



STREAMLINED FILING COMPLIANCE PROCEDURES FOR U.S. EXPATS

*A Guide to Navigating U.S. Tax
Compliance*

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Professional Corporation

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Understanding Streamlined Filing Compliance Procedures (SFCP)

The Streamlined Filing Compliance Procedures (SFCP) are the IRS's pathway for eligible taxpayers—especially those living outside the United States—to catch up on missed U.S. tax returns and foreign account reporting. In 2026, the program remains one of the most practical routes for U.S. expats, accidental Americans, and retirees abroad to become compliant safely and confidently.

Why do expats fall behind? Often it's a mix of confusion, competing local tax obligations, and the fact that many countries tax residents differently than the U.S. The U.S. taxes citizens and resident aliens on worldwide income, regardless of where they live. That can lead to unfiled tax returns and Foreign Bank Account Reports (FBARs), even when no U.S. tax is ultimately due.

Who this guide is for:

- U.S. citizens and green card holders living abroad
- Accidental Americans (born in the U.S. or to U.S. parents but raised elsewhere)
- Retirees abroad with pensions and savings overseas
- Digital nomads and freelancers with cross-border income

Goal of this eBook: To break down SFCP into simple steps, explain eligibility and benefits, and give you tools to move forward with clarity. You'll find examples, and practical advice to help you act with confidence.

If you suspect you qualify, start gathering documents today. Small steps now prevent bigger headaches later.

Chapter 1: The Importance of Tax Compliance for U.S. Expats

Understanding your obligations

- U.S. tax returns: U.S. citizens and resident aliens generally must file an annual federal return reporting worldwide income, even if they live abroad.
- FBAR (FinCEN Form 114): Required if your aggregate foreign financial accounts exceeded \$10,000 at any point during the year.
- FATCA Form 8938: Required for certain taxpayers with foreign financial assets over specific thresholds.

Consequences of non-compliance

- Financial penalties: FBAR penalties can be steep, especially for willful violations.
- Administrative issues: Potential passport complications, levies, or liens for unresolved IRS matters.
- Stress and uncertainty: Delays in financial planning and banking due to compliance gaps.

Benefits of using SFCP

- Penalty relief: Qualified submissions often avoid failure-to-file and FBAR penalties tied to non-willful conduct.
- Clean slate: Brings your filings up to date, which supports smoother future finances.
- Peace of mind: Clear standing with the IRS and fewer surprises if you move, invest, or retire abroad.

Pro Tip:

Take inventory of your last three filed returns and six years of foreign accounts. Note any gaps.

Chapter 2: Who Qualifies for SFCP?

Core eligibility

- Non-residency status for SFOP: Generally, you lived outside the U.S. for at least 330 full days in one of the most recent three tax years for which the due date (or extended due date) has passed, or you did not have an abode in the U.S.
- Non-willful conduct: Your failure to file or report income was due to negligence, inadvertence, mistake, or a good-faith misunderstanding of the law.
- No disqualifying IRS contact: You cannot use SFCP if the IRS has already contacted you about the delinquency or selected you for an audit on related issues.

SFOP vs. SDOP

- Streamlined Foreign Offshore Procedures (SFOP): For taxpayers living outside the U.S. who meet the non-residency test. Typically, no Title 26 miscellaneous offshore penalty applies if accepted.
- Streamlined Domestic Offshore Procedures (SDOP): For taxpayers living in the U.S. who otherwise qualify as non-willful. A 5% miscellaneous offshore penalty on the highest end-of-year balance of specified foreign assets may apply.

Common qualifying profiles

- Accidental American: Born in the U.S., raised abroad, unaware of filing duties.
- Freelancer/digital nomad: Multiple countries of work, no U.S. returns filed.
- Retiree abroad: Foreign pension accounts, missed FBARs.
- Dual filers: Paying tax abroad but assumed U.S. filings weren't needed.

