

INTERNATIONAL TAX PLANNING CHECKLIST

Before Moving Abroad from the United States

Moving abroad is a major life and tax decision. U.S. citizens and many green card holders remain subject to U.S. tax on their worldwide income no matter where they live. Leaving the United States does not automatically end U.S. tax filing, FBAR, FATCA, or other reporting obligations.

Many valuable planning opportunities exist before you leave—especially around the Foreign Earned Income Exclusion, foreign tax credits, state tax residency, the timing of income and deductions, and the structure of foreign businesses or investments. After departure, some of those opportunities become more limited, more expensive, or unavailable.

Use this checklist to identify the areas that should be reviewed before you relocate.

1. Confirm Your U.S. Tax Status and Obligations

U.S. citizenship-based taxation means most Americans living abroad continue to file Form 1040 and report worldwide income. Green card holders and certain long-term residents face similar rules. Confirm your status before departure so you understand what continues and what may change.

- ☐ Confirm whether you are a U.S. citizen, green card holder, or long-term resident.
- ☐ Determine whether you plan to keep or eventually relinquish your green card or citizenship.
- ☐ Identify any prior dual-status years or prior FEIE elections.
- ☐ Review whether you have outstanding U.S. tax, FBAR, or information-return filings.
- ☐ Confirm your Social Security and Medicare situation and any totalization agreements that may apply.

2. Establish a Foreign Tax Home and Qualify for the FEIE

The Foreign Earned Income Exclusion (FEIE) under IRC §911 allows qualifying individuals to exclude a limited amount of foreign earned income (and a housing amount) from U.S. tax. Qualification generally requires a foreign tax home plus either the Bona Fide Residence Test or the Physical Presence Test (330 full days in a 12-month period).

- ☐ Determine where your tax home will be after the move (not merely where you are present).
- ☐ Decide whether you will rely on the Bona Fide Residence Test or the Physical Presence Test.
- ☐ Track physical presence days carefully if using the Physical Presence Test.
- ☐ Review how temporary returns to the U.S. for business or personal reasons affect the tests.
- ☐ Plan the timing of your departure so that a full or partial exclusion year is optimized.
- ☐ Confirm that your compensation will be “foreign earned income” (services performed outside the U.S.).

3. Plan the Housing Exclusion / Deduction and Other Relief

In addition to the FEIE, a limited housing exclusion or deduction may be available. Other relief (foreign tax credit, treaty positions, etc.) should be modeled together so you do not leave money on the table or create conflicts between elections.

- ☐ Estimate expected housing expenses in the new country and the applicable housing limitation.
- ☐ Decide whether the housing exclusion or the housing deduction is more beneficial.
- ☐ Coordinate FEIE elections with foreign tax credit planning (they interact).
- ☐ Review any applicable income tax treaty and residency tie-breaker rules.
- ☐ Determine whether employer housing or allowances will be reported correctly.

4. Foreign Tax Credit and Double-Tax Planning

Even with the FEIE, many Americans abroad still pay tax to the host country. The foreign tax credit (Form 1116) can reduce or eliminate double taxation on foreign-source income. Timing of income recognition, the source of income, and the character of foreign taxes paid all matter.

- ☐ Identify the foreign taxes you expect to pay and whether they are creditable under U.S. rules.
- ☐ Review overall and basket limitations on the foreign tax credit.
- ☐ Coordinate the timing of income, bonuses, and equity compensation with foreign tax years.

- ☐ Determine whether you will carry over unused foreign tax credits.
- ☐ Evaluate whether treaty-based positions or competent authority relief may be needed.

5. Exit State Tax Residency Cleanly

Federal tax residency is only part of the picture. Many states continue to assert residency (and tax worldwide income) if you maintain strong ties—home, driver's license, voter registration, family, or business presence. A clean break from a high-tax state can be one of the highest-value planning steps before departure.

- ☐ Identify the state(s) that currently claim you as a resident.
- ☐ Review that state's statutory residency and domicile tests.
- ☐ Plan the sale or lease of any primary residence and the establishment of a new permanent home abroad.
- ☐ Update driver's license, voter registration, vehicle registration, and professional licenses.
- ☐ Document the date and circumstances of your departure and change of domicile.
- ☐ Consider whether a part-year resident return or nonresident return will be required in the year of departure.
- ☐ Evaluate the impact of any remaining U.S. real estate, business interests, or family ties.

