Tax Guide for Individuals With Income From U.S. Possessions

For use in preparing 2018 Returns

Future Developments

For the latest information about developments related to Pub. 570, such as legislation enacted after it was published, go to IRS.gov/Pub570.

What's New

Form 1040 has been redesigned for 2018. The new design uses a “building block” approach. Form 1040, which many taxpayers can file by itself, is supplemented with new Schedules 1 through 6. These additional schedules will be used as needed to complete more complex tax returns. For more information, see the Instructions for Form 1040.

Forms 1040A and 1040EZ no longer available. Forms 1040A and 1040EZ aren’t available to file your 2018 taxes. If you used one of these forms in the past, you will now file Form 1040. Some forms and publications that were released in 2017 or early 2018 (for example, Form W-2) may still have references to Form 1040A or Form 1040EZ. Please disregard those references.

Deduction for personal exemptions suspended. Beginning in 2018, you can’t claim a personal exemption deduction for yourself, your spouse, or your dependents.

Moving expense deduction suspended. Beginning in 2018, the deduction for moving expenses is suspended unless you are a member of the U.S. Armed Forces who moves pursuant to a military order and incident to a permanent change of station. For more information, see Pub. 3, Armed Forces’ Tax Guide.
Changes to itemized deductions. For 2018, there have been numerous changes to the itemized deductions that can be claimed on Schedule A (Form 1040). See the Schedule A (Form 1040) instructions for a complete list of changes.

Standard deduction amount increased. Beginning in 2018, the standard deduction amount has increased for all filers. See Standard deduction amount, later.

Overall limitation on itemized deductions. There is no longer an overall limitation on itemized deductions based on your adjusted gross income. However, there may be other limitations that impact the amount of itemized deductions you can claim on Schedule A (Form 1040).

Additional child tax credit (ACTC). For 2018, bona fide residents of Puerto Rico claiming the ACTC should be aware of the following changes.

• The maximum amount of ACTC has increased to $1,400 per qualifying child.
• Your qualifying child must have a social security number (SSN) valid for employment issued prior to the due date of your 2018 return (including extensions), or you can’t claim the ACTC on either your original or an amended tax return.
• Changes to itemized deductions.

Maximum income subject to social security tax. For 2018, the maximum amount of self-employment income subject to social security tax is $128,400. The amount will increase to $132,900 for 2019.

Optional methods to figure net earnings. For 2018, the maximum income for using the optional methods is $5,280. This amount will increase to $5,440 for 2019.

Reminders

Self-employment tax. Bona fide residents of a U.S. territory who have self-employment income generally must pay self-employment tax to the United States. Self-employment tax includes both social security and Medicare. Bona fide residents may be subject to U.S. self-employment tax even if they have no income tax filing obligation with the United States. See Self-Employment Tax in chapter 4 for more information.

Additional Medicare Tax. You may be required to pay Additional Medicare Tax withheld by your employer. For more information, see Additional Medicare Tax under Special Rules for Completing Your U.S. Tax Return in chapter 4.

Net Investment Income Tax. The Net Investment Income Tax (NIIT) imposes a 3.8% tax on the lesser of an individual’s net investment income or the excess of the individual’s modified adjusted gross income over a specified threshold amount. Bona fide residents of Puerto Rico and American Samoa who have a federal income tax return filing obligation may be liable for the NIIT if the taxpayer’s modified adjusted gross income from non-territory sources exceeds a specified threshold amount. Also, bona fide residents must take into account any additional tax liability associated with the NIIT when calculating their estimated tax payments.

The NIIT does not apply to any individual who is a nonresident alien with respect to the United States. For more information, see Net Investment Income Tax under Bona Fide Resident of American Samoa and Bona Fide Resident of Puerto Rico in chapter 3.

Because bona fide residents of the CNMI, Guam, and the U.S. Virgin Islands generally do not have a federal income tax return filing obligation, the NIIT generally does not directly apply to them. However, residents should check their local territorial tax department for guidance on the possible mirrored application of the NIIT in these jurisdictions.

Individual taxpayer identification numbers (ITINs) for aliens. If you are a nonresident or resident alien and you do not have and are not eligible to get a social security number (SSN), you must apply for an ITIN. For details on how to do so, see Form W-7 and the Instructions for Form W-7. Allow 7 weeks for the IRS to notify you of your ITIN application status (9 to 11 weeks if submitted during peak processing periods (January 15 through April 30) or if you are filing from overseas). If you already have an ITIN, enter it wherever your SSN is requested on your tax return.

For more information, go to IRS.gov/ITIN.

An ITIN is for tax use only. It does not entitle you to social security benefits or change your employment or immigration status under U.S. law.

Expired ITIN. Generally, ITINs that have not been used on a federal tax return at least once in the last 3 consecutive years expired on December 31, 2018, and ITINs issued before 2013 with middle digits 73, 74, 75, 76, 77, 81, or 82 also expired at the end 2018. Affected taxpayers who expect to file a tax return in 2019 must submit a renewal application. For more information on how to renew an ITIN, go to IRS.gov/IN.

ITINs with middle digits 70, 71, 72, 78, 79, or 80 that expired in 2016 and 2017 also can be renewed.

Electronic filing. You can e-file Form 1040-SS and Form 1040-PR. For general information about electronic filing, visit IRS.gov/Efile.

Earned income credit (EIC). Generally, if you are a bona fide resident of a U.S. possession, you cannot claim the EIC on your U.S. tax return. However, certain U.S. possessions may allow bona fide residents to claim the EIC on their possession tax return.

To claim the EIC on your U.S. tax return, your home (and your spouse’s if filing a joint return) must have been in the United States for more than half the year. If you have a child, the child must have lived with you in the United States for more than half the year. For this purpose, the United States includes only the 50 states and the District of Columbia. Special rules apply to military personnel stationed outside the United States. For more information on this credit, see Pub. 946.

If you claim the earned income tax credit (EITC) or the additional child tax credit (ACTC) on your tax return, the IRS must hold your refund until at least February 27—including the portion not associated with EITC or ACTC. To track your refund go to IRS.gov/Refunds, or download the IRS2Go mobile app.

Form 8938, Statement of Specified Foreign Financial Assets. If you have specified foreign financial assets in foreign jurisdictions valued above certain threshold dollar amounts, you may have to file Form 8938 when you file your U.S. income tax return with the IRS.

Even if you are required to file Form 8938, you may not have to report certain specified foreign financial assets on Form 8938. See Bona fide resident of a U.S. possession, in the Instructions for Form 8938 for more details.

For additional details, see the Instructions for Form 8938.

If you do not have to file a federal income tax return with the United States, you are not required to file a Form 8938 with the IRS.

Change of address. If you change your mailing address, use Form 8822 to notify the IRS and U.S. possession tax administration, if appropriate. Mail Form 8822 to the IRS Service Center or U.S. possession tax administration address designated for your old address (see page 2 of Form 8822).

If you change your address before filing your tax return, write the new address in the appropriate boxes of your tax return when you file.

Photographs of missing children. The IRS is a proud partner with the National Center for Missing and Exploited Children® (NMEC). Photographs of missing children selected by the Center may appear in this publication on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

Introduction
This publication discusses how to treat income received from the following U.S. possessions on your tax return(s):

• American Samoa.
• The Commonwealth of Puerto Rico (Puerto Rico).
• The Commonwealth of the Northern Mariana Islands (CNMI).
• Guam.
• The U.S. Virgin Islands (USVI).

Unless stated otherwise, when the term ‘‘possession’’ is used in this publication, it includes the Commonwealths of Puerto Rico and the Northern Mariana Islands.

Chapter 1 discusses the requirements for being considered a bona fide resident of the listed possessions.

Chapter 2 gives the rules for determining if your income is from sources within, or effectively connected with a trade or business in, those possessions.