Red flags that may affect eligibility

- Prior IRS correspondence or examinations on related years
- Evidence suggesting willful avoidance (e.g., concealment or false statements)
- Complex structures designed to hide income

Pro Tip:

Write a brief timeline of your years abroad and why filings were missed. This will help with your Certification of Non-Willful Conduct.

Chapter 3: What You Need to File for Streamlined Procedures

Required documents

- Three years of past-due tax returns (often filed as original or amended returns).
- Six years of FBARs (FinCEN Form 114), if your accounts exceeded the \$10,000 threshold.
- Form 14653 (SFOP) or Form 14654 (SDOP): Certification of Non-Willful Conduct.
- Supporting documents: Foreign wage statements, employer tax forms, bank and investment statements, interest and dividend reports, pension statements, and year-end balances.

Key tax and information forms

- Form 1040: U.S. Individual Income Tax Return.
- Form 2555: Foreign Earned Income Exclusion (FEIE), if you qualify.
- Form 1116: Foreign Tax Credit (FTC) to reduce double taxation.
- Form 8938: FATCA reporting of foreign financial assets, when applicable.
- FinCEN Form 114 (FBAR): Online filing via the BSA E-Filing System.

Practical tips

- Translate summaries: If statements are in another language, prepare simple English summaries and currency conversions (use IRS-acceptable exchange rates).
- Keep a master folder: Separate by tax year and form type.
- Track deadlines: FBAR is due April 15 with an automatic extension to October 15; streamlined filings have specific mailing procedures.

Pro Tip:

Download the checklist in Appendix A and start a document folder labeled by year.

Chapter 4: How to File Using SFCP in 2026

Step 1: Gather documents and verify eligibility

- Confirm non-residency (for SFOP) or domestic status (for SDOP).
- Compile income records, foreign account balances, and prior U.S. returns (if any).
- Draft your non-willful narrative with dates and facts.

Step 2: Prepare tax returns and FBARs

- Prepare three years of federal returns (original or amended) using Form 1040 and supporting schedules.
- Coordinate FEIE (Form 2555) or FTC (Form 1116) based on your situation.
- Prepare six years of FBARs and file them electronically via the FinCEN BSA portal.

Step 3: Complete Certification of Non-Willful Conduct (Form 14653 for SFOP; 14654 for SDOP)

- Be specific, factual, and concise: Explain how and why you were non-compliant, and when you discovered the issue.
- Include relevant context: Moves, employer policies, advice received, or misunderstandings.
- Avoid emotional language; stick to facts and timelines.

Step 4: Assemble and mail your SFCP package to the IRS

- Include the required returns, forms, and your signed certification.
- For SDOP, compute and include the 5% miscellaneous offshore penalty payment if applicable.
- Use trackable shipping; keep copies of everything.

Processing timelines

- Typical processing can range from several months to over a year, depending on volume and complexity.
- Maintain records of mailed packages, FBAR filing confirmations, and any IRS correspondence.

After filing

- Monitor mail and secure email for updates.
- Be ready to respond to routine requests for clarification.
- File your current-year return on time to maintain compliance.

Pro Tip:

Set a two-week window on your calendar to finalize your narrative and assemble the package.

Chapter 5: Maximizing Tax Savings with SFCP

Foreign Earned Income Exclusion (FEIE)

- Thresholds for 2026: The FEIE limit generally increases annually for inflation. Confirm the 2026 amount before filing.
- Qualification: Physical Presence Test (330 full days abroad in a 12-month period) or Bona Fide Residence Test.
- Housing exclusion: If you pay high housing costs abroad, you may qualify for additional exclusion.

Foreign Tax Credit (FTC)

- Purpose: Credit foreign income taxes against U.S. tax on the same income.
- Best use: When foreign tax rates are equal to or higher than U.S. tax on that income.
- Coordination with FEIE: You can mix strategies by excluding wage income and claiming FTC on other types, but avoid double-dipping on the same dollars.

Avoiding penalties through accurate reporting

- Timely, complete SFCP submissions reduce exposure to failure-to-file and FBAR penalties for non-willful cases.
- Correctly filed Form 8938 and FBARs minimize future risk.

