income**	15

Attach Sch. B if required.

Standard Deduction for—
• Single or Married filing separately, $13,850
• Married filing jointly or Qualifying surviving spouse, $27,700
• Head of household, $20,800
• If you checked any box under *Standard Deduction*, see instructions.

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form **1040** (2023)

Form 1040 (2023) Page 2

Tax and Credits	16	**Tax** (see instructions). Check if any from Form(s): 1 ☐ 8814 2 ☐ 4972 3 ☐		16
	17	Amount from Schedule 2, line 3		17
	18	Add lines 16 and 17		18
	19	Child tax credit or credit for other dependents from Schedule 8812		19
	20	Amount from Schedule 3, line 8		20
	21	Add lines 19 and 20		21
	22	Subtract line 21 from line 18. If zero or less, enter -0-		22
	23	Other taxes, including self-employment tax, from Schedule 2, line 21		23
	24	Add lines 22 and 23. This is your **total tax**		24
Payments	25	Federal income tax withheld from:		
	a	Form(s) W-2	25a	
	b	Form(s) 1099	25b	
	c	Other forms (see instructions)	25c	
	d	Add lines 25a through 25c		25d
If you have a qualifying child, attach Sch. EIC.	26	2023 estimated tax payments and amount applied from 2022 return		26
	27	Earned income credit (EIC)	27	
	28	Additional child tax credit from Schedule 8812	28	
	29	American opportunity credit from Form 8863, line 8	29	
	30	Reserved for future use	30	
	31	Amount from Schedule 3, line 15	31	
	32	Add lines 27, 28, 29, and 31. These are your **total other payments and refundable credits**		32
	33	Add lines 25d, 26, and 32. These are your **total payments**		33
Refund	34	If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you **overpaid**		34
	35a	Amount of line 34 you want **refunded to you**. If Form 8888 is attached, check here ☐		35a
Direct deposit? See instructions.	b	Routing number	c Type: ☐ Checking ☐ Savings	
	d	Account number		
	36	Amount of line 34 you want **applied to your 2024 estimated tax**	36	
Amount You Owe	37	Subtract line 33 from line 24. This is the **amount you owe**. For details on how to pay, go to *www.irs.gov/Payments* or see instructions		37
	38	Estimated tax penalty (see instructions)	38	

Third Party Designee

Do you want to allow another person to discuss this return with the IRS? See instructions ☐ **Yes.** Complete below. ☐ **No**

Designee's name | Phone no. | Personal identification number (PIN)

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature	Date	Your occupation	If the IRS sent you an Identity Protection PIN, enter it here (see inst.)
Spouse's signature. If a joint return, **both** must sign.	Date	Spouse's occupation	If the IRS sent your spouse an Identity Protection PIN, enter it here (see inst.)
Phone no.	Email address		

Joint return? See instructions. Keep a copy for your records.

Paid Preparer Use Only

Preparer's name	Preparer's signature	Date	PTIN	Check if: ☐ Self-employed
Firm's name				Phone no.
Firm's address				Firm's EIN

Go to *www.irs.gov/Form1040* for instructions and the latest information. Form **1040** (2023)

SCHEDULE 1 (Form 1040)

Department of the Treasury Internal Revenue Service

Additional Income and Adjustments to Income

Attach to Form 1040, 1040-SR, or 1040-NR.

Go to *www.irs.gov/Form1040* for instructions and the latest information.

OMB No. 1545-0074

2023

Attachment Sequence No. **01**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR | **Your social security number**

Part I Additional Income

1	Taxable refunds, credits, or offsets of state and local income taxes		1
2a	Alimony received		2a
b	Date of original divorce or separation agreement (see instructions): ______		
3	Business income or (loss). Attach Schedule C		3
4	Other gains or (losses). Attach Form 4797		4
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E		5
6	Farm income or (loss). Attach Schedule F		6
7	Unemployment compensation		7
8	Other income:		
a	Net operating loss	8a ( )	
b	Gambling	8b	
c	Cancellation of debt	8c	
d	Foreign earned income exclusion from Form 2555	8d ( )	
e	Income from Form 8853	8e	
f	Income from Form 8889	8f	
g	Alaska Permanent Fund dividends	8g	
h	Jury duty pay	8h	
i	Prizes and awards	8i	
j	Activity not engaged in for profit income	8j	
k	Stock options	8k	
l	Income from the rental of personal property if you engaged in the rental for profit but were not in the business of renting such property	8l	
m	Olympic and Paralympic medals and USOC prize money (see instructions)	8m	
n	Section 951(a) inclusion (see instructions)	8n	
o	Section 951A(a) inclusion (see instructions)	8o	
p	Section 461(l) excess business loss adjustment	8p	
q	Taxable distributions from an ABLE account (see instructions)	8q	
r	Scholarship and fellowship grants not reported on Form W-2	8r	
s	Nontaxable amount of Medicaid waiver payments included on Form 1040, line 1a or 1d	8s ( )	
t	Pension or annuity from a nonqualifed deferred compensation plan or a nongovernmental section 457 plan	8t	
u	Wages earned while incarcerated	8u	
z	Other income. List type and amount: ______	8z	
9	Total other income. Add lines 8a through 8z		9
10	Combine lines 1 through 7 and 9. This is your **additional income**. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8		10

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 71479F **Schedule 1 (Form 1040) 2023**

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Part II Adjustments to Income

11	Educator expenses			11	
12	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106			12	
13	Health savings account deduction. Attach Form 8889			13	
14	Moving expenses for members of the Armed Forces. Attach Form 3903			14	
15	Deductible part of self-employment tax. Attach Schedule SE			15	
16	Self-employed SEP, SIMPLE, and qualified plans			16	
17	Self-employed health insurance deduction			17	
18	Penalty on early withdrawal of savings			18	
19a	Alimony paid			19a	
b	Recipient's SSN				
c	Date of original divorce or separation agreement (see instructions):				
20	IRA deduction			20	
21	Student loan interest deduction			21	
22	Reserved for future use			22	
23	Archer MSA deduction			23	
24	Other adjustments:				
a	Jury duty pay (see instructions)	24a			
b	Deductible expenses related to income reported on line 8l from the rental of personal property engaged in for profit	24b			
c	Nontaxable amount of the value of Olympic and Paralympic medals and USOC prize money reported on line 8m	24c			
d	Reforestation amortization and expenses	24d			
e	Repayment of supplemental unemployment benefits under the Trade Act of 1974	24e			
f	Contributions to section 501(c)(18)(D) pension plans	24f			
g	Contributions by certain chaplains to section 403(b) plans	24g			
h	Attorney fees and court costs for actions involving certain unlawful discrimination claims (see instructions)	24h			
i	Attorney fees and court costs you paid in connection with an award from the IRS for information you provided that helped the IRS detect tax law violations	24i			
j	Housing deduction from Form 2555	24j			
k	Excess deductions of section 67(e) expenses from Schedule K-1 (Form 1041)	24k			
z	Other adjustments. List type and amount:	24z			
25	Total other adjustments. Add lines 24a through 24z			25	
26	Add lines 11 through 23 and 25. These are your **adjustments to income**. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 10			26	

Schedule 1 (Form 1040) 2023

SCHEDULE B (Form 1040)

Department of the Treasury
Internal Revenue Service

Interest and Ordinary Dividends

Attach to Form 1040 or 1040-SR.
Go to *www.irs.gov/ScheduleB* for instructions and the latest information.