Next, chapter 3 looks at the rules for filing tax returns when you receive income from any of these possessions. You may have to file a
You can get the necessary possession tax forms at the tax office for the appropriate possession. The office addresses are given in chapter 3.

### Useful Items
You may want to see:

#### Publication
- **3** Armed Forces’ Tax Guide
- **54** Tax Guide for U.S. Citizens and Resident Aliens Abroad
- **514** Foreign Tax Credit for Individuals
- **519** U.S. Tax Guide for Aliens
- **976** Disaster Relief

#### Form (and Instructions)
- **1040-PR** Planilla para la Declaración de la Contribución Federal sobre el Trabajo por Cuenta Propia (Incluyendo el Crédito Tributario Adicional por Hijos para Residentes Bona Fide de Puerto Rico)
- **1040-SS** U.S. Self-Employment Tax Return (Including the Additional Child Tax Credit for Bona Fide Residents of Puerto Rico)
- **1116** Foreign Tax Credit
- **4563** Exclusion of Income for Bona Fide Residents of American Samoa
- **4868** Application for Automatic Extension of Time To File U.S. Individual Income Tax Return
- **5074** Allocation of Individual Income Tax to Guam or the Commonwealth of the Northern Mariana Islands (CNMI)
- **8938** Statement of Specified Foreign Financial Assets
- **8699** Allocation of Individual Income Tax to the U.S. Virgin Islands
- **8998** Statement for Individuals Who Begin or End Bona Fide Residence In a U.S. Possession
- **8959** Additional Medicare Tax
- **8960** Net Investment Income Tax—Individuals, Estates, and Trusts

Generally, you are a bona fide resident of one of these possessions (the relevant possession) if, during the tax year, you:
- Meet the presence test,
- Do not have a tax home outside the relevant possession, and
- Do not have a closer connection to the United States or to a foreign country than to the relevant possession.

### Special rule for members of the U.S. Armed Forces
If you are a member of the U.S. Armed Forces who qualified as a bona fide resident of the relevant possession in an earlier tax year, your absence from that possession during the current tax year in compliance with military orders will not affect your status as a bona fide resident. Likewise, being in a possession solely in compliance with military orders will not qualify you for bona fide residency. Also see the special income source rule for members of the U.S. Armed Forces in chapter 2, under Compensation for Labor or Personal Services.

### Special rule for civilian spouse of active duty member of the U.S. Armed Forces
If you are the civilian spouse of an active duty service member, under Military Spouses Residency Relief Act (MSRRA) you can choose to keep your prior residence or domicile for tax purposes (tax residence) when accompanying the service member spouse, who is relocating under military orders, to a new military duty station in one of the 50 states, the District of Columbia, or a U.S. possession. Before relocating, you and your spouse must have the same tax residence. If you are a civilian spouse and choose to keep your prior tax residence after such relocation, the source of income for services performed (for example, wages, salaries, tips, or self-employment) by you is considered to be (the jurisdiction of the) prior tax residence. As a result, the amount of income tax withheld from Form(s) W-2 that you are able to claim on your federal return, as well as the need to file a state or U.S. possession return, may be affected.

For more information, see the following:
- Notice 2012-41 available at IRS.gov/irb/2012-26_IRB#NOT-2012-41.

Also, you can consult with state, local, or U.S. possession tax authorities regarding your tax obligations under MSRRA.

### Presence Test
If you are a U.S. citizen or resident alien, you will satisfy the presence test for the entire tax year if you meet one of the following conditions.

1. You were present in the relevant possession for at least 183 days during the tax year.
2. You were present in the relevant possession for at least 549 days during the 3-year period that includes the current tax year and the 2 immediately preceding tax years. During each year of the 3-year period, you were present for at least 183 days.
period, you must be present in the relevant possession for at least 60 days.

3. You were present in the United States for no more than 90 days during the tax year.

4. You had earned income in the United States of no more than a total of $3,000 and were present for more days in the relevant possession than in the United States during the tax year. Earned income is pay for personal services performed, such as wages, salaries, or professional fees.

5. You had no significant connection to the United States during the tax year.

Special rule for nonresident aliens. Conditions (1) through (5) above do not apply to nonresident aliens of the United States. Instead, nonresident aliens must meet the substantial presence test discussed in chapter 1 of Pub. 519. In that discussion, substitute the name of the possession for "United States" and "U.S." wherever they appear. Disregard the discussion in that chapter about a Closer Connection to a Foreign Country.

Days of Presence in the United States or Relevant Possession

Generally, you are treated as being present in the United States or in the relevant possession on any day that you are physically present in that location at any time during the day.

Disaster relief. Due to Hurricane Irma and Hurricane Maria, the 14-day period of absence resulting from a major disaster, which does not count against your days of presence outside a relevant U.S. territory (see item 3a under Days of presence in a possession, later), has been extended to 268 days effective beginning September 6, 2017, and ending May 31, 2018. Therefore, an individual who is outside of Puerto Rico or the U.S. Virgin Islands on any day during this 268-day period will be treated as leaving or being unable to return to the relevant U.S. territory as a result of Hurricanes Irma or Maria, and will not lose their status as a bona fide resident of Puerto Rico or the U.S. Virgin Islands during this period. For more information, see Notice 2018-19, available at IRS.gov/irb/2018-12_IRB#NOT-2018-19, which modified Notice 2017-56, 2017-43 I.R.B. 365.

Days of presence in a possession. You are considered to be present in the relevant possession on any of the following days:

1. Any day you are physically present in that possession at any time during the day.

2. Any day you are outside of the relevant possession in order to receive, or to accompany any of the following family members to receive, qualifying medical treatment (see Qualifying Medical Treatment, later).
   a. Your parent.
   b. Your spouse.
   c. Your child, who is your son, daughter, stepson, or stepdaughter. This includes an adopted child or child lawfully placed with you for legal adoption. This also includes a foster child who is placed with you by an authorized placement agency or by judgment, decree, or other order of any court of competent jurisdiction.

3. Any day you are outside the relevant possession because you leave or are unable to return to the relevant possession during any:
   a. 14-day period within which a major disaster occurs in the relevant possession for which a Federal Emergency Management Agency (FEMA) notice of a federal declaration of a major disaster is issued in the Federal Register (however, see Disaster relief, earlier), or
   b. Period for which a mandatory evacuation order is in effect for the geographic area in the relevant possession in which your main home is located.

4. Any day (up to a total of 30 days) that you are outside the relevant possession and the United States for business or personal travel, but this rule:
   a. Applies only if the number of days you are considered present in the relevant possession exceeds the number of days you are considered present in the United States (determined without regard to the rule in this section (4)), and
   b. Does not apply for purposes of calculating the minimum 60 days of presence in the relevant possession that is required for the 549-day presence test (see Presence Test, earlier).

If, during a single day, you are physically present:
   • In the United States and in the relevant possession, that day is considered a day of presence in the relevant possession; or
   • In two possessions, that day is considered a day of presence in the possession where your tax home is located (see Tax Home, later).

Days of presence in the United States. You are considered to be present in the United States on any day that you are physically present in the United States at any time during the day. However, do not count the following days as days of presence in the United States.

1. Any day you are temporarily present in the United States in order to receive, or to accompany a parent, spouse, or child who is receiving, qualifying medical treatment. Child is defined under item 2c, earlier. Qualifying medical treatment is defined later.

2. Any day you are temporarily present in the United States because you leave or are unable to return to the relevant possession during any:
   a. 14-day period within which a major disaster occurs in the relevant possession for which a Federal Emergency Management Agency (FEMA) notice of a federal declaration of a major disaster is issued in the Federal Register (however, see Disaster relief, earlier), or
   b. Period for which a mandatory evacuation order is in effect for the geographic area in the relevant possession in which your main home is located.

3. Any day you are in the United States for less than 24 hours when you are traveling between two places outside the United States.

