

Five Facts about the Foreign Earned Income Exclusion

IRS Tax Tip 2010-57

If you are living and working abroad you may be entitled to the Foreign Earned Income Exclusion. Here are five important facts from the IRS about the exclusion:

1. **The Foreign Earned Income Exclusion** United States Citizens and resident aliens who live and work abroad may be able to exclude all or part of their foreign salary or wages from their income when filing their U.S. federal tax return. They may also qualify to exclude compensation for their personal services or certain foreign housing costs.
2. **The General Rules** To qualify for the foreign earned income exclusion, a U.S. citizen or resident alien must have a tax home in a foreign country and income received for working in a foreign country, otherwise known as foreign earned income. The taxpayer must also meet one of two tests: the bona fide residence test or the physical presence test.
3. **The Exclusion Amount** The foreign earned income exclusion is adjusted annually for inflation. For 2009, the maximum exclusion is up to \$91,400 per qualifying person.
4. **Claiming the Exclusion** The foreign earned income exclusion and the foreign housing exclusion or deductions are claimed using Form 2555, Foreign Earned Income, which should be attached to the taxpayer's Form 1040. A shorter Form 2555-EZ, Foreign Earned Income Exclusion, is available to certain taxpayers claiming only the foreign income exclusion.
5. **Taking Other Credits or Deductions** Once the foreign earned income exclusion is chosen, a foreign tax credit or deduction for taxes cannot be claimed on the excluded income. If a foreign tax credit or tax deduction is taken on any of the excluded income, the foreign earned income exclusion will be considered revoked.

For more information about the Foreign Earned Income Exclusion see Publication 54, Tax Guide for U.S. Citizens and Resident Aliens Abroad and the instructions for Form 2555 or Form 2555-EZ. Forms and publications are available at IRS.gov or by calling 800-TAX-FORM (800-829-3676).

Links:

- Publication 54, Tax Guide for U.S. Citizens and Resident Aliens Abroad ([PDF 348K](#))
- [Form 2555, Foreign Earned Income](#)
- [Form 2555-EZ Foreign Earned Income Exclusion](#)

[Subscribe to Tax Tips](#)