Form **4563**

Department of the Treasury
Internal Revenue Service

Exclusion of Income From Sources in United States Possessions

▶ See instructions below.
▶ Attach to Form 1040.

OMB No. 1545-0173

1984

68

Name(s) as shown on Form 1040

Your social security number

Year	Name of possession in which you worked (If self-employed, write "self-employed" next to the name of the possession)
1982	
1983	
1984	

Total Gross Income and Possession Exclusion

Dates you were employed or engaged in a business in a U.S. possession (dates are inclusive)			Gross income during periods shown in columns **(b)** and **(c)** from:			
			Sources in U.S. possessions		Sources outside U.S. and U.S. possessions	Sources in U.S.
Year **(a)**	From - **(b)**	To - **(c)**	Salaries, wages, or active conduct of a trade or business **(d)**	Other income **(e)**	**(f)**	**(g)**
1 **1982**			$	$	$	$
2 **1983**						
3 **1984**						
4 Totals			$	$	$	$

5 Add columns (d) and (e), line 4. This is your gross income from sources in U.S. possessions	$
6 Add columns (f) and (g), line 4, and the amount on line 5. This is your total gross income	$
7 Multiply the amount on line 6 by 80% (.80) and write the result.	$
8 Multiply the amount on line 6 by 50% (.50) and write the result.	$

Note: If the amount on line 5 is equal to or more than the amount on line 7, and the amount in column (d)

The following areas do not qualify you for the possession exclusion: Guam, the Northern Mariana Islands, the Virgin Islands, and Puerto Rico. See Publication 570 if you worked in any of these four areas.

Note: *If you do not qualify for the possession exclusion, you may qualify for benefits relating to earned income from sources outside the United States. To take these benefits, your tax home must be in a foreign country and you must be a resident of, or present in, a foreign country for a specified period of time. A U.S. possession or territory is not a foreign country. To see if you qualify for benefits relating to earned income from sources outside the United States, get* ***Publication 54,*** *Tax Guide for U.S. Citizens and Resident Aliens Abroad.*

Where to File

Attach this form to your Form 1040 and file both forms with the Internal Revenue Service Center, Philadelphia, PA 19244-4444.

Note: *If you do not take the exclusion, follow the instructions for Form 1040. Report all your taxable income, including income from foreign and possession sources. Be sure to take all exemptions, deductions, and credits that you are entitled to take. File your return with the Internal Revenue Service Center shown in the Form 1040 instructions for the place where you live.*

Figuring Your Tax on Form 1040

Income You Must Report.— Even if you may take the exclusion, you must still report the following income on your Form 1040:

- Income you received from U.S. sources. (The United States means the 50 States and the District of Columbia.)
- Income you or your agent received in the United States from any source. (This generally includes salary you earned in a U.S. possession that your employer deposited in your bank account in the United States.)
- Income you received as an employee of the U.S. Government or any of its agencies.
- All income you received during the part of your 1984 tax year that is not part of the period shown in columns (b) and (c) of line 3. The source of that income or the place where it was received does not matter. It does not qualify for the possession exclusion.

Deductions You May Take.— The following deductions are allowed whether or not they are connected with U.S. source income.

- One personal exemption of $1,000.
- Losses from transactions you entered into for profit, but that were not connected with a trade or business. The transactions must be of a kind whose profits, if there had been any, would have been taxable. The losses may not have been reimbursed by insurance.
- Casualty and theft losses to nonbusiness property in the United States. Use **Form 4684,** Casualties and Thefts, to report them.
- Charitable contributions (Schedule A, Form 1040).

Other deductions are allowed only if they relate to income from U.S. sources. For example, a teacher may deduct the business expense of teaching aids bought to use while teaching in the United States, but not aids bought to use in a U.S. possession.

Benefits You May Not Take.— The following benefits are not allowed if you take the possession exclusion.

- The zero bracket amount.
- Exemptions for age, blindness, your spouse, or any dependents.
- Income averaging (Schedule G, Form 1040).
- Credit or deduction for income taxes paid to a foreign country or a U.S. possession.
- Deduction for medical and dental expenses.
- Earned income credit.
- Deduction for a married couple when both work (Schedule W, Form 1040).

Lines 34a through 38, Form 1040.— If you take the exclusion, you must itemize your deductions on Schedule A (Form 1040). Follow the instructions for line 34a on page 13 of the Form 1040 instructions, paying special attention to the section titled **After you've completed Schedule A,** to determine what entries you should make on lines 34a and 35 of Form 1040. Enter $1,000 on line 36 of Form1040. (If you take the exclusion, you may claim only one personal exemption of $1,000.) Subtract line 36 from line 35 and enter the result on line 37. Follow the instructions for line 38 on page 14 of the Form 1040 instructions to figure your tax.

Specific Instructions

Lines 1, 2, and 3.— Enter in columns (b) and (c) the dates that you were employed or engaged in a business in a U.S. possession during the 3-year period ending on the last day of your 1984 tax year.

Enter in columns (d), (e), (f), and (g) your gross income for the period shown in columns (b) and (c). If you file a joint tax return with your spouse, see Publication 570.

Note: *Publication 570 explains how to determine the source of income.*

Line 9.—If you qualify, you may exclude the total earned income, investment income, and capital gains you received during the tax year from sources outside the United States. The amounts in columns (d), (e), and (f), line 3 that you received outside the United States may be excluded from your 1984 gross income.

Note: *Taking the exclusion may not be to your advantage because it limits the other tax benefits you may use. You should figure your tax both with and without the exclusion to see which is better for you.*