6. Plan the Departure Year and Dual-Status Issues

The year you leave the United States can create a dual-status tax year for federal purposes in certain situations, and it almost always requires careful coordination of income, deductions, and elections. Bonuses, equity vesting, deferred compensation, and asset sales timed around the departure date can produce very different results.

- ☐ Determine your expected date of departure and whether a dual-status return will apply.
- ☐ Map the timing of salary, bonuses, RSU/option vesting, and other compensation relative to the departure date.
- ☐ Review whether any income will be sourced to the United States after you leave.
- ☐ Coordinate estimated tax payments and withholding for both the pre- and post-departure periods.
- ☐ Decide whether any elections (FEIE, etc.) should be made on a dual-status or full-year return.

7. Review Continuing U.S.-Source Income and Withholding

After you leave, certain U.S.-source income (rents, royalties, dividends from U.S. companies, partnership K-1s, deferred compensation, etc.) may still be taxable and may be subject to withholding. Treaties can reduce rates, but only if the proper forms and documentation are in place.

- ☐ List all expected U.S.-source income streams after departure.
- ☐ Review Form W-8BEN / W-8BEN-E status with U.S. payors and brokers.
- ☐ Determine whether reduced treaty withholding rates are available and how to claim them.
- ☐ Plan for U.S. rental property (effectively connected income, Form 1040-NR if applicable, depreciation).
- ☐ Review any installment sales or deferred payments that will continue after you leave.

8. Foreign Account Reporting Continues (FBAR & FATCA)

Living abroad does not eliminate FBAR (FinCEN Form 114) or Form 8938 (FATCA) obligations. In many cases the thresholds are easier to meet once you open foreign accounts. Penalties for non-filing can be severe. Plan the opening of foreign accounts and the aggregation of maximum balances carefully.

- ☐ Identify every foreign financial account you will open or already hold.
- ☐ Track maximum account balances during the calendar year for FBAR purposes.
- ☐ Determine whether Form 8938 will be required in addition to FBAR.
- ☐ Confirm signature authority over any foreign business or family accounts.
- ☐ Establish a reliable system for gathering year-end and maximum-balance statements.

9. Foreign Businesses, CFCs, and GILTI Planning

If you will own or control a foreign company after the move, U.S. anti-deferral rules (Subpart F, GILTI, Form 5471) may apply even if no cash is distributed. Pre-departure restructuring, entity classification elections, and capitalization decisions can significantly change the long-term U.S. tax cost.

- ☐ Identify every foreign entity you will own (directly or indirectly) after the move.
- ☐ Determine whether any entity will be a Controlled Foreign Corporation (CFC).
- ☐ Review potential GILTI and Subpart F inclusions and available high-tax exceptions.
- ☐ Evaluate whether a check-the-box election or other classification change is beneficial before or after departure.

- ☐ Plan the timing of any capital contributions, loans, or distributions.
- ☐ Confirm Form 5471, 8865, or 8858 filing requirements and the associated cost.

10. Foreign Investments and PFIC Risk

Many non-U.S. mutual funds, ETFs, and investment products are Passive Foreign Investment Companies (PFICs). PFIC taxation is punitive and the reporting (Form 8621) is complex. It is often far better to sell or restructure these holdings while still in the United States (or before they become PFICs in your hands).

- ☐ Inventory all foreign mutual funds, ETFs, and pooled investment products.
- ☐ Determine whether any holding is (or will become) a PFIC.
- ☐ Calculate the U.S. tax cost of selling now versus holding and filing Form 8621 annually.
- ☐ Review whether a mark-to-market or QEF election is available and advisable.
- ☐ Coordinate any sales with foreign capital-gains tax and currency rules.

11. U.S. and Foreign Retirement Accounts

IRAs, 401(k)s, and other U.S. retirement accounts generally remain taxable under U.S. rules even after you move. Foreign pension plans may be treated very differently under U.S. tax law than under local law. Treaty provisions, distribution timing, and the interaction with the FEIE all need review.

