Form **4563**

Department of the Treasury
Internal Revenue Service

Exclusion of Income From Sources in American Samoa

▶ **See instructions below.**
▶ **Attach to Form 1040.**

OMB No. 1545-0173

1987

Attachment Sequence No. **68**

Name(s) as shown on Form 1040

Your social security number

Year	Name of possession (see **Specific Instructions**) in which you worked (If self-employed, write "self-employed" next to the name of the possession.)
A 1985	
B 1986	
C 1987	

Note: *Do **not** file this form unless you have income in 1987 from sources in American Samoa. If you do have income in 1987 from sources in American Samoa, complete the rest of this form to see if you qualify for the exclusion.*

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							
Year **(a)**	From— **(b)**	To— **(c)**	Salaries, wages, or active conduct of a trade or business **(d)**		Other income **(e)**		Sources outside U.S. and U.S. possessions **(f)**		Sources in U.S. **(g)**	
1 1985										
2 1986										
Dates you were employed or engaged in a business in American Samoa			Sources in American Samoa only				Sources outside U.S.			

Purpose of Form

Use Form 4563 if you are a U.S. citizen who worked in American Samoa in 1987 and you want to see if you qualify for the "possession exclusion." If you qualify and choose to take the exclusion, also use Form 4563 to figure the amount of the exclusion.

Additional Information

You may want to get **Publication 570**, Tax Guide for U.S. Citizens Employed in U.S. Possessions, for more information.

Who Qualifies for the Exclusion

You will qualify for the exclusion if:

- You are a U.S. citizen who worked in American Samoa during 1987; **and**
- At least 80% of your total gross income, line 6, was from sources in U.S. possessions (see **Specific Instructions**); **and**
- At least 50% of your total gross income, line 6, was from wages, salaries, or your active conduct of a trade or business in U.S. possessions (see **Specific Instructions**).

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

Mail your return to the Internal Revenue Service Center, Philadelphia, PA 19255, U.S.A.

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.)
- All 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 1987 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.—If otherwise allowable, the following deductions are allowed whether or not they are connected with U.S. source income.

- One personal exemption of $1,900.
- 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 American Samoa.

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

- Standard deduction.
- Exemption for your spouse or any dependents.
- Credit or deduction for income taxes paid to a foreign country or a U.S. possession.
- Earned income credit.
- Deduction for medical and dental expenses.

Lines 33 through 37, Form 1040.—To itemize your deductions on Schedule A (Form 1040), follow the instructions for line 33a on page 15 of the Form 1040 Instructions.

Enter zero on line 33b. (If you take the exclusion, you cannot claim the standard deduction.) Write "Form 4563" on the dotted line to the left of line 33b.

If you itemize your deductions, subtract line 33a from line 31 and enter the result on line 34. Otherwise, enter on line 34 the amount from line 31.

Enter $1,900 on line 35. (If you take the exclusion, you may claim only one personal exemption of $1,900.)

Subtract line 35 from line 34 and enter the result on line 36. Follow the instructions for line 37 on page 16 of the Form 1040 Instructions to figure your tax.

Specific Instructions

For purposes of completing lines A, B, 1, and 2 (1985 and 1986 sources of income), the following are considered U.S. possessions:

American Samoa
Wake Island
Midway Islands
Palmyra
Johnston Island
Kingman Reef
Howland Island
Baker Island
Jarvis Island
Other U.S. islands, cays, and reefs that are not part of any of the 50 States.

For purposes of completing lines C and 3 (1987 sources of income), only American Samoa is considered a U.S. possession.

Lines 1, 2, and 3.— Enter in columns (b) and (c) the dates that you were employed or engaged in a business in the qualified possession during the 3-year period ending on the last day of your 1987 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 1987 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.*