The New York Times https://www.nytimes.com/2021/05/26/business/remote-work-taxes.html

So, You Want to Become a Digital Nomad

Working remotely while abroad has obvious appeal. But the tax consequences vary depending on where you go. Here's what to know.

By Jenny Gross

May 26, 2021

Let's say you're thinking about becoming a digital nomad this summer, making the most of your company's work-from-home policy as borders reopen before the bosses require you back in the office. While weighing the appeal of setting yourself up in Rome or at the foothills of Iceland's glaciers, keep in mind that different destinations have different tax consequences.

Here's a look at how working remotely from abroad could affect your take-home pay.

Can I work from outside the United States for a few weeks or months without being double taxed?

Yes, but plan carefully. If your trip is just for a few weeks, you will probably be OK, accountants say. A general rule of thumb is that you should leave before six months if you want to avoid having to file a tax return in a second country, but there are exceptions.

If your trip is longer than a few months, consider a destination that offers digital nomad visas that will exempt you from local taxes, as long as your employer is based outside of that country.

Beach destinations including the Cayman Islands, Bermuda, Aruba, Costa Rica, Antigua and Barbuda have six-month- to two-year programs that allow people earning money abroad to stay without paying local tax. Estonia and Iceland also offer visas that allow visitors to work remotely for six months to a year without having to pay local income tax.

Brent Ozar, 47, and his wife have been working remotely in Iceland since January, and they plan to stay until the fall before returning home to San Diego.

Sales tax is typically 24 percent, among the highest in the world, but he and his wife owe no local income tax and his small computer consulting firm owes no corporate tax. When Mr. Ozar and his wife are not working, they hike, visit the fjords and hot springs, and tour the country's glaciers. (This week, they are going to see the Dynjandi Waterfall and Iceland's puffins.)

Mr. Ozar is not saving money, he said — the cost of living in Iceland is relatively high — and has to continue paying state, local and federal taxes in California. But would he do it again? "In a heartbeat," he said.

But I'm still on the hook for U.S. taxes, right?

Yes. The United States is one of the few countries that taxes its citizens, not just residents, on their worldwide income. That means that if you are a U.S. citizen, you will have to keep paying federal, state and local taxes.

If you pay foreign income tax, you may be able to get a credit or deduction when filing your U.S. income tax return if the country you work from has a bilateral tax treaty with the United States. But rules vary. "There is not a uniform way of doing this, and that's one of the biggest issues," said Elke Asen, a policy analyst at the Tax Foundation's Center for Global Tax Policy. Get advice from an accountant before going anywhere, she said.

Can I, err, forget to mention my plans to my boss?

It's risky. Employers need to know where their employees work in case their presence leads to corporate tax obligations abroad. The risk is higher when employees are bringing in revenue for companies, such as in sales positions, said David McKeegan, who co-founded Greenback Tax Services, an accounting firm for U.S. expatriates.

- Janet Yellen says it's time to stop calling inflation 'transitory.'
- An ad with a vaccinated Santa that drew 5,000 complaints is cleared by British regulators.

Still, many companies are operating on a "don't ask, don't tell" policy. A science writer in his 50s from California, who was granted anonymity because he did not want senior managers to know he had worked from Costa Rica for a few months, said his human resources department discouraged employees from working outside of California, but did not say anything explicit about working abroad. His setup from an Airbnb by the beach worked perfectly until he lost power because of a hurricane and had to work from a bar a few times. He used his company's Zoom background, but colleagues started asking about where he was when they heard ocean waves and music. "At a restaurant," he would tell them, without elaborating.

As more people work from abroad, it may be harder for companies to turn a blind eye. About 10.9 million Americans last year described themselves as digital nomads — people who work remotely and tend to travel from place to place — up from 7.3 million in 2019, according to MBO Partners, which provides services for self-employed workers.

"The tax system globally right now is not prepared for what the work force is going through," Mr. McKeegan said. "I think at some point we'll see a system where people are asked on the way in or out if they were working and countries will try and get some more tax revenue from this very mobile work force."

I want to work remotely while abroad for longer than just a few months. Can I avoid paying U.S. tax altogether?

Potentially. If you qualify for the Foreign Earned Income Exclusion, your first $108,700 is exempt from U.S. income tax. But keep in mind that this applies only if you're a U.S. citizen who resides in a foreign country for more than 330 days within 12 consecutive months, not including time on planes, or if you are a bona fide resident of a foreign country. (You would still have to pay federal and state taxes on unearned income including interest, dividends and capital gains.)

It is important to track the number of days abroad to be able to prove to U.S. tax authorities that you were there.

Paige Brunton, 30, a Canadian website designer based in Hanover, Germany, learned about how complicated the tax rules are for expats the hard way: One year, she had to file tax returns in three countries. The situation was unavoidable, since she had lived and worked in Germany, Canada and the United States during that tax year, but her biggest advice for others who may have complicated situations is to get an accountant who specializes in international tax right away.

"Don't congregate in Facebook groups and Google, it'll really stress you out," she said.