What are the tax benefits from working in a foreign country

U.S. citizens and resident aliens working abroad may exclude up to $80,000 of their foreign earned income. Additionally, expatriates may deduct or exclude their foreign housing costs in excess of a base amount. The housing exclusion is for reimbursed expenses while the deduction is for un-reimbursed costs.

Earned foreign income

Before being able to claim these exclusions, you must meet some primary requirements. Foreign earned income is an individual's earned income from foreign sources during the time period that he or she has a foreign tax home and either satisfies the bona fide or physical residence test.

Tax home

Your tax home also must be in a foreign country. Generally, the IRS and the courts hold that your principal place of business or employment is your tax home.

Status

Finally, you must be a:

U.S. citizen who is a bona fide resident of a foreign country or countries for a continuous time period including the entire tax year;

U.S. resident alien who is a citizen or national of a country having an income tax treaty with the U.S. and who satisfies the continuous residency requirement; or

U.S. citizen or resident alien physically present in a foreign country or countries for a minimum of 330 days during any consecutive 12 month period.