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CROSS-BORDER TAX INSIGHTS

Moving Abroad?

Your U.S. Tax Filing Obligations May Follow You

Prepared by Soxia | August 2026

Moving to another country can change where you live, work, earn income, hold assets, and pay tax. What it does not necessarily change is your connection to the U.S. tax and reporting system.

Many Americans living abroad assume that paying tax in their new country means they no longer need to file in the United States. That assumption can create significant compliance problems.

For U.S. citizens—and many green card holders and resident aliens—moving overseas does not automatically end U.S. filing obligations. Depending on the person's status and circumstances, the United States may continue to require annual tax returns and separate international information reports.

> Having to file a U.S. tax return does not necessarily mean owing additional U.S. income tax. However, failing to file required returns or reports can lead to substantial penalties—even when little or no additional U.S. income tax would otherwise have been due.

The United States May Still Require a Tax Return

The United States generally taxes its citizens on their worldwide income, regardless of where they live. This means that income earned abroad may still need to be reported on a U.S. federal income tax return.

A person who has moved permanently to another country, established a home there, and paid local income tax may still have a U.S. filing obligation.

The position of a green card holder or other resident alien may be more fact-specific. Immigration status, tax residency rules, treaty provisions, and any steps taken to terminate U.S. residency can all affect the analysis. Simply leaving the country may not be enough.

> The correct question is not merely:
>
> "Does this person still live in the United States?"
>
> It is:
>
> "Does this person have any continuing connection to the U.S. tax or reporting system?"

Filing Does Not Necessarily Mean Paying Tax Twice

A continuing U.S. filing obligation does not automatically mean the individual will pay income tax twice on the same earnings.

Depending on the circumstances, several provisions may reduce or eliminate additional U.S. income tax.

Foreign Tax Credit

The Foreign Tax Credit may allow a taxpayer to claim a credit for qualifying income taxes paid to another country. In many cases, this can offset some or all of the U.S. tax attributable to the same foreign-source income.

The calculation is not always a dollar-for-dollar exercise. The type and source of income, the foreign tax paid, timing differences, and applicable limitations can affect the credit.

Foreign Earned Income Exclusion

Qualifying individuals may be able to exclude a portion of their foreign earned income from U.S. federal income tax by claiming the Foreign Earned Income Exclusion.

Eligibility depends on specific requirements involving a foreign tax home and either the physical presence test or bona fide residence test. The exclusion also generally applies to earned income—not every form of foreign income.

Tax Treaties and Other Provisions

An applicable income tax treaty may affect the treatment of certain income, residency questions, pensions, business activities, and other cross-border matters.

Treaties do not simply eliminate every U.S. filing obligation, and their application can be highly fact-specific.

These provisions may significantly improve the final tax result. But they do not eliminate the need to determine what must be filed and how the available benefits should be claimed.

Why “No Tax Due” Does Not Mean “Nothing to File”

This is where many cross-border compliance problems begin.

A person may ultimately owe little or no additional U.S. income tax because of foreign tax credits, exclusions, or other relief. At the same time, that person may still be required to file:

- A U.S. federal income tax return
- A Report of Foreign Bank and Financial Accounts, commonly known as the FBAR
- Form 8938 for specified foreign financial assets
- Information returns relating to foreign corporations, partnerships, or disregarded entities
- Reports involving certain foreign trusts or foreign gifts
- Other international forms based on the person's assets, investments, ownership interests, or transactions

These are separate obligations with different thresholds, deadlines, definitions, and penalty regimes.

Some international information returns can carry substantial penalties when they are filed late, filed incorrectly, or not filed at all. Those penalties may arise independently of whether additional income tax is due.

> In other words: even when no additional U.S. tax is due, failing to meet the applicable filing and reporting requirements can still result in substantial penalties.

What a Complete Cross-Border Review Should Consider

A proper review should extend beyond the individual's salary and the amount of foreign tax paid.

Relevant questions may include:

- What is the individual's U.S. citizenship, immigration, and tax residency status?
- Where was the income earned, and what types of income were received?
- Were foreign income taxes paid or accrued?
- Does the individual have foreign bank, brokerage, retirement, or other financial accounts?
- Does the individual own an interest in a foreign company, partnership, trust, or other entity?
- Were any substantial foreign gifts or inheritances received?
- Are there U.S. investments, rental properties, businesses, or other continuing U.S. connections?
- Have all required U.S. returns and international information reports been filed for prior years?
- How does the U.S. position interact with the tax laws of the country where the person now lives?

Each answer can affect the filing requirements, available relief, and appropriate next steps.

Professionals Should Identify the U.S. Connection Early

Accountants, attorneys, financial advisers, immigration professionals, business consultants, and other advisers are often in a position to identify a potential U.S. tax issue before it becomes more difficult.

A useful intake question is:

> "Does this person have any continuing connection to the U.S. tax or reporting system?"

That connection might involve citizenship, a green card, previous U.S. residency, U.S. income, foreign financial accounts, business ownership, investments, or a planned transaction.

Asking early can uncover a filing issue before:

- A return or information-reporting deadline is missed
- A foreign company is formed or restructured
- An ownership interest is transferred
- A business is sold
- A trust or estate transaction occurs
- A financial institution requests U.S. tax documentation
- Several years of unfiled returns accumulate

Once identified, the issue can be reviewed in an orderly way. Waiting may reduce the available options and increase the cost and complexity of correcting the position.

Coordination Across Countries Matters

Cross-border tax matters should not be reviewed from only one country's perspective.

A strategy that produces a favorable result in the country of residence may create an unintended consequence in the U.S. —and the reverse may also be true.

Effective planning may require coordination between a U.S. tax professional and an adviser in the local country. That coordination can help address differences in residency rules, income classification, entity treatment, tax years, creditability of foreign taxes, treaty provisions, and reporting deadlines.

The Bottom Line

> Moving abroad does not automatically end U.S. tax filing and international reporting obligations.

It is entirely possible to have a U.S. filing requirement without owing additional U.S. income tax. But failing to file the required returns and reports can expose an individual or business to penalties that might have been avoided through timely review and compliance.

The safest starting point is not to assume that living abroad ended the U.S. connection. It is to determine what that connection requires.

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Soxia helps Americans abroad and internationally connected individuals and businesses review their U.S. tax filing, international reporting, and compliance requirements. When appropriate, we coordinate with foreign advisers so the U.S. analysis is considered alongside the local-country position.

Learn more about Soxia's cross-border services: https://soxia-us.com/

This article provides general information and is not intended as tax or legal advice. Filing requirements and available relief depend on the specific facts and circumstances.