- ☐ List all U.S. retirement accounts and expected distribution or conversion plans.
- ☐ Identify any foreign pension, provident fund, or social-security-type arrangements.
- ☐ Determine whether a treaty protects the foreign plan or changes the U.S. treatment of distributions.
- ☐ Review whether contributions to a foreign plan will be deductible or create current U.S. income.
- ☐ Plan the timing of any Roth conversions or large distributions relative to the move and FEIE years.

12. U.S. and Foreign Real Estate

Keeping a U.S. home or rental property after departure creates ongoing U.S. tax filing, depreciation, and potential FIRPTA issues on sale. Foreign real estate is generally not subject to U.S. estate tax for citizens in the same way, but rental income and eventual gain remain reportable.

- ☐ Decide whether to sell, rent, or keep any U.S. residence or investment property.
- ☐ Review FIRPTA withholding rules if a sale of U.S. real property is contemplated after departure.
- ☐ Gather basis, improvement, and depreciation records for both U.S. and foreign properties.
- ☐ Plan how foreign rental income and expenses will be reported on the U.S. return.
- ☐ Consider currency and foreign tax credit implications of foreign property ownership.

13. Social Security, Medicare & Totalization Agreements

Working abroad can create dual Social Security taxation unless a totalization agreement applies. Eligibility for future U.S. Social Security benefits and Medicare also depends on work credits and coverage. Self-employed individuals and those working for foreign employers need particular attention.

- ☐ Determine whether a totalization agreement exists with the destination country.
- ☐ Obtain a Certificate of Coverage if you will remain in the U.S. Social Security system.
- ☐ Review the impact of foreign work on future U.S. Social Security benefit calculations.
- ☐ Confirm Medicare eligibility rules and any enrollment timing issues.
- ☐ Plan for self-employment tax if you will be self-employed abroad without totalization relief.

14. Estate, Gift Tax, and Cross-Border Trust Planning

U.S. citizens remain subject to U.S. estate and gift tax on worldwide assets. Moving abroad does not remove that exposure. Foreign trusts, foundations, or forced-heirship regimes in the new country can create complex Form 3520 / 3520-A reporting and potential mismatches with U.S. rules.

- ☐ Review your current estate plan and whether it still works after the move.
- ☐ Identify any foreign trusts, foundations, or succession structures you will create or inherit.
- ☐ Determine Form 3520 / 3520-A filing exposure and the associated cost and risk.
- ☐ Coordinate U.S. gift and estate tax planning with the succession rules of the new country.
- ☐ Consider whether life insurance or other structures should be reviewed before departure.

15. Expatriation / Covered Expatriate Rules (If Considering Renunciation)

A small number of individuals ultimately renounce U.S. citizenship or abandon long-term residency. The “covered expatriate” rules can impose an exit tax on unrealized gains and affect future gifts and bequests to U.S. persons. This is a highly specialized area and should never be undertaken without detailed modeling.

- ☐ Determine whether you meet (or will meet) the covered-expatriate thresholds (net worth, average tax liability, or certification failures).
- ☐ Model the potential exit-tax cost on unrealized gains, deferred compensation, and specified tax-deferred accounts.
- ☐ Review the impact on future gifts or bequests to U.S. persons (successor tax).
- ☐ Confirm the formal renunciation or green-card abandonment process and timing.
- ☐ Obtain specialized counsel before taking any irreversible step.

16. Budget for Ongoing U.S. Compliance While Abroad

Annual U.S. tax compliance for Americans abroad is substantially more complex and expensive than a domestic return. Expect Form 2555, Form 1116, FBAR, possibly Form 8938, 5471, 8621, and related statements. Professional fees reflect that complexity.

- ☐ Obtain a realistic estimate of annual compliance cost from an advisor experienced with Americans abroad.
- ☐ Confirm which international forms are included in the quoted fee.
- ☐ Decide how foreign-language statements and dual-currency records will be handled.
- ☐ Build a system for collecting the documents your preparer will need each year.
- ☐ Budget for both the departure-year return (often the most complex) and ongoing years.

17. Build Your Cross-Border Advisory Team

Decisions about immigration, tax residency, entity structure, investments, and estate planning interact. Your U.S. international tax advisor, local-country tax advisor, immigration counsel, and investment advisor should be coordinated before major steps are taken.