4. Any day you are temporarily present in the United States as a professional athlete to compete in a charitable sports event (defined later).

5. Any day you are temporarily in the United States as a student (defined later).

6. Any day you are in the United States serving as an elected representative of the relevant possession, or serving full time as an elected or appointed official or employee of the government of that possession (or any of its political subdivisions).

Qualifying Medical Treatment

Such treatment generally is provided by (or under the supervision of) a physician for an illness, injury, impairment, or physical or mental condition. The treatment generally involves:
   • Any period of inpatient care that requires an overnight stay in a hospital or hospice, and any period immediately before or after that inpatient care to the extent it is medically necessary, or
   • Any temporary period of inpatient care in a residential medical care facility for medically necessary rehabilitation services.

With respect to each qualifying medical treatment, you must prepare (or obtain) and maintain documentation supporting your claim that such treatment meets the criteria to be considered days of presence in the relevant possession. You must be able to produce this documentation within 30 days if requested by the IRS or tax administrator for the relevant possession.

You must keep the following documentation.

1. Records that provide:
   a. The patient's name and relationship to you (if the medical treatment is provided to a person you accompany);
   b. The name and address of the hospital, hospice, or residential medical care facility where the medical treatment was provided;
c. The name, address, and telephone number of the physician who provided the medical treatment;
d. The date(s) on which the medical treatment was provided; and
e. Receipt(s) of payment for the medical treatment.

2. Signed certification by the providing or supervising physician that the medical treatment met the requirements for being qualified medical treatment, and setting forth:
   a. The patient's name,
   b. A reasonably detailed description of the medical treatment provided by (or under the supervision of) the physician,
   c. The dates on which the medical treatment was provided, and
d. The medical facts that support the physician's certification and determination that the treatment was medically necessary.

Charitable Sports Event

A charitable sports event is one that meets all of the following conditions.
- The main purpose is to benefit a qualified charitable organization.
- The entire net proceeds go to charity.
- Volunteers perform substantially all the work.

In figuring the days of presence in the United States, you can exclude only the days on which you actually competed in the charitable sports event. You cannot exclude the days on which you were in the United States to practice for the event, to perform promotional or other activities related to the event, or to travel between events.

Student

To qualify as a student, you must be, during some part of each of any 5 calendar months during the calendar year:
1. A full-time student at a school that has a regular teaching staff, course of study, and regularly enrolled body of students in attendance, or
2. A student taking a full-time, on-farm training course given by a school described in (1) above or by a state, county, or local government agency.

The 5 calendar months do not have to be consecutive.

Full-time student. A full-time student is a person who is enrolled for the number of hours or courses the school considers to be full-time attendance. However, school attendance exclusively at night is not considered full-time attendance.

School. The term school includes elementary schools, middle schools, junior and senior high schools, colleges, universities, and technical, trade, and mechanical schools. It does not include on-the-job training courses, correspondence schools, and schools offering courses only through the Internet.

Significant Connection

One way in which you can meet the presence test is to have no significant connection to the United States during the tax year. This section looks at the factors that determine if a significant connection exists.

You are treated as having a significant connection to the United States if you:
1. Have a permanent home in the United States,
2. Are currently registered to vote in any political subdivision of the United States, or
3. Have a spouse or child (see item 2c under Days of presence in a possession, earlier) who is under age 18 whose main home is in the United States, other than:
   a. A child who is in the United States because he or she is the child of divorced or legally separated parents and is living with a custodial parent under a custodial decree or multiple support agreement, or
   b. A child who is in the United States as a student.

For the purpose of determining if you have a significant connection to the United States, the term spouse does not include a spouse from whom you are legally separated under a decree of divorce or separate maintenance.

Permanent home. A permanent home generally includes an accommodation such as a house, an apartment, or a furnished room that is either owned or rented by you or your spouse. The dwelling unit must be available at all times, continuously, not only for short stays.

Exception for rental property. If you or your spouse own the dwelling unit and at any time during the tax year it is rented to someone else at fair rental value, it will be considered your permanent home only if you or your spouse use that property for personal purposes for more than the greater of:

- 14 days,
- 10% of the number of days during that tax year that the property is rented to others at a fair rental value.

You are treated as using rental property for personal purposes on any day the property is being rented to someone else at fair rental value for the entire day.

A day of personal use of a dwelling unit also is any day that the unit is used by any of the following persons:
- You or any other person who has an interest in it, unless you rent it to another owner as his or her main home under a shared equity financing agreement.
- A member of your family or a member of the family of any other person who has an interest in it, unless the family member uses the dwelling unit as his or her main home and pays a fair rental price. Family includes only brothers and sisters, half-brothers and half-sisters, spouses, ancestors (parents, grandparents, etc.), and lineal descendants (children, grandchildren, etc.).
- Anyone under an arrangement that lets you use some other dwelling unit.
- Anyone at less than a fair rental price.

However, any day you spend working substantially full time repairing and maintaining (not improving) your property is not counted as a day of personal use. Whether your property is used mainly for this purpose is determined in light of all the facts and circumstances, such as:
- The amount of time you devote to repair and maintenance work,
- How often during the tax year you perform repair and maintenance work on this property, and
- The presence and activities of companions.

See Pub. 527 for more information about personal use of a dwelling unit.

Example—significant connection. Ann Green, a U.S. citizen, is a sales representative for a company based in Guam. Ann lives with her spouse and young children in their house in Guam, where she also is registered to vote. Her business travel requires her to spend 120 days in the United States and another 120 days in foreign countries. When traveling on business, Ann generally stays at hotels but sometimes stays with her brother, who lives in the United States. Ann's stays are always of short duration and she asks her brother's permission to stay with him. Her brother's house is not her permanent home, nor does she have any other accommodations in the United States that would be considered her permanent home. Ann satisfies the presence test because she has no significant connection to the United States.

Example—presence test. Eric and Wanda Brown live for part of the year in a condominium, which they own, in the CNMI. They also own a house in Maine where they live for 120 days every year to be near their grown children and grandchildren. The Browns are retired and their only income is from pension payments, dividends, interest, and social security benefits. In 2018, they spent only 175 days in the CNMI because of a 70-day vacation to Europe and Asia.

Thus, in 2018, the Browns were not present in the CNMI for at least 183 days, were present in the United States for more than 90 days, and had a significant connection to the United States because of their permanent home. However, the Browns still satisfied the presence test with respect to the CNMI because they had no earned income in the United States and were physically present for more days in the CNMI than in the United States.

Tax Home

You will have met the tax home test if you did not have a tax home outside the relevant possession during any part of the tax year.
Your tax home is your regular or main place of business, employment, or post of duty regardless of where you maintain your family home. If you do not have a regular or main place of business because of the nature of your work, then your tax home is the place where you regularly live. If you do not fit either of these categories, you are considered an itinerant and your tax home is wherever you work.

Exceptions

There are some special rules regarding tax home that provide exceptions to the general rule stated above.

Students and government Officials

Disregard the following days when determining whether you have a tax home outside the relevant possession.

- Days you were temporarily in the United States as a student (see Student under Days of Presence in the United States or Relevant Possession, earlier).
- Days you were in the United States serving as an elected representative of the relevant possession, or serving full time as an elected or appointed official or employee of the government of that possession (or any of its political subdivisions).

Seafarers

You will not be considered to have a tax home outside the relevant possession solely because you are employed on a ship or other seafaring vessel that is predominantly used in local and international waters. For this purpose, a vessel is considered to be predominantly used in local and international waters if, during the tax year, the total amount of time it is used in international waters and in the waters within 3 miles of the relevant possession exceeds the total amount of time it is used in the territorial waters of the United States, another possession, or any foreign country.

