



4 New Year's Tax Resolutions - That You Can Actually Keep!

By David McKeegan

Many people set health and wellness goals before the new year rolls around, but financial wellness is also a significant component of future happiness, comfort, and security. Take a moment to commit to the tax resolutions for 2020 listed below, and by this time next year, your financial situation will be that much more favorable.

1. Keep Up With the Changing Tax Rates

The brackets and associated tax rates change annually, so it's a good idea to take a look in advance so you'll know what to plan for in the upcoming year. These rates may mean you'll need to adjust your estimated tax payments if you are required to make those. Below are the rates for the 2020 tax year—not the taxes you'll be filing in 2020.

- For income of \$0–\$9,875, the tax due is 10% of taxable income
- For \$9,876–\$40,125, the tax due is \$987.50 + 12% of the amount over \$9,875.
- For \$40,126–\$85,525, the tax due is \$4,617.50 + 22% of the amount over \$40,125.
- For \$85,526–\$163,300, the tax due is \$14,605.50 + 24% of the amount over \$85,525.
- For \$163,301–\$207,350, the tax due is \$33,217.50 + 32% of the amount over \$163,300.
- For \$207,351–\$518,400, the tax due is \$47,367.50 + 35% of the amount over \$207,350.

- For \$518,401 and up, the tax due is \$156,234 + 37% of the amount over \$518,400.

2. For Your Passport's Sake, Get Caught Up on Taxes, If You're Not Already

The IRS has been cracking down on expats who aren't US tax compliant. So, if you moved abroad without filing annual returns, this means you should take immediate action. Even if you don't owe taxes, you must file information-only returns, or your passport could be revoked.

If you're a few years behind because you didn't realize you needed to file, you can use the Streamlined Filing Procedures to get caught up penalty-free. Just be prepared to file three years of Federal Tax Returns, six years of Foreign Bank Account Reports, and Form 14653.

3. Use Every Deduction and Exclusion You Can

Double taxation is common for Americans living abroad who don't know about all the exclusions available to them. For instance, if you qualify for the Foreign Earned Income Exclusion, you can exclude up to \$105,900 of your 2019 income from US taxes. To use this exclusion, you'll have to pass either the bona fide residence test or the physical presence test. These tests help demonstrate eligibility for the foreign housing exclusion, too, which allows you to deduct qualifying

amounts paid for foreign housing.

Don't forget the Foreign Tax Credit, either, which is a dollar-for-dollar reduction on your US taxes for taxes you paid to a foreign government.

4. Consider the Changes to Your UK Taxes

Taxes in the UK are changing this year—specifically, capital gains taxes, beginning in April of 2020. Currently, the UK tax regulations let homeowners who lived in their home prior to renting it claim capital gains tax relief for up to 18 months after they move out (which is called the final period exemption), but this is changing to just nine months. Also, UK residents can expect a new 30-day reporting and payment window to be implemented after disposing of or transferring a property (which is already the case for nonresident landlords).

Making these resolutions will ensure a stress-free 2020 - at least when it comes to your taxes. ★

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