- | | |
|---|--|
| ☐ U.S. international tax advisor (experienced with FEIE, FTC, CFC, PFIC) | ☐ Estate-planning attorney familiar with cross-border issues |
| ☐ Tax advisor in the destination country | ☐ Investment advisor who understands PFIC and foreign-account reporting |
| ☐ Immigration / visa counsel | ☐ Payroll / benefits specialist if you will have U.S. or foreign employment |

Documents to Gather Before You Leave

Having complete records before departure makes the first few years abroad far smoother and reduces the risk of missing elections or filing positions.

- | | |
|---|--|
| ☐ Passport(s) and any second-citizenship documents | ☐ Basis records for securities, real estate, and business interests |
| ☐ Expected departure date and travel history for the current year | ☐ Retirement account statements and plan documents |
| ☐ Prior three years of U.S. tax returns and supporting workpapers | ☐ Any existing foreign entity formation or ownership documents |
| ☐ Employment agreements, equity plans, and deferred-compensation documents | ☐ State tax returns and evidence of residency ties (or their severance) |
| ☐ Statements for all U.S. and foreign investment and bank accounts | ☐ Details of any planned sales, gifts, or large transactions around the move date |

Key Questions to Ask Your Advisor

- ☐ Will I qualify for the Foreign Earned Income Exclusion in the year of departure and the following year?
- ☐ How should I coordinate the FEIE with the foreign tax credit?
- ☐ What is the cleanest way to exit my current state tax residency?
- ☐ Are any of my investments PFICs, and should I sell them before leaving?
- ☐ Will any foreign company I own become a CFC, and what is the GILTI exposure?
- ☐ What ongoing U.S. filing and reporting will I have while living abroad?

- ☐ How will my U.S. retirement accounts and any foreign pension be treated?
- ☐ What is a realistic annual compliance cost once I am abroad?
- ☐ Are there any elections or disclosures I must make in the year of departure?
- ☐ What records should I retain permanently for basis and FEIE/FTC support?

Final Thought

Moving abroad does not end your relationship with the U.S. tax system. It changes it. The Americans who fare best are those who treat the move as a tax-planning event, not merely an immigration or lifestyle event.

A few focused hours of planning before you leave can preserve the FEIE, avoid state tax surprises, prevent PFIC and CFC problems, and set up clean, sustainable compliance for the years ahead.

About the Author

Costa Shepin, CPA

Costa provides U.S. tax preparation, cross-border planning, and ongoing advice to expats in the U.S. and Americans abroad with businesses, accounts, investments, and real estate overseas.

Digital CPA Services

The best tax decisions are made before they become tax problems.

Important Notice

This checklist provides general educational information and is not tax, legal, immigration, or investment advice. U.S. international tax rules are highly fact-specific. Consult qualified advisors in the United States and your destination country before completing a transaction or changing your legal, business, or investment structure.

Pre-Move Tax Planning Worksheet

Bring this worksheet to your paid pre-move tax planning session. Use it to organize the facts and questions for discussion. The session scope is agreed before engagement.

Full Name:

Email / Phone:

Current U.S. State of Residence:

Expected Departure Date / Destination Country:

Citizenship / Green Card Status:

Primary Reason for Moving (work, lifestyle, family, etc.):

Key Areas to Discuss (check all that apply):

- | | |
|---|---|
| ☐ Foreign Earned Income Exclusion (FEIE) | ☐ Foreign Tax Credit planning |
| ☐ State tax residency exit | ☐ PFIC / foreign investment review |
| ☐ Foreign company / CFC / GILTI | ☐ U.S. retirement accounts |
| ☐ FBAR / Form 8938 readiness | ☐ Dual-status / departure-year timing |
| ☐ U.S. real estate kept after move | ☐ Social Security / totalization |
| ☐ Estate / trust / gift planning | ☐ Expatriation / covered expatriate issues |

Brief description of your situation / primary concerns:

Ready to plan your move abroad with confidence?

A complimentary 15-minute introduction to discuss your circumstances and next step. Tax analysis and recommendations are provided through a separate paid engagement.

Schedule a discovery call

Digital CPA Services · Costa Shepin, CPA

This worksheet and checklist are provided for educational purposes only and do not constitute tax, legal, or immigration advice. Individual circumstances vary significantly. Always consult qualified professionals licensed in the relevant jurisdictions.