



DAVID & CARRIE MCKEEGAN

GREENBACK EXPAT TAX SERVICES

BY ALISON CAVATORE

Greenback Expat Tax Services, which specializes in the preparation of U.S. tax returns for Americans living abroad, was created by the husband and wife team of David and Carrie McKeegan. They are American expats themselves and currently reside in Bali, Indonesia. Both holding MBA degrees, the McKeegans chose to structure Greenback as a virtual company so they could find the best accountants and professionals throughout the world, regardless of their geographic location. Since its inception in 2008, Greenback has grown to over 30 team members and has customers in 141 countries.

Global Living editorial director, Alison Cavatore, asked David and Carrie about their experiences living abroad, the decision to start Greenback, and the most common expat tax questions their team of professionals get asked.

What was your first experience living abroad like?

Carrie: I first lived abroad from ages 4 through 10 in Mexico City with my parents. Because I essentially grew up abroad, living outside of the U.S. has always seemed normal. It's part of who I am. Being raised in a culture other than my own really helped keep my mind open to differences amongst people, and I feel it has made it easier for me to live abroad as an adult.

David: My first experience living abroad was a one-year exchange program in Leuven, Belgium. It was a fantastic experience! I lived with 70 students from my school around

the world so we really got to meet and mix with an international group. We were right in the center of Europe so we had the opportunity to explore and travel extensively through Europe, which was really eye-opening for me!

What has been the best part about being an expat? The hardest?

C: The best part, without a doubt, is all the new experiences. When David and I wrote our wedding vows back in 2006, we committed to an exciting life, full of new experiences. Living abroad is one of the best ways to do that – in some places, even just going to the supermarket is an adventure! The hardest part is being far from friends and family. It's been really difficult to accept that no matter how many trips we make to visit, living far away means our parents don't have the opportunity to know our kids in the same way they would if we were nearby.

D: I agree that the hardest part is being far from family. But we are diligent about connecting with people on Skype, so the kids 'see' their cousins and grandparents frequently. In addition, we always return to the U.S. one or two times each year for visits. I think the best part is that you are constantly learning and experiencing new things. We, and our kids, have been fortunate to see so much of what the world has to offer and it has been truly eye-opening.

How did you decide to start Greenback Expat Tax Services?

C: We were enjoying life in London, both working at big banks, but we always had aspirations to start our own business. When we decided we wanted to leave London, we set out to start a business that didn't tie us to a particular city. With the ongoing dilemma

of knowing how to properly prepare our own annual U.S. expat tax returns, we figured there must be thousands of others who also struggled finding expert help and could benefit from this service if we started a specialized business. By coupling our understanding of what our customers would need in terms of expat tax help with our strong financial backgrounds, we felt confident this would be the perfect foundation for starting our business.

What was the biggest challenge you faced when starting Greenback Expat Tax Services?

C: Fear of the unknown. Both David and I were accustomed to big corporate jobs with predictable paychecks and bonuses, and leaving this comfort zone was a big leap of faith. Not surprisingly, most of our friends and family didn't fully understand the business we were launching and thought we were a bit crazy for leaving such good jobs to do something so risky.

What is the most rewarding aspect of what you do?

C: Building a business that I am proud of. When you run your own business, you choose exactly how to shape the strategy, the corporate culture and the customer experience. I love making those decisions, watching the business grow and evolve, and knowing that

we assembled an outstanding team who provides a high-quality service that expats truly need.

What is the most common error made by expats when it comes to their U.S. taxes?

D: Probably the most common is failing to file a U.S. tax return! A very high number of people simply forget or don't know they need to file. The next most common error is failing to report accounts and assets as required by FBAR, the Foreign Bank Account Report and FATCA, the Foreign Account Tax Compliance Act. FBAR needs to be done separately from the U.S. tax

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return if account balances reach certain thresholds, and FATCA Form 8938 is filed along with the Federal Tax Return. Most folks in the U.S. have never heard of these filing requirements so they wouldn't even know to look for it while living abroad.

What two pieces of tax advice would you have for a new American expat?

D: The first bit would be to get a good understanding of the expat tax basics. If you like technical tax speak, have a look at IRS Pub 54, which is a detailed look at expat taxes. But our blog (www.greenbacktaxservices.com/blog) has much simpler and easy-to-digest info where we discuss all the ins and outs of important things every U.S. expat needs to know. Our company blog is free to access and we update it regularly with the latest news and updates, as well as providing downloadable tax guides that explain expat tax topics for different expat audiences.

The second thing to know is the tax deadlines – most people are aware of the U.S. tax deadline of April 15th, but expats get an automatic extension to June 15th. If they file an extension, they can stretch it to October 15th, but the Foreign Bank Account Report is always due on June 30th each year and there is no extension. Penalties can be harsh for not reporting foreign bank accounts, so that's an important one.