Example. In 2018, Sean Silverman, a U.S. citizen, was employed by a fishery and spent 250 days at sea on a fishing vessel. When not at sea, Sean lived with his spouse at a house they own in American Samoa. The fishing vessel on which Sean works departs and arrives at various ports in American Samoa, other possessions, and foreign countries, but was in international or American Samoa's local waters for 225 days. For purposes of determining bona fide residency of American Samoa, Sean will not be considered to have a tax home outside that possession solely because of his employment on board the fishing vessel.

Year of Move

If you are moving to or from a possession during the year, you may still be able to meet the closer connection test for that year. See Special Rules in the Year of a Move next.

Closer Connection

You will have met the closer connection test if, during any part of the tax year, you do not have a closer connection to the United States or a foreign country than to the relevant U.S. possession.

You will be considered to have a closer connection to a possession than to the United States or to a foreign country if you have maintained more significant contacts with the possession(s) than with the United States or foreign country. In determining if you have maintained more significant contacts with the relevant possession, the facts and circumstances to be considered include, but are not limited to, the following.

- The location of your permanent home.
- The location of your family.
- The location of personal belongings, such as automobiles, furniture, clothing, and jewelry owned by you and your family.
- The location of social, political, cultural, professional, or religious organizations with which you have a current relationship.
- The location where you conduct your routine personal banking activities.
- The location where you conduct business activities (other than those that go into determining your tax home).
- The location of the jurisdiction in which you hold a driver’s license.
- The location of the jurisdiction in which you vote.
- The location of charitable organizations to which you contribute.
- The country of residence you designate on forms and documents.
- The types of official forms and documents you file, such as Form W-2 and Form W-9.

Your connections to the relevant possession will be compared to the total of your connections with the United States and foreign countries. Your answers to the questions on Form 8898, Part III, will help establish the jurisdiction to which you have a closer connection.

Example—closer connection to the United States. Marcos Reyes, a U.S. citizen, moved to Puerto Rico in 2018 to start an investment consulting and venture capital business. His spouse and two teenage children remained in California to allow the children to complete their education. Although Marcos and his family had automobiles and personal belongings such as furniture, clothing, and jewelry located at both residences. Although Marcos was a member of the Puerto Rico Chamber of Commerce, he also belonged to and had current relationships with social, political, cultural, and religious organizations in California. Marcos received mail in California, including bank and brokerage statements and credit card bills. He conducted his personal banking activities in California. He held a California driver's license and also was registered to vote there. Based on all of the particular facts and circumstances pertaining to Marcos, he was not a bona fide resident of Puerto Rico in 2018 because he had a closer connection to the United States than to Puerto Rico.

Closer connection to another possession. Generally, possessions are not treated as foreign countries. Therefore, a closer connection to a possession other than the relevant possession will not be treated as a closer connection to a foreign country.

Example—tax home and closer connection to possession. Pearl Blackmon, a U.S. citizen, is a permanent employee of a hotel in Guam, but works only during the tourist season. For the remainder of each year, Pearl lives with her spouse and children in the CNMI, where she has no outside employment. Most of Pearl's personal belongings, including her automobile, are located in the CNMI. She is registered to vote in, and has a driver's license issued by, the CNMI. She does her personal banking in the CNMI and routinely lists her CNMI address on her personal address on forms and documents. Pearl satisfies the presence test with respect to both Guam and the CNMI. She satisfies the tax home test with respect to Guam, because her regular place of business is in Guam. Pearl satisfies the closer connection test with respect to both Guam and the CNMI, because she does not have a closer connection to the United States or to any foreign country. Pearl is considered a bona fide resident of Guam, the location of her tax home.

Exception for Year of Move

If you are moving to or from a possession during the year, you may still be able to meet the closer connection test for that year. See Special Rules in the Year of a Move next.

Special Rules in The Year of A Move

If you are moving to or from a possession during the year, you may still be able to meet the tax home and closer connection tests for that year.

Year of Moving to A Possession

You will satisfy the tax home and closer connection tests in the tax year of changing your residence to the relevant possession if you meet all of the following.

- You have not been a bona fide resident of the relevant possession in any of the 3 tax years immediately preceding your move.
- In the year of the move, you do not have a tax home outside the relevant possession or a closer connection to the United States or a foreign country than to the relevant possession during any of the last 183 days of the tax year.
• You are a bona fide resident of the relevant possession for each of the 3 tax years immediately following your move.

Example. Dwight Wood, a U.S. citizen, files returns on a calendar year basis. He lived in the United States from January 2012 through May 2018. In June 2018, he moved to the USVI, purchased a house, and accepted a permanent job with a local employer. From July 1 through December 31, 2018 (more than 183 days), Dwight's principal place of business was in the USVI and, during that time, he did not have a closer connection to the United States or a foreign country than to the USVI.

If he is a bona fide resident of the USVI during all of 2019 through 2020, he will satisfy the tax home and closer connection tests for 2018. If Dwight also satisfies the presence test in 2018, he will be considered a bona fide resident of the USVI for the entire 2018 tax year.

Year of Moving From A Possession

In the year you cease to be a bona fide resident of American Samoa, the CNMI, Guam, or the USVI, you will satisfy the tax home and closer connection tests with respect to the relevant possession if you meet all of the following.
• You have been a bona fide resident of the relevant possession for each of the 3 tax years immediately preceding your change of residence.
• In the year of the move, you do not have a tax home outside the relevant possession or a closer connection to the United States or a foreign country than to the relevant possession during any of the first 183 days of the tax year.
• You are not a bona fide resident of the relevant possession for any of the 3 tax years immediately following your move.

Example. Jean Aspen, a U.S. citizen, files returns on a calendar year basis. From January 2015 through December 2017, Jean was a bona fide resident of American Samoa. Jean continued to live there until September 6, 2018, when she accepted new employment and moved to Hawaii. Jean's principal place of business from January 1 through September 5, 2018 (more than 183 days), was in American Samoa, and during that period Jean did not have a closer connection to the United States or a foreign country than to American Samoa. If Jean continues to live and work in Hawaii for the rest of 2018 and throughout years 2019 through 2021, she will satisfy the tax home and closer connection tests for 2018 with respect to American Samoa. If Jean also satisfies the presence test in 2018, she will be considered a bona fide resident for the entire 2018 tax year.

Puerto Rico

You will be considered a bona fide resident of Puerto Rico for the part of the tax year preceding the date on which you move if you:
• Are a U.S. citizen,
• Are a bona fide resident of Puerto Rico for at least 2 tax years immediately preceding the tax year of the move,
• Cease to be a bona fide resident of Puerto Rico during the tax year,
• Cease to have a tax home in Puerto Rico during the tax year, and
• Have a closer connection to Puerto Rico than to the United States or a foreign country throughout the part of the tax year preceding the date on which you cease to have a tax home in Puerto Rico.

Example. Randy White, a U.S. citizen, files returns on a calendar year basis. For all of 2016 and 2017, Randy was a bona fide resident of Puerto Rico. From January through April 2018, Randy continued to reside and maintain his principal place of business in and closer connection to Puerto Rico. On May 5, 2018, Randy moved and changed his tax home to Nevada. Later that year he established a closer connection to the United States than to Puerto Rico. Randy did not satisfy the presence test for 2018 with respect to Puerto Rico, nor the tax home or closer connection tests. However, because Randy was a bona fide resident of Puerto Rico for at least 2 tax years before he moved to Nevada in 2018, he was a bona fide resident of Puerto Rico from January 1 through May 4, 2018.

Report a Change

In the year of the move, you do not have a tax home in Puerto Rico.

Example. Randy White, a U.S. citizen, files returns on a calendar year basis. For all of 2016 and 2017, Randy was a bona fide resident of Puerto Rico. From January through April 2018, Randy continued to reside and maintain his principal place of business in and closer connection to Puerto Rico. On May 5, 2018, Randy moved and changed his tax home to Nevada. Later that year he established a closer connection to the United States than to Puerto Rico. Randy did not satisfy the presence test for 2018 with respect to Puerto Rico, nor the tax home or closer connection tests. However, because Randy was a bona fide resident of Puerto Rico for at least 2 tax years before he moved to Nevada in 2018, he was a bona fide resident of Puerto Rico from January 1 through May 4, 2018.