OMB No. 1545-0074
2023
Attachment Sequence No. **08**

Name(s) shown on return | **Your social security number**

Part I Interest

(See instructions and the Instructions for Form 1040, line 2b.)

Note: If you received a Form 1099-INT, Form 1099-OID, or substitute statement from a brokerage firm, list the firm's name as the payer and enter the total interest shown on that form.

			Amount
1	List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see the instructions and list this interest first. Also, show that buyer's social security number and address:	1	
2	Add the amounts on line 1	2	
3	Excludable interest on series EE and I U.S. savings bonds issued after 1989. Attach Form 8815	3	
4	Subtract line 3 from line 2. Enter the result here and on Form 1040 or 1040-SR, line 2b	4	

Note: If line 4 is over $1,500, you must complete Part III.

Part II Ordinary Dividends

(See instructions and the Instructions for Form 1040, line 3b.)

Note: If you received a Form 1099-DIV or substitute statement from a brokerage firm, list the firm's name as the payer and enter the ordinary dividends shown on that form.

			Amount
5	List name of payer:	5	
6	Add the amounts on line 5. Enter the total here and on Form 1040 or 1040-SR, line 3b	6	

Note: If line 6 is over $1,500, you must complete Part III.

Part III Foreign Accounts and Trusts

Caution: If required, failure to file FinCEN Form 114 may result in substantial penalties. Additionally, you may be required to file Form 8938, Statement of Specified Foreign Financial Assets. See instructions.

You must complete this part if you (**a**) had over $1,500 of taxable interest or ordinary dividends; (**b**) had a foreign account; or (**c**) received a distribution from, or were a grantor of, or a transferor to, a foreign trust.

		Yes	**No**
7a	At any time during 2023, did you have a financial interest in or signature authority over a financial account (such as a bank account, securities account, or brokerage account) located in a foreign country? See instructions		
	If "Yes," are you required to file FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR), to report that financial interest or signature authority? See FinCEN Form 114 and its instructions for filing requirements and exceptions to those requirements		
b	If you are required to file FinCEN Form 114, list the name(s) of the foreign country(-ies) where the financial account(s) is (are) located:		
8	During 2023, did you receive a distribution from, or were you the grantor of, or transferor to, a foreign trust? If "Yes," you may have to file Form 3520. See instructions		

SCHEDULE E (Form 1040) Department of the Treasury Internal Revenue Service	**Supplemental Income and Loss** (From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.) Attach to Form 1040, 1040-SR, 1040-NR, or 1041. Go to *www.irs.gov/ScheduleE* for instructions and the latest information.	OMB No. 1545-0074 2023 Attachment Sequence No. 13

Name(s) shown on return	Your social security number

Part I **Income or Loss From Rental Real Estate and Royalties**

Note: If you are in the business of renting personal property, use **Schedule C**. See instructions. If you are an individual, report farm rental income or loss from **Form 4835** on page 2, line 40.

A Did you make any payments in 2023 that would require you to file Form(s) 1099? See instructions . . . . . ☐ **Yes** ☐ **No**

B If "Yes," did you or will you file required Form(s) 1099? . . . . ☐ **Yes** ☐ **No**

1a	Physical address of each property (street, city, state, ZIP code)
A	
B	
C	

1b	Type of Property (from list below)	**2** For each rental real estate property listed above, report the number of fair rental and personal use days. Check the QJV box only if you meet the requirements to file as a qualified joint venture. See instructions.		**Fair Rental Days**	**Personal Use Days**	**QJV**
A			**A**			☐
B			**B**			☐
C			**C**			☐

Type of Property:

1 Single Family Residence | 3 Vacation/Short-Term Rental | 5 Land | 7 Self-Rental

2 Multi-Family Residence | 4 Commercial | 6 Royalties | 8 Other (describe) ____________

			Properties: A	**B**	**C**
Income:					
3	Rents received	**3**			
4	Royalties received	**4**			
Expenses:					
5	Advertising	**5**			
6	Auto and travel (see instructions)	**6**			
7	Cleaning and maintenance	**7**			
8	Commissions	**8**			
9	Insurance	**9**			
10	Legal and other professional fees	**10**			
11	Management fees	**11**			
12	Mortgage interest paid to banks, etc. (see instructions)	**12**			
13	Other interest	**13**			
14	Repairs	**14**			
15	Supplies	**15**			
16	Taxes	**16**			
17	Utilities	**17**			
18	Depreciation expense or depletion	**18**			
19	Other (list) ____________	**19**			
20	Total expenses. Add lines 5 through 19	**20**			
21	Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a (loss), see instructions to find out if you must file **Form 6198**	**21**			
22	Deductible rental real estate loss after limitation, if any, on **Form 8582** (see instructions)	**22**	( )	( )	( )

23a	Total of all amounts reported on line 3 for all rental properties	**23a**	
b	Total of all amounts reported on line 4 for all royalty properties	**23b**	
c	Total of all amounts reported on line 12 for all properties	**23c**	
d	Total of all amounts reported on line 18 for all properties	**23d**	
e	Total of all amounts reported on line 20 for all properties	**23e**	

24	**Income.** Add positive amounts shown on line 21. **Do not** include any losses	**24**	
25	**Losses.** Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here	**25**	( )
26	**Total rental real estate and royalty income or (loss).** Combine lines 24 and 25. Enter the result here. If Parts II, III, and IV, and line 40 on page 2 do not apply to you, also enter this amount on Schedule 1 (Form 1040), line 5. Otherwise, include this amount in the total on line 41 on page 2 .	**26**	

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11344L Schedule E (Form 1040) 2023

Name(s) shown on return. Do not enter name and social security number if shown on other side. | **Your social security number**

Caution: The IRS compares amounts reported on your tax return with amounts shown on Schedule(s) K-1.

Part II Income or Loss From Partnerships and S Corporations

Note: If you report a loss, receive a distribution, dispose of stock, or receive a loan repayment from an S corporation, you **must** check the box in column (e) on line 28 and attach the required basis computation. If you report a loss from an at-risk activity for which **any** amount is **not** at risk, you **must** check the box in column (f) on line 28 and attach **Form 6198**. See instructions.

27 Are you reporting any loss not allowed in a prior year due to the at-risk or basis limitations, a prior year unallowed loss from a passive activity (if that loss was not reported on Form 8582), or unreimbursed partnership expenses? If you answered "Yes," see instructions before completing this section . . . ☐ **Yes** ☐ **No**

28	**(a)** Name	**(b)** Enter **P** for partnership; **S** for S corporation	**(c)** Check if foreign partnership	**(d)** Employer identification number	**(e)** Check if basis computation is required	**(f)** Check if any amount is not at risk
A			☐		☐	☐
B			☐		☐	☐
C			☐		☐	☐
D			☐		☐	☐

	Passive Income and Loss		Nonpassive Income and Loss		
	(g) Passive loss allowed (attach **Form 8582** if required)	**(h)** Passive income from **Schedule K-1**	**(i)** Nonpassive loss allowed (see **Schedule K-1**)	**(j)** Section 179 expense deduction from **Form 4562**	**(k)** Nonpassive income from **Schedule K-1**
A					
B					
C					
D					
29a Totals					
b Totals					

30	Add columns (h) and (k) of line 29a . . .	30	
31	Add columns (g), (i), and (j) of line 29b . . .	31	( )
32	**Total partnership and S corporation income or (loss).** Combine lines 30 and 31 . . .	32	