Examples

- Example 1: Freelancer in Canada pays higher local taxes than the U.S. rate on self-employment income. FTC wipes out U.S. tax.

Pro Tip:

Run both FEIE and FTC scenarios for your last three years to see which yields the lowest overall tax.

Chapter 6: Avoiding Pitfalls in SFCP Filings

Top errors

- Misjudging eligibility, especially non-willful conduct or residency status.
- Incomplete amended returns or missing schedules.
- Weak or vague non-willful certifications.
- Omitting small foreign accounts or local pension plans from FBAR/FATCA.

Best practices

- Create a timeline of moves, jobs, and financial events.
- Reconcile bank interest, dividends, and capital gains to statements.
- Use consistent exchange rates per year.
- Review country-specific pension and savings plans for reporting (e.g., local retirement schemes).

When to seek professional help

- Multiple countries of income, controlled foreign corporations (CFCs), PFICs (e.g., some foreign mutual funds), trusts, or significant business ownership.
- Prior IRS contact or complex residency facts.
- Large foreign asset balances that affect SDOP penalties.

Pro Tip:

Perform a “red-flag” check—list all foreign accounts, investments, and pensions. Confirm nothing is missing.

Chapter 7: New Updates and Changes for the 2026 Filing Season

What changed for 2026

- Inflation adjustments: FEIE threshold and some deduction amounts may have increased.
- Filing mechanics: The IRS continues to modernize e-filing and communication; check current mailing addresses and instructions before submitting.
- Reporting nuances: Periodic updates to Form 8938 thresholds and instructions occur—confirm the latest guidance.

Pro Tip:

Before you finalize, verify the latest FEIE threshold and any form updates on [IRS.gov](https://www.irs.gov).

Impact on SFCP

- Higher FEIE can reduce taxable income for qualifying expats.
- Documentation expectations remain high: clear narratives and complete filings lead to smoother processing.
- Stay alert to any program updates: While SFCP remains available, procedures can change.

Chapter 8: Real-Life Scenarios of Successful Streamlined Filing

Case 1: Accidental American

- Background: Born in the U.S. to visiting parents, lived in France ever since, paid French taxes, never filed in the U.S.
- Mistakes: Unfiled U.S. returns and FBARs for years; assumed French filings covered U.S. obligations.
- Steps: Prepared three years of returns using FTC; filed six years of FBARs; submitted strong non-willful narrative citing lack of awareness.
- Result: Accepted under SFOP; no miscellaneous offshore penalty; zero U.S. tax due due to FTC.

Case 2: Retiree Abroad

- Background: U.S. citizen retired in Portugal with pension and savings accounts.
- Mistakes: Missed FBARs and FATCA reporting; small U.S. tax due on interest.
- Steps: Filed three years of returns with FTC and reported pension; filed six years of FBARs; clear narrative about transition to retirement and assumptions.
- Result: Streamlined accepted; penalties avoided; modest tax paid; ongoing compliance plan set.

Case 3: Freelancer/Digital Nomad

- Background: U.S. freelancer working across Asia with multiple local accounts and payment platforms.
- Mistakes: Underreported income, no FBARs; confused about FEIE and FTC mix.
- Steps: Allocated income by year, used FEIE for earned income, FTC for taxes paid in high-tax months, filed FBARs, tightened bookkeeping.
- Result: Streamlined accepted; tax efficiently minimized; accounting system adopted for future years.

Pro Tip:

Map your story to one of these cases and outline your own step-by-step plan.

Chapter 9: Should You Hire a Tax Advisor?

Pros of hiring a professional

- Expertise with expat rules, PFICs, pensions, and treaty issues.
- Efficiency and risk reduction: Fewer omissions and stronger narratives.
- Representation: A professional can handle IRS inquiries.

Cons

- Cost: Professional fees vary based on complexity.
- Time: Gathering documents is still your responsibility.

When a pro is recommended

- Multiple countries, businesses, or investment vehicles.
- Prior IRS contact or uncertainty about willfulness.
- High foreign asset balances or SDOP eligibility.