Example. Randy White, a U.S. citizen, files returns on a calendar year basis. For all of 2016 and 2017, Randy was a bona fide resident of Puerto Rico. From January through April 2018, Randy continued to reside and maintain his principal place of business in and closer connection to Puerto Rico. On May 5, 2018, Randy moved and changed his tax home to Nevada. Later that year he established a closer connection to the United States than to Puerto Rico. Randy did not satisfy the presence test for 2018 with respect to Puerto Rico, nor the tax home or closer connection tests. However, because Randy was a bona fide resident of Puerto Rico for at least 2 tax years before he moved to Nevada in 2018, he was a bona fide resident of Puerto Rico from January 1 through May 4, 2018.

Who Must File

You must file Form 8898 for the tax year in which you meet both of the following conditions.
1. Your worldwide gross income (defined below) in that tax year is more than $75,000.
2. You meet one of the following.
   a. You take the position for U.S. tax purposes that you became a bona fide resident of a U.S. possession after a tax year for which you filed a U.S. income tax return as a citizen or resident alien of the United States but not as a bona fide resident of the possession.
   b. You are a citizen or resident alien of the United States who takes the position for U.S. tax purposes that you ceased to be a bona fide resident of a U.S. possession after a tax year for which you filed an income tax return (with the IRS, the possession tax authority, or both) as a bona fide resident of the possession.
   c. You take the position for U.S. tax purposes that you became a bona fide resident of Puerto Rico or American Samoa after a tax year for which you were required to file an income tax return as a bona fide resident of the CNMI, Guam, or the USVI.

Penalty for Not Filing Form 8898

If you are required to file Form 8898 for any tax year and you fail to file it, you may owe a penalty of $1,000. Also, you may owe this penalty if you do not include all the information required by the form or the form includes incorrect information. In either case, you will not owe this penalty if you can show that such failure is due to reasonable cause and not willful neglect. This is in addition to any criminal penalty that may be imposed.

Possession Source Income

In order to determine where to file your return and which form(s) you need to complete, you must determine the source of each item of income you received during the tax year. Income you received from sources within, or that was effectively connected with the conduct of a trade or business within, the relevant possession must be identified separately from U.S. or foreign source income.

This chapter discusses the rules for determining if the source of your income is from:
• American Samoa,
• The Commonwealth of the Northern Marianas Islands,
• The Commonwealth of Puerto Rico (Puerto Rico),
• Guam, or
• The U.S. Virgin Islands.

Generally, the same rules that apply for determining U.S. source income also apply for determining possession source income. However, there are some important exceptions to these rules. Both the general rules and the exceptions are discussed in this chapter.

U.S. income rule. This rule states that income is not possession source income if, under the
Table 2-1 shows the general rules for determining whether income is from sources within the United States.

Types of Income

This section looks at the most common types of income received by individuals, and the rules for determining the source of the income. Generally, the same rules shown in Table 2-1 are used to determine if you have possession source income.

Compensation for Labor or Personal Services

Income from labor or personal services includes wages, salaries, commissions, fees, per diem allowances, employee allowances and bonuses, and fringe benefits. It also includes income earned by sole proprietors and general partners from providing personal services in the course of their trade or business.

Services performed wholly within a relevant possession. Generally, all pay you receive for services performed in a relevant possession is considered to be from sources within that possession. However, there is an exception for income earned as a member of the U.S. Armed Forces or a civilian spouse.

U.S. Armed Forces. If you are a bona fide resident of a relevant possession, your military service pay will be sourced in that possession even if you perform the services in the United States or another possession. However, if you are not a bona fide resident of a possession, your military service pay will be income from the United States even if you perform services in a possession.

Civilian spouse of active duty member of the U.S. Armed Forces. If you are a bona fide resident of a U.S. possession and choose to keep that possession as your tax residence under MSRRA when relocating with your servicemember spouse under military orders, the source of income for your labor or personal services is considered to be that possession. Likewise, if your tax residence is in one of the 50 states or the District of Columbia before relocating and you choose to keep it as your tax residence, the source of income for services performed in any of the U.S. possessions is considered to be the United States and, specifically, your state of residence or the District of Columbia.

For more information, see the following.
• Notice 2010-30 available at IRS.gov/irb/2010-18_IRB#NOT-2010-30
• Notice 2011-16 available at IRS.gov/irb/2011-17_IRB#NOT-2011-16
• Notice 2012-41 available at IRS.gov/irb/2012-26_IRB#NOT-2012-41

Table 2-1. General Rules for Determining U.S. Source of Income

<table>
<thead>
<tr>
<th>Item of Income</th>
<th>Factor Determining Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries, wages, and other compensation for labor or personal services</td>
<td>Where labor or services performed</td>
</tr>
<tr>
<td>Pensions</td>
<td>Contributions: Where services were performed that earned the pension</td>
</tr>
<tr>
<td></td>
<td>Investment earnings: Where pension trust is located</td>
</tr>
<tr>
<td>Interest</td>
<td>Residence of payer</td>
</tr>
<tr>
<td>Dividends</td>
<td>Where corporation created or organized</td>
</tr>
<tr>
<td>Rents</td>
<td>Location of property</td>
</tr>
<tr>
<td>Royalties:</td>
<td>Location of property</td>
</tr>
<tr>
<td>Natural resources</td>
<td>Where property is used</td>
</tr>
<tr>
<td>Patents, copyrights, etc.</td>
<td>Allocation if produced and sold in different locations</td>
</tr>
<tr>
<td>Sale of business inventory—purchased</td>
<td>Where sold</td>
</tr>
<tr>
<td>Sale of business inventory—produced</td>
<td>Allocation if produced and sold in different locations</td>
</tr>
<tr>
<td>Sale of real property</td>
<td>Location of property</td>
</tr>
<tr>
<td>Sale of personal property</td>
<td>Seller's tax home (but see Special Rules for Gains From Dispositions of Certain Property, later, for exceptions)</td>
</tr>
<tr>
<td>Sale of natural resources</td>
<td>Allocation based on fair market value of product at export terminal. For more information, see Regulations section 1.863-1(b).</td>
</tr>
</tbody>
</table>

Also, you can consult with state, local, or U.S. possession tax authorities regarding your tax obligations under MSRRA.

Services performed partly inside and partly outside a relevant possession. If you are an employee and receive compensation for labor or personal services performed both inside and outside the relevant possession, special rules apply in determining the source of the compensation. Compensation (other than certain fringe benefits) is sourced on a time basis. Certain fringe benefits (such as housing and education) are sourced on a geographical basis.

Or, you may be permitted to use an alternative basis to determine the source of compensation. See Alternative basis, later.

If you are self-employed, determine the source of your income for labor or personal services from self-employment on the basis that most correctly reflects the proper source of that income under the facts and circumstances of your particular case. In many cases, the facts and circumstances will call for an apportionment on a time basis as explained next.

Time basis. Use a time basis to figure your compensation for labor or personal services from the relevant possession (other than the fringe benefits discussed later). Do this by multiplying your total compensation (other than the fringe benefits discussed later) by the following fraction:

\[
\frac{\text{Number of days you performed services in the relevant possession during the year}}{\text{Total number of days you performed services during the year}}
\]

You can use a unit of time less than a day in the above fraction, if appropriate. The time period for which the income is made does not have to be a year. Instead, you can use another distinct, separate, and continuous time period if you can establish to the satisfaction of the IRS that this other period is more appropriate.