Part III Income or Loss From Estates and Trusts

33	**(a)** Name	**(b)** Employer identification number
A		
B		

	Passive Income and Loss		Nonpassive Income and Loss	
	(c) Passive deduction or loss allowed (attach **Form 8582** if required)	**(d)** Passive income from **Schedule K-1**	**(e)** Deduction or loss from **Schedule K-1**	**(f)** Other income from **Schedule K-1**
A				
B				
34a Totals				
b Totals				

35	Add columns (d) and (f) of line 34a . . .	35	
36	Add columns (c) and (e) of line 34b . . .	36	( )
37	**Total estate and trust income or (loss).** Combine lines 35 and 36 . . .	37	

Part IV Income or Loss From Real Estate Mortgage Investment Conduits (REMICs)—Residual Holder

38	**(a)** Name	**(b)** Employer identification number	**(c)** Excess inclusion from **Schedules Q**, line 2c (see instructions)	**(d)** Taxable income (net loss) from **Schedules Q**, line 1b	**(e)** Income from **Schedules Q**, line 3b

39	Combine columns (d) and (e) only. Enter the result here and include in the total on line 41 below .	39	

Part V Summary

40	Net farm rental income or (loss) from **Form 4835**. Also, complete line 42 below . . .	40	
41	**Total income or (loss).** Combine lines 26, 32, 37, 39, and 40. Enter the result here and on Schedule 1 (Form 1040), line 5 . . .	41	
42	**Reconciliation of farming and fishing income.** Enter your **gross** farming and fishing income reported on Form 4835, line 7; Schedule K-1 (Form 1065), box 14, code B; Schedule K-1 (Form 1120-S), box 17, code AN; and Schedule K-1 (Form 1041), box 14, code F. See instructions .	42	
43	**Reconciliation for real estate professionals.** If you were a real estate professional (see instructions), enter the net income or (loss) you reported anywhere on Form 1040, Form 1040-SR, or Form 1040-NR from all rental real estate activities in which you materially participated under the passive activity loss rules . . .	43	

Form **1116**

Department of the Treasury
Internal Revenue Service

Foreign Tax Credit

(Individual, Estate, or Trust)

Attach to Form 1040, 1040-SR, 1040-NR, 1041, or 990-T.
Go to *www.irs.gov/Form1116* for instructions and the latest information.

OMB No. 1545-0121
2023
Attachment Sequence No. **19**

Name | **Identifying number** as shown on page 1 of your tax return

Use a separate Form 1116 for each category of income listed below. See *Categories of Income* in the instructions. Check only one box on each Form 1116. Report all amounts in U.S. dollars except where specified in Part II below.

a ☐ Section 951A category income **c** ☐ Passive category income **e** ☐ Section 901(j) income **g** ☐ Lump-sum distributions
b ☐ Foreign branch category income **d** ☐ General category income **f** ☐ Certain income re-sourced by treaty

h Resident of (name of country)

Note: If you paid taxes to only one foreign country or U.S. possession, use column A in Part I and line A in Part II. If you paid taxes to **more than one** foreign country or U.S. possession, use a separate column and line for each country or possession.

Part I Taxable Income or Loss From Sources Outside the United States (for category checked above)

		Foreign Country or U.S. Possession			Total
		A	B	C	(Add cols. A, B, and C.)
i	**Enter the name of the foreign country or U.S. possession**				
1a	Gross income from sources within country shown above and of the type checked above (see instructions):				1a
b	Check if line 1a is compensation for personal services as an employee, your total compensation from all sources is $250,000 or more, and you used an alternative basis to determine its source. See instructions . . . ☐				
	Deductions and losses (**Caution:** See instructions.):				
2	Expenses **definitely related** to the income on line 1a (attach statement)				
3	Pro rata share of other deductions **not definitely related:**				
a	Certain itemized deductions or standard deduction (see instructions)				
b	Other deductions (attach statement)				
c	Add lines 3a and 3b				
d	Gross foreign source income (see instructions) .				
e	Gross income from all sources (see instructions) .				
f	Divide line 3d by line 3e (see instructions) . . .				
g	Multiply line 3c by line 3f				
4	Pro rata share of interest expense (see instructions):				
a	Home mortgage interest (use the Worksheet for Home Mortgage Interest in the instructions) . .				
b	Other interest expense				
5	Losses from foreign sources				
6	Add lines 2, 3g, 4a, 4b, and 5				6
7	Subtract line 6 from line 1a. Enter the result here and on line 15, page 2				7

Part II Foreign Taxes Paid or Accrued (see instructions)

Country	Credit is claimed for taxes (you must check one) (j) ☐ Paid (k) ☐ Accrued	Foreign taxes paid or accrued								
		In foreign currency				In U.S. dollars				
		Taxes withheld at source on:			(p) Other foreign taxes paid or accrued	Taxes withheld at source on:			(t) Other foreign taxes paid or accrued	(u) Total foreign taxes paid or accrued (add cols. (q) through (t))
	(l) Date paid or accrued	(m) Dividends	(n) Rents and royalties	(o) Interest		(q) Dividends	(r) Rents and royalties	(s) Interest		
A										
B										
C										

8 **Add lines A through C, column (u). Enter the total here and on line 9, page 2** **8**

For Paperwork Reduction Act Notice, see instructions. Cat. No. 11440U Form **1116** (2023)

Part III Figuring the Credit

9	Enter the amount from line 8. These are your total foreign taxes paid or accrued for the category of income checked above Part I	9			
10	Enter the sum of any carryover of foreign taxes (from Schedule B, line 3, column (xiv)) plus any carrybacks to the current tax year. If you enter an amount on line 10 and you don't need to attach Schedule B, check here (see instructions) ☐	10			
	(If your income was section 951A category income (box a above Part I), leave line 10 blank.)				
11	Add lines 9 and 10	11			
12	Reduction in foreign taxes (see instructions)	12	( )		
13	Taxes reclassified under high tax kickout (see instructions)	13			
14	Combine lines 11, 12, and 13. This is the total amount of foreign taxes available for credit			14	
15	Enter the amount from line 7. This is your taxable income or (loss) from sources outside the United States (before adjustments) for the category of income checked above Part I. See instructions	15			
16	Adjustments to line 15 (see instructions)	16			
17	Combine the amounts on lines 15 and 16. This is your net foreign source taxable income. (If the result is zero or less, you have no foreign tax credit for the category of income you checked above Part I. Skip lines 18 through 24. However, if you are filing more than one Form 1116, you must complete line 20.)	17			
18	**Individuals:** Enter the amount from line 15 of your Form 1040, 1040-SR, or 1040-NR. **Estates and trusts:** Enter your taxable income without the deduction for your exemption	18			
	Caution: If you figured your tax using the lower rates on qualified dividends or capital gains, see instructions.				
19	Divide line 17 by line 18. If line 17 is more than line 18, enter "1"			19	
20	**Individuals:** Enter the total of Form 1040, 1040-SR, or 1040-NR, line 16, and Schedule 2 (Form 1040), line 2. **Estates and trusts:** Enter the amount from Form 1041, Schedule G, line 1a; or the total of Form 990-T, Part II, lines 2, 3, 4, and 6. Foreign estates and trusts should enter the amount from Form 1040-NR, line 16. See instructions			20	
	Caution: If you are completing line 20 for separate category **g** (lump-sum distributions), or, if you file Form 8978, Partner's Additional Reporting Year Tax, see instructions.				
21	Multiply line 20 by line 19 (maximum amount of credit)			21	
22	Increase in limitation (section 960(c)) (see instructions)			22	
23	Add lines 21 and 22			23	
24	Enter the **smaller** of line 14 or line 23. If this is the only Form 1116 you are filing, skip lines 25 through 32 and enter this amount on line 33. Otherwise, complete the appropriate line in Part IV. See instructions			24	