How to choose

- Look for expat specialization, credentials (EA, CPA, tax attorney), and recent SFCP experience.
- Ask about fixed-fee packages and turnaround times.
- Request a sample deliverable or process outline.

How to choose

- DIY software: Lower cost but limited guidance.
- Pro assistance: More costly, often worth it for complex cases and peace of mind.

Pro Tip:

If your situation touches more than two countries or includes complex investments, schedule a consultation.

Chapter 10: Your Questions Answered About SFCP

Can I file for SFCP myself?

- Yes, if your finances are straightforward and you're comfortable with forms. Many prefer professional support to avoid mistakes.

What if the IRS rejects my submission?

- Rejections can occur if eligibility isn't met or documentation is weak. You may need to explore other options with a professional.

How do I handle future filings?

- File on time each year, keep thorough records, and continue FBAR/FATCA reporting when applicable.

Will I owe back taxes?

- It depends on your income and foreign taxes paid. Many expats owe little or nothing after FEIE/FTC.

Do I need to amend more than three years?

- SFCP requires three years of returns and six years of FBARs. Only amend beyond that if instructed or strategically necessary.

Will SFCP always be available?

- Programs can change. If you qualify now, timely action is wise

Pro Tip:

List your top three concerns and get them answered—by research or a professional—before you draft your certification.

Chapter 11: How to Stay Compliant and Stress-Free Moving Forward

Best practices

- Keep records: Income statements, bank interest, dividends, and year-end balances.
- Calendar your deadlines: Returns, FBAR, extensions.
- Use tools: Accounting apps, secure cloud folders, and automatic bank exports.
- Stay informed: Subscribe to IRS updates or a trusted expat tax newsletter.

Annual planning

- Decide early: FEIE vs. FTC strategy for the year.
- Track days: Maintain a simple log if you rely on the Physical Presence Test.
- Review changes: New accounts, investments, or life events that affect filing.

Pro Tip:

Create a simple annual checklist and a secure folder for the new tax year today.

Becoming compliant is achievable. With SFCP, eligible expats can correct past mistakes, reduce penalties, and move forward with confidence. Start by confirming eligibility, organizing documents, and choosing your filing path—DIY or professional.

Appendix A: Streamlined Filing Checklist

Eligibility

- I meet non-residency (SFOP) or domestic (SDOP) criteria
- My non-compliance was non-willful
- I have not been contacted by the IRS regarding these issues

Documents

- Three years of returns (Forms 1040, 2555 and/or 1116 as applicable)
- Six years of FBARs (FinCEN 114) ready to e-file
- Form 8938 (if required)
- Form 14653 (SFOP) or 14654 (SDOP) with non-willful narrative
- Foreign wage and tax statements, bank and investment statements, pension reports
- Currency conversions and summaries

Process

- Returns prepared and reviewed
- FBARs e-filed and confirmation saved
- Certification completed and signed
- Package assembled, copied, and mailed with tracking (and 5% payment for SDOP, if applicable)

Appendix B: Glossary of Key Terms

- SFCP: Streamlined Filing Compliance Procedures—IRS program for eligible taxpayers to catch up with reduced penalties.
- SFOP/SDOP: Foreign/Domestic versions of streamlined procedures.
- FBAR: Report of Foreign Bank and Financial Accounts (FinCEN 114).
- FATCA/Form 8938: Reporting of specified foreign financial assets to the IRS.
- FEIE (Form 2555): Excludes qualifying foreign earned income up to an annual limit.
- FTC (Form 1116): Credits foreign taxes against U.S. tax to avoid double taxation.
- Non-willful: Due to negligence, inadvertence, mistake, or good-faith misunderstanding.
- PFIC: Passive Foreign Investment Company—often foreign mutual funds with special U.S. tax rules.

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Disclaimer: The views expressed in this article are those of the author and should not be relied on to make decisions.

Consider discussing your specific circumstances with an appropriate specialist.