Example. In 2018, you worked in your employer's office in the United States for 60 days and in the Puerto Rico office for 180 days, earning a total of $80,000 for the year. Your Puerto Rico source income is $60,000, figured as follows.

\[
\frac{180 \text{ days}}{240 \text{ days}} \times \$80,000 = \$60,000
\]

Multi-year compensation. The source of multi-year compensation generally is determined on a time basis over the period to which the compensation is attributable. Multi-year compensation is compensation that is included in your income in 1 tax year but is attributable to a period that includes 2 or more tax years. You determine the period to which the income is attributable based on the facts and circumstances of your case. For more information on multi-year compensation, see Regulations section 1.861-4(b).

Certain fringe benefits sourced on a geographical basis. If you received any of the following fringe benefits as compensation for labor or services performed as an employee partly inside and partly outside a relevant possession, you must source that income on a geographical basis.
- Housing.
- Education.
- Local transportation.
• Tax reimbursement.
• Hazardous or hardship duty pay.
• Moving expense reimbursement.

For information on determining the source of the fringe benefits listed above, see Regulations section 1.861-4(b).

**Alternative basis.** You can determine the source of your compensation under an alternative basis if you establish to the satisfaction of the IRS that, under the facts and circumstances of your case, the alternative basis more properly determines the source of your income than the time or geographical basis. If you use an alternative basis, you must keep (and have available for inspection) records to document why the alternative basis more properly determines the source of your income.

**De minimis exception.** There is an exception to the rule for determining the source of income earned in a possession. Generally, you will not have income from a possession if during a tax year you:
- Are a U.S. citizen or resident,
- Are not a bona fide resident of that possession,
- Are not employed by or under contract with an individual, partnership, or corporation that is engaged in a trade or business in that possession,
- Temporarily perform services in that possession for 90 days or less, and
- Earned $3,000 or less from such services.

**Pensions.** Generally, pension income has two components: contributions to the pension plan and the earnings accrued from investing those contributions. The contribution portion is sourced according to where services were performed that earned the pension. The investment earnings portion is sourced according to the location of the pension trust.

**Example.** You are a U.S. citizen who worked in Puerto Rico for a U.S. company. All services were performed in Puerto Rico. Upon retirement you remained in Puerto Rico and began receiving your pension from the U.S. pension trust of your employer. Distributions from the U.S. pension trust must be allocated between (1) contributions, which are Puerto Rico source income, and (2) investment earnings, which are U.S. source income.

**Investment Income**

This category includes such income as interest, dividends, rents, and royalties.

**Interest income.** The source of interest income generally is determined by the residence of the payer. Interest paid by corporations created or organized in a relevant possession (possession corporation) or by individuals who are bona fide residents of a relevant possession is considered income from sources within that possession.

However, there is an exception to this rule if you are a bona fide resident of a relevant possession, receive interest from a corporation created or organized in that possession, and are a shareholder of that corporation who owns, directly or indirectly, at least 10% of the total voting stock of the corporation. See Regulations section 1.937-2(i) for more information.

**Dividends.** Generally, dividends paid by a corporation created or organized in a relevant possession will be considered income from sources within that possession. There are additional rules for bona fide residents of a relevant possession who receive dividend income from possession corporations, and who own, directly or indirectly, at least 10% of the voting stock of the corporation. For more information, see Regulations section 1.937-2(g).

**Rental income.** Rents from property located in a relevant possession are treated as income from sources within that possession.

**Royalties.** Royalties from natural resources located in a relevant possession are considered income from sources within that possession.

Also considered possession source income are royalties received for the use of, or for the privilege of using, in a relevant possession, patents, copyrights, secret processes and formulas, goodwill, trademarks, trade brands, franchises, and other like property.

**Sales or Other Dispositions of Property**

The source rules for sales or other dispositions of property are varied. The most common situations are discussed below.

**Real property.** Real property includes land and buildings, and generally anything built on, growing on, or attached to land. The location of the property generally determines the source of income from the sale. For example, if you are a bona fide resident of Guam and sell your home that is located in Guam, the gain on the sale is sourced in Guam. If, however, the home you sold was located in the United States, the gain is U.S. source income.

**Personal property.** The term personal property refers to property (such as machinery, equipment, or furniture) that is not real property. Generally, gain (or loss) from the sale or other disposition is sourced according to the seller’s tax home. If personal property is sold by a bona fide resident of a relevant possession, the gain (or loss) from the sale is treated as sourced within that possession.

This rule does not apply to the sale of inventory, intangible property, depreciable personal property, or property sold through a foreign office or fixed place of business. The rules applying to sales of inventory are discussed below. For information on sales of the other types of property mentioned, see Internal Revenue Code section 865.

**Inventory.** Your inventory is personal property that is stock in trade or that is held primarily for sale to customers in the ordinary course of your trade or business. The source of income from the sale of inventory depends on whether the inventory was purchased or produced.

**Purchased.** Income from the sale of inventory that you purchased is sourced where you sell the property. Generally, this is where title to the property passes to the buyer.

**Produced.** Income from the sale of inventory that you produced in a relevant possession and sold outside that possession (or vice versa) is sourced based on an allocation. For information on making the allocation, see Regulations section 1.863-3(f).

**Special Rules for Gains From Dispositions of Certain Property**

There are special rules for gains from dispositions of certain investment property (for example, stocks, bonds, debt instruments, diamonds, and gold) owned by a U.S. citizen or resident alien prior to becoming a bona fide resident of a possession. You are subject to these special rules if you meet both of the following conditions.

- For the tax year for which the source of the gain must be determined, you are a bona fide resident of the relevant possession.
- For any of the 10 years preceding that year, you were a citizen or resident alien of the United States (other than a bona fide resident of the relevant possession).

If you meet these conditions, gains from the disposition of this property will not be treated as income from sources within the relevant possession for purposes of the Internal Revenue Code. Accordingly, bona fide residents of American Samoa and Puerto Rico, for example, may not exclude the gain on their U.S. tax return. (See chapter 3 for additional filing information.) With respect to the CNMI, Guam, and the USVI, the gain from the disposition of this property will not meet the requirements for certain tax rules that may allow bona fide residents of those possessions to reduce or obtain a rebate of taxes on income from sources within the relevant possessions.

For details, see Regulations section 1.937-2(f)(1) and Examples 1 and 2 of section 1.937-2(k).

**Example 1.** In 2012, Cheryl Jones, a U.S. citizen, lived in the United States and paid $1,000 for 100 shares of stock in the Rose Corporation, a U.S. corporation listed on the New York Stock Exchange. On March 1, 2015, she moved to Puerto Rico and changed her tax home to Puerto Rico on the same date. Cheryl satisfied the presence test in 2015 and, under the year-of-move exception, she was considered a bona fide resident of Puerto Rico for the rest of 2015. On March 1, 2015, the closing value of Cheryl’s stock in the Rose Corporation was $2,000. On January 5, 2018, while still a bona fide resident of Puerto Rico, Cheryl sold all her Rose Corporation stock for $7,000. Under the special rules discussed earlier, none of Cheryl’s $6,000 gain will be treated as income from sources within Puerto Rico.

The source rules discussed in the preceding paragraphs supplement, and may apply in conjunction with, an existing special rule. This existing special rule applies if you are a U.S. citizen or resident alien who becomes a bona fide resident of American Samoa, the CNMI, or Guam, and who has gain
from the disposition of certain U.S. assets during the 10-year period beginning when you became a bona fide resident. The gain is U.S. source income that generally is subject to U.S. tax if the property is either (1) located in the United States; (2) stock issued by a U.S. corporation or a debt obligation of a U.S. person or of the United States, a state (or political subdivision), or the District of Columbia; or (3) property that has a basis in whole or in part by reference to property described in (1) or (2). See chapter 3 for filing information.

Special election. You can choose to treat the part of gain (or loss) attributable to the time you held the property while a bona fide resident of the relevant possession (the possession holding period) as gain (or loss) from sources within that possession. Make the election by reporting the gain attributable to the possession holding period on your income tax return for the year of disposition. This election overrides both of the special rules discussed earlier.