Part IV Summary of Credits From Separate Parts III (see instructions)

25	Credit for taxes on section 951A category income	25			
26	Credit for taxes on foreign branch category income	26			
27	Credit for taxes on passive category income	27			
28	Credit for taxes on general category income	28			
29	Credit for taxes on section 901(j) income	29			
30	Credit for taxes on certain income re-sourced by treaty	30			
31	Credit for taxes on lump-sum distributions	31			
32	Add lines 25 through 31			32	
33	Enter the **smaller** of line 20 or line 32			33	
34	Reduction of credit for international boycott operations. See instructions for line 12			34	
35	Subtract line 34 from line 33. This is your **foreign tax credit**. Enter here and on Schedule 3 (Form 1040), line 1; Form 1041, Schedule G, line 2a; or Form 990-T, Part III, line 1a			35	

Form **2555**

Department of the Treasury
Internal Revenue Service

Foreign Earned Income

Attach to Form 1040 or 1040-SR.
Go to *www.irs.gov/Form2555* for instructions and the latest information.

OMB No. 1545-0074
2023
Attachment Sequence No. **34**

For Use by U.S. Citizens and Resident Aliens Only

Name shown on Form 1040 or 1040-SR | **Your social security number**

Part I General Information

1 Your foreign address (including country) | 2 Your occupation

3 Employer's name

4a Employer's U.S. address

b Employer's foreign address

5 Employer is (check any that apply): **a** ☐ A foreign entity **b** ☐ A U.S. company **c** ☐ Self **d** ☐ A foreign affiliate of a U.S. company **e** ☐ Other (specify)

6a If you previously filed Form 2555 or Form 2555-EZ, enter the last year you filed the form.

b If you didn't previously file Form 2555 or Form 2555-EZ to claim either of the exclusions, check here ☐ and go to line 7.

c Have you ever revoked either of the exclusions? . . . . . ☐ **Yes** ☐ **No**

d If you answered "Yes," enter the type of exclusion and the tax year for which the revocation was effective.

7 Of what country are you a citizen/national?

8a Did you maintain a separate foreign residence for your family because of adverse living conditions at your tax home? See ***Second foreign household*** in the instructions . . . . . ☐ **Yes** ☐ **No**

b If "Yes," enter city and country of the separate foreign residence. Also, enter the number of days during your tax year that you maintained a second household at that address.

9 List your tax home(s) during your tax year and date(s) established.

Next, complete either Part II or Part III. If an item doesn't apply, enter "N/A." If you don't give the information asked for, any exclusion or deduction you claim may be disallowed.

Part II Taxpayers Qualifying Under Bona Fide Residence Test

Note: Only U.S. citizens and resident aliens who are citizens or nationals of U.S. treaty countries can use this test. See instructions.

10 Date bona fide residence began , and ended

11 Kind of living quarters in foreign country: **a** ☐ Purchased house **b** ☐ Rented house or apartment **c** ☐ Rented room **d** ☐ Quarters furnished by employer

12a Did any of your family live with you abroad during any part of the tax year? . . . . . ☐ **Yes** ☐ **No**

b If "Yes," who and for what period?

13a Have you submitted a statement to the authorities of the foreign country where you claim bona fide residence that you aren't a resident of that country? See instructions . . . . . ☐ **Yes** ☐ **No**

b Are you required to pay income tax to the country where you claim bona fide residence? See instructions . ☐ **Yes** ☐ **No**

If you answered "Yes" to 13a and "No" to 13b, you don't qualify as a bona fide resident. Don't complete the rest of this part.

14 If you were present in the United States or its territories during the tax year, complete columns **(a)–(d)** below. **Don't** include the income from column **(d)** in Part IV, but report it on Form 1040 or 1040-SR.

(a) Date arrived in U.S.	**(b)** Date left U.S.	**(c)** Number of days in U.S. on business	**(d)** Income earned in U.S. on business (attach computation)	**(a)** Date arrived in U.S.	**(b)** Date left U.S.	**(c)** Number of days in U.S. on business	**(d)** Income earned in U.S. on business (attach computation)

15a List any contractual terms or other conditions relating to the length of your employment abroad.

b Enter the type of visa under which you entered the foreign country.

c Did your visa limit the length of your stay or employment in a foreign country? If "Yes," attach explanation . ☐ **Yes** ☐ **No**

d Did you maintain a home in the United States while living abroad? . . . . . ☐ **Yes** ☐ **No**

e If "Yes," enter address of your home, whether it was rented, the names of the occupants, and their relationship to you.

For Paperwork Reduction Act Notice, see the Instructions for Form 1040. Cat. No. 11900P Form **2555** (2023)

Part III Taxpayers Qualifying Under Physical Presence Test

Note: U.S. citizens and all resident aliens can use this 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.

(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)

Part IV All Taxpayers

Note: Enter on lines 19 through 23 all income, including noncash income, you earned and actually or constructively received during your 2023 tax year for services you performed in a foreign country. If any of the foreign earned income received this tax year was earned in a prior tax year, or will be earned in a later tax year (such as a bonus), see the instructions. **Don't** include income from line 14, column **(d)**, or line 18, column **(f)**. Report amounts in U.S. dollars, using the exchange rates in effect when you actually or constructively received the income.

If you are a cash basis taxpayer, report on Form 1040 or 1040-SR all income you received in 2023, no matter when you performed the service.

	2023 Foreign Earned Income				**Amount (in U.S. dollars)**
19	Total wages, salaries, bonuses, commissions, etc.			**19**	
20	Allowable share of income for personal services performed (see instructions):				
a	In a business (including farming) or profession			**20a**	
b	In a partnership. List partnership's name and address and type of income. ______________			**20b**	
21	Noncash income (market value of property or facilities furnished by employer—attach statement showing how it was determined):				
a	Home (lodging)			**21a**	
b	Meals			**21b**	
c	Car			**21c**	
d	Other property or facilities. List type and amount. ______________			**21d**	
22	Allowances, reimbursements, or expenses paid on your behalf for services you performed:				
a	Cost of living and overseas differential	**22a**			
b	Family	**22b**			
c	Education	**22c**			
d	Home leave	**22d**			
e	Quarters	**22e**			
f	For any other purpose. List type and amount. ______________	**22f**			
g	Add lines 22a through 22f			**22g**	
23	Other foreign earned income. List type and amount. ______________			**23**	
24	Add lines 19 through 21d, line 22g, and line 23			**24**	
25	Total amount of meals and lodging included on line 24 that is excludable (see instructions)			**25**	
26	Subtract line 25 from line 24. Enter the result here and on line 27 on page 3. This is your **2023 foreign earned income**			**26**	

Form **2555** (2023)

Part V **All Taxpayers**

27	Enter the amount from line 26	27	
	Are you claiming the housing exclusion or housing deduction? ☐ **Yes.** Complete Part VI. ☐ **No.** Go to Part VII.		