What is the most common tax question you get asked by American expats?

D: Do I really need to file while I am living abroad? The answer is yes, assuming you earn income of over \$10,000 as a single filer, or \$400 as a self-employed filer. If you fall behind, it's not the end of the world. The IRS has historically been pretty lenient with penalties for individuals who didn't know they needed to file and report their bank accounts. But with some new initiatives by the U.S. to uncover tax cheats hiding money overseas, the IRS will now know about your foreign accounts and any money going into them while abroad. So there will be greater enforcement moving forward. As an experienced expat of 12 years, I can say that it's much better to stay compliant than it is to risk getting in trouble with the IRS.

What is the best advice you can give an American expat who may be behind on their U.S. taxes?

D: Get caught up while the IRS is still running programs like the Streamlined Procedure, which were designed to help people become compliant. This allows people to file three years of tax returns and six years of FBARs – and avoid late-filing and FBAR penalties. If you have fallen

behind on your taxes, this is an excellent way to get caught up and back into the system without being hit with harsh penalties. The only unknown is when the program will end – unfortunately the IRS has not said if/when they plan to close this program, so it really is better to get caught up sooner rather than later.

What has been your favorite part of living abroad?

C: We have three boys under the age of six and we believe that living in Bali creates a happy childhood for them. They spend most of their days outside, either on the beach or in the outdoor play area at their school. Balinese love children and treat them with care and respect. When a child speaks to an adult in Bali, the cultural-style is for the Balinese adult to stop what they are doing, get down on the child's level and really try to understand what they have to say. We believe that choosing to raise our kids here will build a base of creativity, confidence and stress-free days that would be difficult to achieve in other places.

What general advice do you have for someone considering moving abroad for the first time?

D: Spend time getting to know the country you want to live in before you actually move there. Take a long vacation and stay in a house, not a hotel. Try to meet up with other expats in the area and ask them to describe the daily challenges you can expect. Go to the local supermarket and make sure they have what you need. And most of all, be prepared if something goes wrong – it always does and that is just part of the excitement and adventure! The best thing you can do is experience the lifestyle for a bit before you are 100% committed to the move. If you are looking to transplant your same lifestyle to a different location, you may be disappointed. Be ready and open to the new adventures that life abroad will bring and accept that things you are accustomed to may not be there but there will be the discovery of many new things, which is one of the best parts of the expat experience.

Do you have any plans to permanently return to the U.S. to live?

C: No, but we do intend to continue spending summers there each year to give our family the best of both worlds. We plan to spend the school year in Bali and return to the Connecticut/New York area each year, where the kids will attend summer camp and also have quality time with family and friends. This is an ideal way for us to reconnect with those we love and miss when we are abroad.

For more information on Greenback, visit www.greenbacktaxservices.com. ■

FREQUENTLY ASKED QUESTIONS

From www.GreenbackTaxServices.com

Q. How do I qualify as an American expat?

A. The IRS has multiple tools in place to eliminate dual taxation, but you must qualify as an American expat to take advantage of them.

In order to qualify as an American expat, you must meet the following requirements:

- You must have foreign earned income.
- Your tax home must be in a foreign country.
- You must do one of the following:

1. Pass the Bona Fide Residence Test – A U.S. citizen who is a bona fide resident of foreign country or countries for an uninterrupted period that includes an entire tax year, basically meaning you live abroad with no intention of permanently returning to the U.S.,

2. Pass the Physical Presence Test – A U.S. citizen or a U.S. resident alien who is physically present in a foreign country or countries for at least 330 full days during any period of 12 consecutive months, or

3. Be a U.S. resident alien who is a citizen or national of a country with which the United States has an income tax treaty with a non-discrimination article in effect.

Q. Does being self-employed change U.S. expat tax obligations?

A. If you are self-employed and you live overseas, you may still be required to pay self-employment taxes in the U.S., including Social Security. This would need to be paid before the Foreign Earned Income Exclusion, so it is an actual out-of-pocket expense, not something that would be offset on your expat tax return. The rules are different for each country, so it is best to visit the Social Security website to see how this will work in your exact host country. Some countries, such as the U.K., require that you opt out of U.S. Social Security (or you may need to pay both in the U.S. and U.K.). This form of double taxation can add up quickly, so don't ignore it!

Q. Does Greenback prepare tax returns for other countries as well?

At this time our accountants only provide expert tax services and advice for the U.S. and U.K. However, we are looking into expanding our network to include additional country-specific accountants, so this may be an option in the near future. Check back with us frequently for updates!

For more frequently-asked questions about the company and/or your expat taxes, visit: www.greenbacktaxservices.com/faq