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## Work Remotely? This Little-Known Tax Provision Could Save You Thousands

The IRS will give you up to \$16,000 to explore the world. Here's how.



By **Carrie McKeegan** *CEO and co-founder, Greenback Expat Tax Services* @cpmckeegan

Want to work remotely abroad? It's easier than ever, with this IRS tax provision.

In the digital age, it is no longer unique to [work remotely](#). Many jobs can be done from home with little more than a computer, a VPN, and a stable internet connection. This can be an excellent option for both employers who can [offer remote work as a benefit](#), and for employees who want to save time, earn money, and improve productivity.

But did you know [working remotely overseas](#) can save you thousands of dollars on your taxes?

While many people believe it's too expensive to live abroad, there is actually a little-known provision in the tax code that can help fund your overseas lifestyle--to the tune of about \$16,000. As if there aren't already enough amazing perks about working remotely and living overseas, you may be able to add tax breaks to that list.

### Meet the Foreign Earned Income Exclusion

There is a provision of the U.S. tax code in [Publication 54](#) called the Foreign Earned Income Exclusion. FEIE says that if you meet one of two criteria, you can exclude \$104,100 of your earned income from your federal taxes. If you earn \$104,100, this will save you about \$16,400 in federal income taxes each year.

This is tax-free money that you can use any way you like--and this essentially will help you either pay in full, or at least offset, the costs of living and working remotely abroad.

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## **How do remote workers qualify for FEIE?**

To qualify for FEIE, you need to take either the Physical Presence Test or the Bona Fide Resident Test.

The [Physical Presence Test](#) says you have to be inside a foreign country for 330 days in a 365-day period; these are full days, i.e., 24 hours that end at midnight. This is how most "digital nomads" or "location-independent professionals" qualify for FEIE.

The [Bona Fide Resident Test](#) is a bit more complex. It requires you to live in a foreign country for one full calendar year before you can qualify, and then it's based on your actions and your intentions. Your actions must show that your life is in the foreign country, for example, by buying a house or opening bank accounts.

The foreign country you're staying in needs to see that you are planning to live there full time, and you are not intending to move back to the U.S. in the foreseeable future. Most self-employed individuals and first-time expats qualify for FEIE using the Physical Presence Test.

## **What else do remote workers need to know about FEIE?**

There are a couple other things you should be aware of before you buy your plane tickets:

1. If you are paying self-employment tax, you will still be required to pay this before you can apply FEIE, meaning it's a cash expense.
2. This may not have much impact on your state taxes, so depending on which state you live in, you may still be required to pay state taxes.
3. The Physical Presence Test is an all-or-nothing test. If you are inside a foreign country for only 329 days, then sorry, you don't qualify. That said, it is a rolling 330 days, it can start January 1, March 28, or any other day of the year.
4. Only "earned income" qualifies for the exclusion. Rental income, dividend income, pension income, retirement accounts, etc. do not qualify as "earned," so you cannot exclude them.
5. Any U.S. citizen can qualify for FEIE, and if you are married your spouse can also qualify, which would increase your tax-free earnings potential to \$208,200.

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6. Most foreign countries will not tax you if you live there less than 183 days per year, but you should check the rules for the countries you choose to live in.

If you have the desire to work and live abroad, this is an excellent option for you to lower your federal taxes and use the savings to fund your adventures. Fast internet speeds around the world, affordable long-term rentals, and plenty of mileage points programs make this work-travel lifestyle a viable option for millions of people.

So, only one question remains: Where do you want to go?