Part VI **Taxpayers Claiming the Housing Exclusion and/or Deduction**

28	Qualified housing expenses for the tax year (see instructions)	28	
29a	Enter location where housing expenses incurred. See instructions.		
b	Enter limit on housing expenses. See instructions	29b	
30	Enter the **smaller** of line 28 or line 29b	30	
31	Number of days in your qualifying period that fall within your 2023 tax year (see instructions) — 31 ____ days		
32	Multiply $52.60 by the number of days on line 31. If 365 is entered on line 31, enter $19,200 here	32	
33	Subtract line 32 from line 30. If the result is zero or less, don't complete the rest of this part or any of Part IX	33	
34	Enter employer-provided amounts. See instructions — 34 ____		
35	Divide line 34 by line 27. Enter the result as a decimal (rounded to at least three places), but don't enter more than "1.000"	35	.
36	**Housing exclusion.** Multiply line 33 by line 35. Enter the result but don't enter more than the amount on line 34. Also, complete Part VIII	36	
	Note: The housing deduction is figured in Part IX. If you choose to claim the foreign earned income exclusion, complete Parts VII and VIII before Part IX.		

Part VII **Taxpayers Claiming the Foreign Earned Income Exclusion**

37	Maximum foreign earned income exclusion. Enter $120,000	37	
38	• If you completed Part VI, enter the number from line 31. • All others, enter the number of days in your qualifying period that fall within your 2023 tax year. See the instructions for line 31. — 38 ____ days		
39	• If line 38 and the number of days in your 2023 tax year (usually 365) are the same, enter "1.000." • Otherwise, divide line 38 by the number of days in your 2023 tax year and enter the result as a decimal (rounded to at least three places).	39	.
40	Multiply line 37 by line 39	40	
41	Subtract line 36 from line 27	41	
42	**Foreign earned income exclusion.** Enter the **smaller** of line 40 or line 41. Also, complete Part VIII	42	

Part VIII **Taxpayers Claiming the Housing Exclusion, Foreign Earned Income Exclusion, or Both**

43	Add lines 36 and 42	43	
44	Deductions allowed in figuring your adjusted gross income (Form 1040 or 1040-SR, line 11) that are allocable to the excluded income. See instructions and attach computation	44	
45	Subtract line 44 from line 43. Enter the result here and on Schedule 1 (Form 1040), line 8d. Complete the Foreign Earned Income Tax Worksheet in the Instructions for Form 1040 if you enter an amount on this line	45	

Part IX **Taxpayers Claiming the Housing Deduction—**Complete this part only if **(a)** line 33 is more than line 36, and **(b)** line 27 is more than line 43.

46	Subtract line 36 from line 33	46	
47	Subtract line 43 from line 27	47	
48	Enter the **smaller** of line 46 or line 47	48	
	Note: If line 47 is **more than** line 48 and you couldn't deduct all of your 2022 housing deduction because of the 2022 limit, use the Housing Deduction Carryover Worksheet in the instructions to figure the amount to enter on line 49. Otherwise, go to line 50.		
49	Housing deduction carryover from 2022 (from the Housing Deduction Carryover Worksheet in the instructions)	49	
50	**Housing deduction.** Add lines 48 and 49. Enter the total here and on Schedule 1 (Form 1040), line 24j. Complete the Foreign Earned Income Tax Worksheet in the Instructions for Form 1040 if you enter an amount on this line	50	

Form **2555** (2023)

Form **8582**

Department of the Treasury
Internal Revenue Service

Passive Activity Loss Limitations

See separate instructions.
Attach to Form 1040, 1040-SR, or 1041.
Go to *www.irs.gov/Form8582* for instructions and the latest information.

OMB No. 1545-1008
2023
Attachment Sequence No. 858

Name(s) shown on return | Identifying number

Part I 2023 Passive Activity Loss

Caution: Complete Parts IV and V before completing Part I.

Rental Real Estate Activities With Active Participation (For the definition of active participation, see ***Special Allowance for Rental Real Estate Activities*** in the instructions.)

1a Activities with net income (enter the amount from Part IV, column (a))	1a		
b Activities with net loss (enter the amount from Part IV, column (b))	1b	( )	
c Prior years' unallowed losses (enter the amount from Part IV, column (c))	1c	( )	
d Combine lines 1a, 1b, and 1c			1d

All Other Passive Activities

2a Activities with net income (enter the amount from Part V, column (a))	2a		
b Activities with net loss (enter the amount from Part V, column (b))	2b	( )	
c Prior years' unallowed losses (enter the amount from Part V, column (c))	2c	( )	
d Combine lines 2a, 2b, and 2c			2d

3 Combine lines 1d and 2d and subtract any prior year unallowed CRD. See instructions. If this line is zero or more, stop here and include this form with your return; all losses are allowed, including any prior year unallowed losses entered on line 1c or 2c. Report the losses on the forms and schedules normally used . . . **3**

If line 3 is a loss and:
- Line 1d is a loss, go to Part II.
- Line 2d is a loss (and line 1d is zero or more), skip Part II and go to line 10.

Caution: If your filing status is married filing separately and you lived with your spouse at any time during the year, **do not** complete Part II. Instead, go to line 10.

Part II Special Allowance for Rental Real Estate Activities With Active Participation

Note: Enter all numbers in Part II as positive amounts. See instructions for an example.

4 Enter the **smaller** of the loss on line 1d or the loss on line 3			4
5 Enter $150,000. If married filing separately, see instructions	5		
6 Enter modified adjusted gross income, but not less than zero. See instructions	6		
Note: If line 6 is greater than or equal to line 5, skip lines 7 and 8 and enter -0- on line 9. Otherwise, go to line 7.			
7 Subtract line 6 from line 5	7		
8 Multiply line 7 by 50% (0.50). **Do not** enter more than $25,000. If married filing separately, see instructions			8
9 Enter the **smaller** of line 4 or line 8. If line 3 includes any CRD, see instructions			9

Part III Total Losses Allowed

10 Add the income, if any, on lines 1a and 2a and enter the total	10
11 **Total losses allowed from all passive activities for 2023.** Add lines 9 and 10. See instructions to find out how to report the losses on your tax return	11

Part IV Complete This Part Before Part I, Lines 1a, 1b, and 1c. See instructions.

Name of activity	Current year		Prior years	Overall gain or loss	
	(a) Net income (line 1a)	**(b)** Net loss (line 1b)	**(c)** Unallowed loss (line 1c)	**(d)** Gain	**(e)** Loss
Total. Enter on Part I, lines 1a, 1b, and 1c					

For Paperwork Reduction Act Notice, see instructions. Cat. No. 63704F Form **8582** (2023)

Form 8582 (2023) Page 2

Part V **Complete This Part Before Part I, Lines 2a, 2b, and 2c.** See instructions.

Name of activity	Current year		Prior years	Overall gain or loss	
	(a) Net income (line 2a)	**(b)** Net loss (line 2b)	**(c)** Unallowed loss (line 2c)	**(d)** Gain	**(e)** Loss
Total. Enter on Part I, lines 2a, 2b, and 2c					

Part VI **Use This Part if an Amount Is Shown on Part II, Line 9.** See instructions.

Name of activity	Form or schedule and line number to be reported on (see instructions)	**(a)** Loss	**(b)** Ratio	**(c)** Special allowance	**(d)** Subtract column (c) from column (a).
Total			1.00		

Part VII **Allocation of Unallowed Losses.** See instructions.

