

Internal Revenue Code Section 911

Original enactment 1924

### Citizens or Residents of the United States Living Abroad

Provides a tax subsidy for U.S. citizens who work abroad and for employers who send employees to work overseas

Foreign Earned Income

Special rules apply for two-earner married couples.  
*Source: Reg. 1.911-5*

A qualified individual

with

qualifying income

who has

tax home in foreign country

and

who meets one of two time requirement tests

can elect

Foreign Income Exclusion

and/or

Foreign Housing Exclusion or Deduction

- Citizen of US
- Resident Alien

Includes:

- Earned Income
- Wages/Salaries

- Professional Fees
- Compensation for Personal Services  
*Source: Reg. 1.911-3*

Taxpayer has no foreign tax home when abode is in US  
*Source: Reg. 1.911-2*

Tax home = location of regular or principal place of business  
*Source: Reg. 1.911-2*

1. Bona fide Resident - 12 consecutive months  
*Source: Reg. 1.911-3*

2. Physical Presence - 330 days  
*Source: Reg. 1.911-3*

Amount excludable is adjusted for inflation and varies by year  
*Source: Reg. 1.911-3*

By completing and filing Form 2555 or 2555-EZ

Housing Exclusion = Earned Income  
Deduction = Self-Employment Income

#### Other considerations:

- 1) Alternative minimum tax may apply.
- 2) Extension of time to file tax returns - Automatic two month extension when living outside of US
- 3) Tax treaties and Totalization Agreements - Can affect US income and social security tax
- 4) US territories - American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, Puerto Rico, the US Virgin Islands, and the Antarctic region are considered "within the US."
- 5) Self-employment tax - Exclusion reduces regular income tax, but not self-employment tax