There are two methods for figuring the gain (or loss) for the possession holding period, one for marketable securities and another for other types of investment property.

Marketable securities. Marketable securities are those actively traded on an established financial market, such as stock in a publicly held corporation. Under the special election, allocate the gain (or loss) by figuring the appreciation separately for your possession and U.S. holding periods.

Your possession holding period begins on the first day you do not have a tax home outside the relevant possession. The gain (or loss) attributable to the possession holding period is the difference in fair market value of the security at the close of the market on the first and last days of this holding period. This is your gain (or loss) that is treated as being from sources within the relevant possession. If you were a bona fide resident of the relevant possession for more than one continuous period, combine the gains (or losses) from each possession holding period.

Example 2. Assume the same facts as in Example 1, except that Cheryl makes the special election to allocate the gain between her U.S. and possession holding periods. Cheryl's possession holding period began March 1, 2015, the date her tax home changed to Puerto Rico. Therefore, the portion of the gain attributable to her possession holding period is $5,000 ($7,000 sale price – $2,000 closing value on the first day of the possession holding period). By reporting $5,000 of her $6,000 gain as Puerto Rico source income on her 2018 Puerto Rico tax return (and the remainder as non-Puerto Rico source income), Cheryl elects to treat that amount as Puerto Rico source income.

Other personal property. For personal property other than marketable securities, use a time-based allocation. Figure the gain (or loss) attributable to the possession holding period by multiplying your total gain (or loss) by the following fraction.

<table>
<thead>
<tr>
<th>Number of days in the possession holding period</th>
<th>Total number of days in your holding period</th>
</tr>
</thead>
<tbody>
<tr>
<td>The result is your gain (or loss) that is treated as being from sources within the relevant possession.</td>
<td></td>
</tr>
</tbody>
</table>

Scholarships, Fellowships, Grants, Prizes, and Awards

The source of these types of income generally is the residence of the payer, regardless of who actually disburses the funds. Therefore, in order to be possession source income, the payer must be a resident of the relevant possession, such as an individual who is a bona fide resident or a corporation created or organized in that possession.

These rules do not apply to amounts paid as salary or other compensation for services. See Compensation for Labor or Personal Services, earlier in this chapter, for the source rules that apply.

Effectively Connected Income

In limited circumstances, some kinds of income from sources outside the relevant possession must be treated as effectively connected with a trade or business in that possession. These circumstances are listed below.

- You have an office or other fixed place of business in the relevant possession to which the income can be attributed.
- That office or place of business is a material factor in producing the income.
- The income is produced in the ordinary course of the trade or business carried on through that office or other fixed place of business.

An office or other fixed place of business is a material factor if it significantly contributes to, and is an essential economic element in, the earning of the income.

The three kinds of income from sources outside the relevant possession to which these rules apply are the following.

1. Rents and royalties for the use of, or for the privilege of using, intangible personal property located outside the relevant possession or from any interest in such property. Included are rents or royalties for the use of, or for the privilege of using, outside the relevant possession, patents, copyrights, secret processes and formulas, goodwill, trademarks, trade brands, franchises, and similar properties if the rents or royalties are from the active conduct of a trade or business in the relevant possession.

2. Dividends or interest from the active conduct of a banking, financing, or similar business in the relevant possession.

3. Income, gain, or loss from the sale or exchange outside the relevant possession, through the office or other fixed place of business in the relevant possession, of:
   a. Stock in trade,
   b. Property that would be included in inventory if on hand at the end of the tax year, or
   c. Property held primarily for sale to customers in the ordinary course of business.

Item (3) above will not apply if you sold the property for use, consumption, or disposition outside the relevant possession and an office or other fixed place of business in a foreign country was a material factor in the sale.

Example. Marcy Jackson is a bona fide resident of American Samoa. Her business, which she conducts from an office in American Samoa, is developing and selling specialized computer software. A software purchaser will frequently pay Marcy an additional amount to install the software on the purchaser's operating system and to ensure that the software is functioning properly. Marcy installs the software at the purchaser's place of business, which may be in American Samoa, in the United States, or in another country. The income from selling the software is effectively connected with the conduct of Marcy's business in American Samoa, even though the product's destination may be outside the possession. However, the compensation she receives for installing the software (personal services) outside of American Samoa is not effectively connected with the conduct of her business in the possession—the income is sourced where she performs the services.
### Which Returns To File

Your residency status and your source of income with regard to American Samoa determine whether you file your return and pay your tax to American Samoa, to the United States, or to both.

In addition to the information below that is categorized by residency status, the Special Rules for American Samoa section, later, contains important information for determining the correct forms to file.

#### Bona Fide Resident of American Samoa

Bona fide residents of American Samoa generally are exempt from U.S. tax on their American Samoa source income.

**U.S. citizen or resident alien.** If you are a U.S. citizen or resident alien and a bona fide resident of American Samoa during the entire tax year, you generally must file the following returns.

- An American Samoa tax return reporting your gross income from worldwide sources. If you report non-American Samoa source income on your American Samoa tax return, you can claim a credit against your American Samoa tax liability for income taxes paid on that income to the United States, a foreign country, or another possession.
- A U.S. tax return reporting income from worldwide sources, but excluding income from sources within American Samoa. However, amounts received for services performed as an employee of the United States or any of its agencies cannot be excluded (see Wages of U.S. government employees under Special Rules for American Samoa, later).

To exclude American Samoa source income, attach a completed Form 4563 to your U.S. tax return (see Form 4563, later, for more information).

**Nonresident alien.** If you are a bona fide resident of American Samoa during the entire tax year, but a nonresident alien of the United States, you generally must file the following returns.

- An American Samoa tax return reporting worldwide income.
- A U.S. tax return (Form 1040) reporting income from worldwide sources, but excluding American Samoa source income other than amounts for services performed as an employee of the United States or any of its agencies. For more information, see Wages of U.S. government employees under Special Rules for American Samoa, later.

To exclude income from sources within American Samoa, attach a completed Form 4563 to your U.S. tax return (see Form 4563, later, for more information).

For all other tax purposes, however, you will be treated as a nonresident alien individual. For example, you are not allowed the standard deduction, you cannot file a joint return, and you are not allowed a deduction for a dependent unless that person is a citizen or national of the United States. There also are limitations on what deductions and credits are allowed. See Pub. 519 for more information.

**Form 4563.** If you must file a U.S. income tax return and you qualify to exclude any of your income from American Samoa, claim the exclusion by completing Form 4563 and attaching it to your Form 1040. Form 4563 cannot be filed by itself. There is an example of a filled-in Form 4563 in chapter 5.

**Where to file.** If you are a bona fide resident of American Samoa during the entire tax year and you are not including a check or a money order, send your U.S. tax return and all attachments (including Form 4563) to:

- Department of the Treasury Internal Revenue Service
  Austin, TX 73301-0215
  USA

If you are including a check or a money order, send your U.S. tax return and all attachments (including Form 4563) to:

- Internal Revenue Service P.O. Box 1303
  Charlotte, NC 28261-1303
  USA

Send your American Samoa tax return and all attachments to the address given under Where To Get Forms and Information, earlier.

**Self-employment tax.** If you are not required to file a U.S. tax return but have income that is effectively connected with a trade or business in American Samoa, you must file Form 1040-SS with the United States. On this form you will report your self-employment income to the United States, and, if necessary, pay self-employment tax on that income.

**Additional Medicare Tax.** You may be required to pay Additional Medicare Tax. Also, you may need to report Additional Medicare Tax withheld by your employer. For more information, see Additional Medicare Tax under Special Rules for Completing Your U.S. Tax Return in chapter 4.