Name of activity	Form or schedule and line number to be reported on (see instructions)	**(a)** Loss	**(b)** Ratio	**(c)** Unallowed loss
Total			1.00	

Part VIII **Allowed Losses.** See instructions.

Name of activity	Form or schedule and line number to be reported on (see instructions)	**(a)** Loss	**(b)** Unallowed loss	**(c)** Allowed loss
Total				

Form **8582** (2023)

Part IX Activities With Losses Reported on Two or More Forms or Schedules. See instructions.

Name of activity:	(a)	(b)	(c) Ratio	(d) Unallowed loss	(e) Allowed loss
Form or schedule and line number to be reported on (see instructions):					
1a Net loss plus prior year unallowed loss from form or schedule . .					
b Net income from form or schedule					
c Subtract line 1b from line 1a. If zero or less, enter -0-					
Form or schedule and line number to be reported on (see instructions):					
1a Net loss plus prior year unallowed loss from form or schedule . .					
b Net income from form or schedule					
c Subtract line 1b from line 1a. If zero or less, enter -0-					
Form or schedule and line number to be reported on (see instructions):					
1a Net loss plus prior year unallowed loss from form or schedule . .					
b Net income from form or schedule					
c Subtract line 1b from line 1a. If zero or less, enter -0-					
Total			1.00		

Form **8582** (2023)

Form **5471**

(Rev. December 2022)

Department of the Treasury
Internal Revenue Service

Information Return of U.S. Persons With Respect to Certain Foreign Corporations

Go to *www.irs.gov/Form5471* for instructions and the latest information.

OMB No. 1545-0123

Attachment Sequence No. **121**

Information furnished for the foreign corporation's annual accounting period (tax year required by section 898) (see instructions) beginning , 20 , and ending , 20

Name of person filing this return

A Identifying number

Number, street, and room or suite no. (or P.O. box number if mail is not delivered to street address)

B Category of filer (See instructions. Check applicable box(es).):
1a ☐ 1b ☐ 1c ☐ 2 ☐ 3 ☐ 4 ☐ 5a ☐ 5b ☐ 5c ☐

City or town, state, and ZIP code

C Enter the total percentage of the foreign corporation's voting stock you owned at the end of its annual accounting period %

Filer's tax year beginning , 20 , and ending , 20

D Check box if this is a final Form 5471 for the foreign corporation . . . ☐

E Check if any excepted specified foreign financial assets are reported on this form (see instructions) . . . ☐

F Check the box if this Form 5471 has been completed using "Alternative Information" under Rev. Proc. 2019-40 . . . ☐

G If the box on line F is checked, enter the corresponding code for "Alternative Information" (see instructions) . . .

H Person(s) on whose behalf this information return is filed:

(1) Name	(2) Address	(3) Identifying number	(4) Check applicable box(es)		
			Shareholder	Officer	Director

Important: *Fill in all applicable lines and schedules. All information* ***must*** *be in English. All amounts* ***must*** *be stated in U.S. dollars unless otherwise indicated.*

1a Name and address of foreign corporation

b(1) Employer identification number, if any

b(2) Reference ID number (see instructions)

c Country under whose laws incorporated

d Date of incorporation	e Principal place of business	f Principal business activity code number	g Principal business activity	h Functional currency code

2 Provide the following information for the foreign corporation's accounting period stated above.

a Name, address, and identifying number of branch office or agent (if any) in the United States

b If a U.S. income tax return was filed, enter:

(i) Taxable income or (loss)	(ii) U.S. income tax paid (after all credits)

c Name and address of foreign corporation's statutory or resident agent in country of incorporation

d Name and address (including corporate department, if applicable) of person (or persons) with custody of the books and records of the foreign corporation, and the location of such books and records, if different

Schedule A Stock of the Foreign Corporation

(a) Description of each class of stock	(b) Number of shares issued and outstanding	
	(i) Beginning of annual accounting period	(ii) End of annual accounting period

For Paperwork Reduction Act Notice, see instructions. Cat. No. 49958V Form **5471** (Rev. 12-2022)

Schedule B Shareholders of Foreign Corporation

Part I U.S. Shareholders of Foreign Corporation (see instructions)

(a) Name, address, and identifying number of shareholder	(b) Description of each class of stock held by shareholder. **Note:** This description should match the corresponding description entered in Schedule A, column (a).	(c) Number of shares held at beginning of annual accounting period	(d) Number of shares held at end of annual accounting period	(e) Pro rata share of subpart F income (enter as a percentage)

Part II Direct Shareholders of Foreign Corporation (see instructions)

(a) Name, address, and identifying number of shareholder. Also, include country of incorporation or formation, if applicable.	(b) Description of each class of stock held by shareholder. **Note:** This description should match the corresponding description entered in Schedule A, column (a).	(c) Number of shares held at beginning of annual accounting period	(d) Number of shares held at end of annual accounting period

Form 5471 (Rev. 12-2022) Page **3**

Schedule C **Income Statement** (see instructions)

Important: *Report all information in functional currency in accordance with U.S. generally accepted accounting principles (GAAP). Also, report each amount in U.S. dollars translated from functional currency (using GAAP translation rules). However, if the functional currency is the U.S. dollar, complete only the U.S. Dollars column. See instructions for special rules for dollar approximate separate transactions method (DASTM) corporations.*

				Functional Currency	U.S. Dollars
Income	1a	Gross receipts or sales	1a		
	b	Returns and allowances	1b		
	c	Subtract line 1b from line 1a	1c		
	2	Cost of goods sold	2		
	3	Gross profit (subtract line 2 from line 1c)	3		
	4	Dividends	4		
	5	Interest	5		
	6a	Gross rents	6a		
	b	Gross royalties and license fees	6b		
	7	Net gain or (loss) on sale of capital assets	7		
	8a	Foreign currency transaction gain or loss—unrealized	8a		
	b	Foreign currency transaction gain or loss—realized	8b		
	9	Other income (attach statement)	9		
	10	Total income (add lines 3 through 9)	10		
Deductions	11	Compensation not deducted elsewhere	11		
	12a	Rents	12a		
	b	Royalties and license fees	12b		
	13	Interest	13		
	14	Depreciation not deducted elsewhere	14		
	15	Depletion	15		
	16	Taxes (exclude income tax expense (benefit))	16		
	17	Other deductions (attach statement—exclude income tax expense (benefit))	17		
	18	Total deductions (add lines 11 through 17)	18		
Net Income	19	Net income or (loss) before unusual or infrequently occurring items, and income tax expense (benefit) (subtract line 18 from line 10)	19		
	20	Unusual or infrequently occurring items	20		
	21a	Income tax expense (benefit)—current	21a		
	b	Income tax expense (benefit)—deferred	21b		
	22	Current year net income or (loss) per books (combine lines 19 through 21b)	22		
Other Comprehensive Income	23a	Foreign currency translation adjustments	23a		
	b	Other	23b		
	c	Income tax expense (benefit) related to other comprehensive income	23c		
	24	Other comprehensive income (loss), net of tax (line 23a plus line 23b less line 23c)	24		

Form **5471** (Rev. 12-2022)

Form 5471 (Rev. 12-2022) Page **4**

Schedule F Balance Sheet

Important: *Report all amounts in U.S. dollars prepared and translated in accordance with U.S. GAAP. See instructions for an exception for DASTM corporations.*

