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## Foreign Earned Income Exclusion

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For calendar year 2013, Internal Revenue Code §911 allows for U.S. citizens/U.S. residents to exclude from taxable income up to \$97,600 of foreign earned income, eligibility for which is met by: (1) the tax home test, and either; (2a) the bona fide residence test, or; (2b) the physical presence test.

The IRS defines "tax home" as the location of the taxpayer's main place of business, employment, post of duty, regardless of where the taxpayer's family home is maintained.

The bona fide residence test, depending on the taxpayer's intent in residing abroad, is met by the taxpayer residing in a foreign country or countries for an uninterrupted period that includes an entire tax year.

The physical presence test is met if, out of a 12 consecutive-month period, the taxpayer is physically present in a foreign country or countries for 330 full days, with the 330 days not needing to be consecutive. For tax purposes, a full day begins at midnight and proceeds for a period of 24 consecutive hours. Time spent on or over international waters entering or exiting the United States generally does not count toward the 330 day total. However, passing over a foreign country before midnight at the taxpayer's departure point may start the count toward the 330 day total.

Foreign earned income is defined as: wages, commissions, bonuses, professional fees and tips. Other rules apply for business profits, royalties, rents and scholarships. Each spouse, assuming either is a U.S. citizen/resident, and regardless of filing status, is entitled to the annual exclusion.

If this favorable tax situation is available to you and you would like to discuss this further, or if you would like to discuss other U.S. tax and/or accounting matters, please feel free to call Gabriel at 773.269.6513 or email [Gabriel.wise@wisecpagroup.com](mailto:Gabriel.wise@wisecpagroup.com).

We look forward to hearing from you.

Gabriel Wise, CPA