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Ask the 'Stache



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Every Saturday, we open the mailbag, pour some strong coffee, and tackle the tax questions keeping America awake at 2 a.m. Here are this week's questions:



I haven't filed in 7 years. At this point, why should I even bother starting?

Here's the thing about the IRS...they are extraordinarily patient. Quietly, methodically, bureaucratically patient. They are not forgetting about you. They are simply waiting. Accruing interest and penalties like a landlord who hasn't knocked yet but is absolutely keeping a running tab.

So why start now? A few reasons.

- **The penalties stop growing when you file.** Every month you wait, that number climbs. Filing stops the bleeding, even if you can't pay everything at once.
- **You might actually be owed money.** If you had refunds coming in any of those years, the IRS will apply them to what you owe. That's free money working in your favor, but only if you file. Refunds older than three years are forfeited forever, so some of that window may already be closed.
- **Unfiled returns make you a target.** When you don't file, the IRS can file a Substitute for Return (SFR) on your behalf. They won't be generous about it. They'll use whatever information they have (W-2s, 1099s), and they won't include a single deduction you were entitled to. You'll owe more than you should, with no say in the matter.
- **You can negotiate, but only once you're in the system.** Payment plans, Offers in Compromise, and Currently Not Collectible status. None of these options are available to someone who hasn't filed. Compliance is the price of admission to relief.

Seven years feels like a mountain. It's actually just paperwork. Start with the most recent year and work backwards. A tax professional can help you do this efficiently and with far less panic than you'd expect.

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I've been paying child support consistently. Does that mean I can claim my kid on my taxes?

Not automatically, and this surprises more people than you'd think.

The IRS doesn't particularly care who's been writing the checks. What they care about is custody. Specifically, who the child lived with more during the year. That's the person who gets to claim the dependent, the [Child Tax Credit](#), and the [Earned Income Tax Credit](#), regardless of who's been faithfully paying support every month.

This is called the [custodial parent rule](#), and it applies even if you're paying more than the custodial parent earns in a year.

The child must have lived with you for more than half the year (183+ nights). If they did, you're generally the custodial parent, and you get the tax benefits. If they lived primarily with your ex, your ex gets them. Even if your support payments are spotless and on time.

The custodial parent can sign [IRS Form 8332](#), releasing the exemption to you for that tax year. Some divorce decrees include alternating years. One parent claims the child in odd years, the other in even years. But that arrangement needs to be documented. A verbal agreement won't hold up if both parents try to claim the same child, which does happen and results in both returns getting flagged.

What about the recent changes? There's been some noise about child support and tax policy under the current administration, but as of now, the custodial parent rule remains intact. Don't file based on rumors. Check with a tax professional or verify directly with [IRS.gov](#).

Paying support is legally required. The tax break is separate, and it follows the child's pillow, not the payment history.





I am an American citizen working for a U.S. company but living abroad. Do I still have to file U.S. taxes?

Yes. And this tends to land like a small, unwelcome surprise on most people who ask it.

The United States is one of only two countries in the world (the other being Eritrea) that taxes its citizens based on citizenship rather than residency. Whether you move to Portugal, Australia, or the moon, if you hold a U.S. passport, the IRS still wants to hear from you every April.

As a U.S. citizen, you must file a federal tax return if your income exceeds the standard filing threshold, regardless of where you live or where your employer is based. Working for a U.S. company abroad doesn't change this obligation. It may actually simplify things, since your income is already reported in dollars and your employer is already withholding under U.S. payroll rules.

The good news (and there is some):

The tax code has provisions specifically designed to prevent you from being taxed twice on the same income.

The **Foreign Earned Income Exclusion (FEIE)** lets you exclude a significant chunk of foreign-earned income from U.S. taxes. For 2025, that's up to \$130,000. To qualify, you need to meet either the Bona Fide Residence Test (you've established residency in another country) or the Physical Presence Test (you were outside the U.S. for at least 330 days in

a 12-month period).

There's also the **Foreign Tax Credit**, which lets you offset U.S. taxes with taxes you've already paid to your host country, a key protection for citizens living in higher-tax nations.

If you have foreign bank accounts with balances exceeding \$10,000 at any point during the year, you're also required to file an **FBAR** (FinCEN Form 114), separately from your tax return. Missing this one carries steep penalties.

Living abroad is wonderful. Filing from abroad is manageable. Just don't assume the IRS lost your address.

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