	Assets		(a) Beginning of annual accounting period	(b) End of annual accounting period
1	Cash	1		
2a	Trade notes and accounts receivable	2a		
b	Less allowance for bad debts	2b	( )	( )
3	Derivatives	3		
4	Inventories	4		
5	Other current assets (attach statement)	5		
6	Loans to shareholders and other related persons	6		
7	Investment in subsidiaries (attach statement)	7		
8	Other investments (attach statement)	8		
9a	Buildings and other depreciable assets	9a		
b	Less accumulated depreciation	9b	( )	( )
10a	Depletable assets	10a		
b	Less accumulated depletion	10b	( )	( )
11	Land (net of any amortization)	11		
12	Intangible assets:			
a	Goodwill	12a		
b	Organization costs	12b		
c	Patents, trademarks, and other intangible assets	12c		
d	Less accumulated amortization for lines 12a, 12b, and 12c	12d	( )	( )
13	Other assets (attach statement)	13		
14	Total assets	14		
	Liabilities and Shareholders' Equity			
15	Accounts payable	15		
16	Other current liabilities (attach statement)	16		
17	Derivatives	17		
18	Loans from shareholders and other related persons	18		
19	Other liabilities (attach statement)	19		
20	Capital stock:			
a	Preferred stock	20a		
b	Common stock	20b		
21	Paid-in or capital surplus (attach reconciliation)	21		
22	Retained earnings	22		
23	Less cost of treasury stock	23	( )	( )
24	Total liabilities and shareholders' equity	24		

Schedule G Other Information

		Yes	No
1	During the tax year, did the foreign corporation own at least a 10% interest, directly or indirectly, in any foreign partnership? If "Yes," see the instructions for required statement.		
2	During the tax year, did the foreign corporation own an interest in any trust?		
3	During the tax year, did the foreign corporation own any foreign entities that were disregarded as separate from their owner under Regulations sections 301.7701-2 and 301.7701-3 or did the foreign corporation own any foreign branches (see instructions)? If "Yes," you are generally required to attach Form 8858 for each entity or branch (see instructions).		
4a	During the tax year, did the filer pay or accrue any base erosion payment under section 59A(d) to the foreign corporation or did the filer have a base erosion tax benefit under section 59A(c)(2) with respect to a base erosion payment made or accrued to the foreign corporation (see instructions)? If "Yes," complete lines 4b and 4c.		
b	Enter the total amount of the base erosion payments . . . $		
c	Enter the total amount of the base erosion tax benefits . . . $		
5a	During the tax year, did the foreign corporation pay or accrue any interest or royalty for which the deduction is not allowed under section 267A? If "Yes," complete line 5b.		
b	Enter the total amount of the disallowed deductions (see instructions) . . . $		

Schedule G **Other Information** *(continued)*

		Yes	No
6a	Is the filer claiming a foreign-derived intangible income (FDII) deduction (under section 250) with respect to any transactions with the foreign corporation? . . . . If "Yes," complete lines 6b, 6c, and 6d. See instructions.		
b	Enter the amount of gross receipts derived from all sales of general property to the foreign corporation that the filer included in its computation of foreign-derived deduction eligible income (FDDEI) . . . $		
c	Enter the amount of gross receipts derived from all sales of intangible property to the foreign corporation that the filer included in its computation of FDDEI . . . . $		
d	Enter the amount of gross receipts derived from all services provided to the foreign corporation that the filer included in its computation of FDDEI . . . . $		
7	During the tax year, was the foreign corporation a participant in any cost sharing arrangement? . . . . If the answer to question 7 is "Yes," complete a separate Schedule G-1 for each cost sharing arrangement in which the foreign corporation was a participant during the tax year.		
8	From April 25, 2014, to December 31, 2017, did the foreign corporation purchase stock or securities of a shareholder of the foreign corporation for use in a triangular reorganization (within the meaning of Regulations section 1.358-6(b)(2))?		
9a	Did the foreign corporation receive any intangible property in a prior year or the current tax year for which the U.S. transferor is required to report a section 367(d) annual income inclusion for the tax year? . . . . If "Yes," go to line 9b.		
b	Enter in functional currency the amount of the earnings and profits reduction pursuant to section 367(d)(2)(B) for the tax year		
10	During the tax year, was the foreign corporation an expatriated foreign subsidiary under Regulations section 1.7874-12(a)(9)? . . . . If "Yes," see instructions and attach statement.		
11	During the tax year, did the foreign corporation participate in any reportable transaction as defined in Regulations section 1.6011-4? . . . . If "Yes," attach Form(s) 8886 if required by Regulations section 1.6011-4(c)(3)(i)(G).		
12	During the tax year, did the foreign corporation pay or accrue any foreign tax that was disqualified for credit under section 901(m)?		
13	During the tax year, did the foreign corporation pay or accrue foreign taxes to which section 909 applies, or treat foreign taxes that were previously suspended under section 909 as no longer suspended?		
14	Did you answer "Yes" to any of the questions in the instructions for line 14? . . . . If "Yes," enter the corresponding code(s) from the instructions and attach statement		
15	Does the foreign corporation have interest expense disallowed under section 163(j) (see instructions)? . . . . . If "Yes," enter the amount . . . . $		
16	Does the foreign corporation have previously disallowed interest expense under section 163(j) carried forward to the current tax year (see instructions)? . . . . If "Yes," enter the amount . . . . $		
17a	Did any extraordinary reduction with respect to a controlling section 245A shareholder occur during the tax year (see instructions)?		
b	If the answer to question 17a is "Yes," was an election made to close the tax year such that no amount is treated as an extraordinary reduction amount or tiered extraordinary reduction amount (see instructions)?		
18	Does the reporting corporation have any loan to or from the related party to which the safe-haven rate rules of Regulations section 1.482-2(a)(2)(iii)(B) are applicable, and for which the reporting corporation used a rate of interest within the safe-haven range of Regulations section 1.482-2(a)(2)(iii)(B)(1) (100% to 130% of the AFR for the relevant term)?		
19a	Did the reporting corporation make at least one distribution or acquisition (as defined by Regulations section 1.385-3) during the period including the tax year and the preceding 3 tax years, or, during the period beginning 36 months before the date of the respective distribution or acquisition and ending 36 months afterward, did the reporting corporation issue or refinance indebtedness owed to a related party?		
b	If the answer to question 19a is "Yes," provide the following. **(1)** The amount of such distribution(s) and acquisition(s) . . . . $ **(2)** The amount of such related party indebtedness . . . . $		

Form **5471** (Rev. 12-2022)

Schedule I **Summary of Shareholder's Income From Foreign Corporation** (see instructions)

If item H on page 1 is completed, a separate Schedule I must be filed for each Category 4, 5a, or 5b filer for whom reporting is furnished on this Form 5471. This Schedule I is being completed for:

