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How to help overseas employees cope with tax laws, save money and stay compliant

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Greenback Expat Tax Services



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Top talent has always come in all shapes and sizes, but with the growth of the virtual workforce, skilled workers now often come from across the globe. But even with an overseas location, **Americans living abroad** need to file a US tax return each year even if they are filing in their country of residence. Plus, Americans need to declare all their foreign bank accounts if they total more than \$10,000 USD.

One company is helping make this easier for employees and HR execs alike. **Greenback Expat Tax Services** specializes in the preparation of US taxes for Americans living abroad, offering straightforward pricing, a simple, hassle-free process and CPAs and IRS Enrolled Agents who have extensive experience in the field of expat tax preparation.

Co-Founders, David and Carrie McKeegan, are themselves US citizens living abroad in Bali, Indonesia. Since launching in 2008, they have grown with 30 team members spread across the US, Mexico, Canada, Australia, Hong Kong, Italy, Argentina, and other countries serving customers in over 100 countries. Below are their top tips to help your overseas employees stay on top of their US tax preparation:

Remind employees to retain the last two W-2s

Expats often qualify for the Foreign Earned Income Exclusion, which allows them to deduct \$97,600 of their foreign earned income from their US taxes (in 2013).

To qualify for this exclusion they need to pass one of two residency tests – either the Physical Presence Test or the Bona Fide Residence Test. Employees need to be abroad for a whole tax year before qualifying for the Bona Fide Residence Test, so **first year expats** will want to qualify for the Physical Presence Test, which requires them to be in a foreign country for 330 days in any 365-day period. This time period could run from, January to December or June to May so having the past two years' pay stubs/W-2's available is critical for individuals who did not move abroad on January 1.

Provide a year-end summary of benefits

Many of the moving expenses expats incur are deductible on their US taxes and can help reduce the overall tax liability. Other expenses can be taxable to the individual as benefits if they are paid for by the company. HR departments should provide employees with a summary of the expenses the company paid for in the tax year, such as moving expenses, housing expenses or simple expense reimbursements to help the employee file accurately.

Alert your employees to the additional reporting requirements

Make sure your employees know the latest filing and reporting requirements. A few to keep in mind are employees must:

- Report their foreign bank accounts;
- Keep track of days spent abroad in order to qualify for the Physical Presence Test;
- Accurately record foreign taxes paid, since they can provide a dollar for dollar tax credit on the individual's US taxes;
- Maintain accurate records of housing expenses not paid by the employer, as they can be deductible;
- Evaluate any foreign retirement savings plans carefully to ensure the IRS won't treat them as a foreign trust.

Want to learn more? Greenback provides a free expat guide for employers and employees. [Download here.](#)

For more info on how your HR department can work with Greenback, visit:

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