Name of U.S. shareholder Identifying number

1a	Section 964(e)(4) subpart F dividend income from the sale of stock of a lower-tier foreign corporation (see instructions)	**1a**	
b	Section 245A(e)(2) subpart F income from hybrid dividends of tiered corporations (see instructions)	**1b**	
c	Subpart F income from tiered extraordinary disposition amounts not eligible for subpart F exception under section 954(c)(6)	**1c**	
d	Subpart F income from tiered extraordinary reduction amounts not eligible for subpart F exception under section 954(c)(6)	**1d**	
e	Section 954(c) Subpart F Foreign Personal Holding Company Income (enter result from Worksheet A)	**1e**	
f	Section 954(d) Subpart F Foreign Base Company Sales Income (enter result from Worksheet A)	**1f**	
g	Section 954(e) Subpart F Foreign Base Company Services Income (enter result from Worksheet A)	**1g**	
h	Other subpart F income (enter result from Worksheet A)	**1h**	
2	Earnings invested in U.S. property (enter the result from Worksheet B)	**2**	
3	Reserved for future use	**3**	
4	Factoring income	**4**	
	See instructions for reporting amounts on lines 1, 2, and 4 on your income tax return.		
5a	Section 245A eligible dividends (see instructions)	**5a**	
b	Extraordinary disposition amounts (see instructions)	**5b**	
c	Extraordinary reduction amounts (see instructions)	**5c**	
d	Section 245A(e) dividends (see instructions)	**5d**	
e	Dividends not reported on line 5a, 5b, 5c, or 5d	**5e**	
6	Exchange gain or (loss) on a distribution of previously taxed earnings and profits	**6**	

		Yes	No
7a	Was any income of the foreign corporation blocked?		
b	Did any such income become unblocked during the tax year (see section 964(b))?		

If the answer to either question is "Yes," attach an explanation.

8a	Did this U.S. shareholder have an extraordinary disposition (ED) account with respect to the foreign corporation at any time during the tax year (see instructions)?		

b If the answer to question 8a is "Yes," enter the U.S. shareholder's ED account balance at the beginning of the CFC year $__________ and at the end of the tax year $__________. Provide an attachment detailing any changes from the beginning to the ending balances.

c Enter the CFC's aggregate ED account balance with respect to all U.S. shareholders at the beginning of the CFC year $__________ and at the end of the tax year $__________. Provide an attachment detailing any changes from the beginning to the ending balances.

9 Enter the sum of the hybrid deduction accounts with respect to stock of the foreign corporation (see instructions) $

Form **5471** (Rev. 12-2022)

Form **4562**

Department of the Treasury
Internal Revenue Service

Depreciation and Amortization
(Including Information on Listed Property)

Attach to your tax return.

Go to *www.irs.gov/Form4562* for instructions and the latest information.

OMB No. 1545-0172

2023

Attachment Sequence No. **179**

Name(s) shown on return	Business or activity to which this form relates	**Identifying number**

Part I **Election To Expense Certain Property Under Section 179**
Note: If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount (see instructions)	1	
2	Total cost of section 179 property placed in service (see instructions)	2	
3	Threshold cost of section 179 property before reduction in limitation (see instructions)	3	
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions	5	

6	**(a)** Description of property	**(b)** Cost (business use only)	**(c)** Elected cost

7	Listed property. Enter the amount from line 29	7	
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	
9	Tentative deduction. Enter the **smaller** of line 5 or line 8	9	
10	Carryover of disallowed deduction from line 13 of your 2022 Form 4562	10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5. See instructions	11	
12	Section 179 expense deduction. Add lines 9 and 10, but don't enter more than line 11	12	
13	Carryover of disallowed deduction to 2024. Add lines 9 and 10, less line 12	13	

Note: Don't use Part II or Part III below for listed property. Instead, use Part V.

Part II **Special Depreciation Allowance and Other Depreciation** (**Don't** include listed property. See instructions.)

14	Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year. See instructions	14	
15	Property subject to section 168(f)(1) election	15	
16	Other depreciation (including ACRS)	16	

Part III **MACRS Depreciation** (**Don't** include listed property. See instructions.)

Section A

17	MACRS deductions for assets placed in service in tax years beginning before 2023	17	
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here ☐		

Section B—Assets Placed in Service During 2023 Tax Year Using the General Depreciation System

(a) Classification of property	**(b)** Month and year placed in service	**(c)** Basis for depreciation (business/investment use only—see instructions)	**(d)** Recovery period	**(e)** Convention	**(f)** Method	**(g)** Depreciation deduction
19a 3-year property						
b 5-year property						
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs.		S/L	
h Residential rental			27.5 yrs.	MM	S/L	
property			27.5 yrs.	MM	S/L	
i Nonresidential real			39 yrs.	MM	S/L	
property				MM	S/L	

Section C—Assets Placed in Service During 2023 Tax Year Using the Alternative Depreciation System

20a Class life					S/L	
b 12-year			12 yrs.		S/L	
c 30-year			30 yrs.	MM	S/L	
d 40-year			40 yrs.	MM	S/L	

Part IV **Summary** (See instructions.)

21	Listed property. Enter amount from line 28	21	
22	**Total.** Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations—see instructions	22	
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

Part V **Listed Property** (Include automobiles, certain other vehicles, certain aircraft, and property used for entertainment, recreation, or amusement.)

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete **only** 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A—Depreciation and Other Information (**Caution:** See the instructions for limits for passenger automobiles.)

24a Do you have evidence to support the business/investment use claimed? ☐ **Yes** ☐ **No** **24b** If "Yes," is the evidence written? ☐ **Yes** ☐ **No**

(a) Type of property (list vehicles first)	**(b)** Date placed in service	**(c)** Business/ investment use percentage	**(d)** Cost or other basis	**(e)** Basis for depreciation (business/investment use only)	**(f)** Recovery period	**(g)** Method/ Convention	**(h)** Depreciation deduction	**(i)** Elected section 179 cost
25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use. See instructions						**25**		
26 Property used more than 50% in a qualified business use:								
		%						
		%						
		%						
27 Property used 50% or less in a qualified business use:								
		%				S/L –		
		%				S/L –		
		%				S/L –		
28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1						**28**		
29 Add amounts in column (i), line 26. Enter here and on line 7, page 1							**29**	

Section B—Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

	(a) Vehicle 1		**(b)** Vehicle 2		**(c)** Vehicle 3		**(d)** Vehicle 4		**(e)** Vehicle 5		**(f)** Vehicle 6	
30 Total business/investment miles driven during the year (**don't** include commuting miles)												
31 Total commuting miles driven during the year												
32 Total other personal (noncommuting) miles driven												
33 Total miles driven during the year. Add lines 30 through 32												
	Yes	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
34 Was the vehicle available for personal use during off-duty hours?												
35 Was the vehicle used primarily by a more than 5% owner or related person?												
36 Is another vehicle available for personal use?												

Section C—Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who **aren't** more than 5% owners or related persons. See instructions.

	Yes	**No**
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?		
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use? See instructions		
Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," don't complete Section B for the covered vehicles.		

Part VI **Amortization**

(a) Description of costs	**(b)** Date amortization begins	**(c)** Amortizable amount	**(d)** Code section	**(e)** Amortization period or percentage	**(f)** Amortization for this year
42 Amortization of costs that begins during your 2023 tax year (see instructions):					
43 Amortization of costs that began before your 2023 tax year				**43**	
44 **Total.** Add amounts in column (f). See the instructions for where to report				**44**	

Form **4562** (2023)

For Further Expert Support…

Living abroad is an exciting opportunity that many people don't get a chance to seize. After reading this report, we hope that you have come away with a better understanding of all your tax and financial reporting requirements associated with living abroad. If at this point you are confused and have more questions, consider that a good thing, as a number of people are not even aware that they are not fulfilling their reporting requirements correctly.

If you would like to receive a personal consultation with expat accountants, or get in touch with us here.

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