**Net Investment Income Tax.** The Net Investment Income Tax (NIIT) is 3.8% of the lesser of an individual’s net investment income or the excess of the individual’s modified adjusted gross income over a specified threshold amount. The NIIT will apply to a bona fide resident of American Samoa if a taxpayer has modified adjusted gross income from sources outside of American Samoa that exceeds a specified threshold amount, for example, $200,000 for single filers. The NIIT does not apply to any individual who is a nonresident alien with respect to the United States. See Form 8960 and its instructions for more information on the NIIT.
Estimated tax payments. To see if you are required to make payments of estimated income tax, self-employment tax, Additional Medicare Tax, and/or Net Investment Income Tax to the IRS, get Form 1040-ES.

To pay by check or money order, send your payment with the Form 1040-ES payment voucher to:

Internal Revenue Service
P.O. Box 1300
Charlotte, NC 28201-1300
USA

To get information on paying electronically (by credit or debit card, or through the Electronic Federal Tax Payment System (EFTPS)), go to IRS.gov/Payments.

For information on making estimated income tax payments to American Samoa, see Where To Get Forms and Information, earlier.

Not a Bona Fide Resident of American Samoa

An individual who is not a bona fide resident of American Samoa for the tax year generally files both U.S. and American Samoa tax returns, and claims a foreign tax credit on the U.S. return for taxes paid to American Samoa.

U.S. citizen or resident alien. If you are a U.S. citizen or resident alien but not a bona fide resident of American Samoa during the entire tax year, you generally must file the following returns.

- An American Samoa tax return reporting only your income from sources within American Samoa. Wages for services performed in American Samoa, whether for a private employer, the U.S. government, or otherwise, is income from sources within American Samoa.
- A U.S. tax return reporting your income from worldwide sources. You can take a credit against your U.S. tax liability if you paid income taxes to American Samoa (or other possession or foreign country) and reported income from those sources on your U.S. tax return.

De minimis exception to determining source of income. In certain situations, you will not have income from a possession. See De minimis exception under Compensation for Labor or Personal Services in chapter 2.

Nonresident alien. If you are a nonresident alien of the United States who does not qualify as a bona fide resident of American Samoa for the entire tax year, you generally must file the following returns.

- An American Samoa tax return reporting only your income from sources within American Samoa. In this situation, wages for services performed in American Samoa, whether for a private employer, the U.S. government, or otherwise, is income from sources within American Samoa.
- A U.S. tax return (Form 1040NR), reporting U.S. source income according to the rules for a nonresident alien. See the Instructions for Form 1040NR.

Where to file. If you are not a bona fide resident of American Samoa during the entire tax year, and you are not including a check or a money order, send your U.S. tax return and all attachments to:

Department of the Treasury Internal Revenue Service Austin, TX 73301-0215
USA

If you are including a check or a money order, send your U.S. tax return and all attachments to:

Internal Revenue Service
P.O. Box 1303
Charlotte, NC 28201-1300
USA

Send your American Samoa tax return and all attachments to the address given under Where To Get Forms and Information, earlier.

Special Rules for American Samoa

Some special rules apply to certain types of income and employment connected with American Samoa.

Wages of U.S. government employees. U.S. government wages, including for services performed in American Samoa, are considered U.S. source income and must be reported on both your U.S. and American Samoa income tax returns.

If you are a bona fide resident of American Samoa, you may have to file an income tax return with both the United States and American Samoa.

- On your U.S. income tax return, you must report all non-American Samoa source income, including your pay from the U.S. government for services performed in American Samoa. You can claim a withholding credit on your U.S. return for federal income taxes withheld from your federal wages.
- On your American Samoa income tax return, you must report all income from all sources, including your wages from the U.S. government for services performed in American Samoa. On this return, you may claim an American Samoa tax credit for net income tax paid to the United States on the same income.

If you are not a bona fide resident of American Samoa, you must file an income tax return with the United States and you also may have to file one with American Samoa. On your U.S. income tax return, you must report your pay from the U.S. government. On your American Samoa income tax return, you must report income from American Samoa sources.

For further information about your American Samoa income tax obligations, contact the American Samoa Tax Office at the address and phone number indicated in chapter 3.

Active duty member of the U.S. Armed Forces. If you are an active duty member of the U.S. Armed Forces, you are not required to file an income tax return with both the United States and American Samoa. Instead, you will only be required to file an income tax return with one of those jurisdictions, depending upon whether or not you are a bona fide resident of American Samoa.

- If you are a bona fide resident of American Samoa (your state of legal residence is in American Samoa) but you are stationed outside American Samoa in compliance with military orders, you are only required to file an income tax return with American Samoa. On this return, you must report all income from all sources, including your pay from the U.S. Armed Forces for services performed anywhere in the world.
- If you are not a bona fide resident of American Samoa (your state of legal residence is other than American Samoa) but you are stationed in American Samoa in compliance with military orders, you are not required to file an income tax return with American Samoa. Instead, you must file an income tax return with the United States (or other U.S. territory if you are a bona fide resident of the other territory) to report all income from all sources, including your pay from the U.S. Armed Forces for services performed in American Samoa.

National Guard and Military Reservists. Members of the National Guard or a reserve component of the U.S. Armed Forces generally will follow the income tax rules for U.S. government employees, not for active duty members of the U.S. Armed Forces.

Criminal spouse of active duty member of the U.S. Armed Forces. If you are a civilian spouse of an active duty member of the U.S. Armed Forces, see Special rule for civilian spouse of active duty member of the U.S. Armed Forces in chapter 1 for more information.

Federal retiree pension income. Federal retirees who are bona fide residents of American Samoa must file an income tax return with American Samoa to report all income from all sources, including federal pension income. The retiree also may have an income tax filing requirement with the United States, depending upon the source of the retiree’s pension income. Pension income can have multiple sources. See Pensions and other source of income rules in chapter 2 for more information. If any part of the pension income is sourced in the United States, the retiree also must file an income tax return with the United States.

Moving expense deduction. Beginning in 2018, the deduction for moving expenses is suspended unless you are a member of the U.S. Armed Forces who moves pursuant to a military order and incident to a permanent change of station. For more information, see Pub. 3. If you meet these requirements, see the discussion below.

Generally, expenses of a move to American Samoa are directly attributable to American Samoan wages, salaries, and other earned income. Likewise, the expenses of a move back to the United States are generally attributable to U.S. earned income.
If your move was to American Samoa, report your deduction for moving expenses as follows.

- If you are a bona fide resident in the tax year of your move, enter your deductible expenses on your American Samoa tax return.
- If you are not a bona fide resident, enter your deductible expenses on both your American Samoa and U.S. tax returns. Also, for purposes of a tax credit against your U.S. tax liability, reduce your American Samoa general category income on Form 1116, line 1a, by entering the deductible moving expenses on line 2.

If your move was to the United States, complete Form 3903, and enter the deductible amount on Schedule 1 (Form 1040), line 26.

Double Taxation

A mutual agreement procedure exists to settle cases of double taxation between the United States and American Samoa. See Double Taxation in chapter 4.

The Commonwealth of Puerto Rico

The Commonwealth of Puerto Rico has its own separate and independent tax system. Although it is modeled after the U.S. system, there are differences in law and tax rates.

Where To Get Forms and Information

Requests for information about the filing of Puerto Rico tax returns should be addressed to:
Departamento de Hacienda
Negociado de Asistencia Contributiva
P.O. Box 9024140
San Juan, Puerto Rico 00902-4140

The phone numbers are 787-622-0123 and 787-620-2323.

You can access the Hacienda website at www.hacienda.gobierno.pr.

The addresses and phone numbers listed above are subject to change.

Which Returns To File

Generally, you will file returns with both Puerto Rico and the United States. The income reported on each return depends on your residency status in Puerto Rico. To determine if you are a bona fide resident of Puerto Rico, see the information in chapter 1.

Bona Fide Resident of Puerto Rico

Disaster tax relief. If you meet the requirements, you will remain a bona fide resident of Puerto Rico in 2018, even though you were absent for a specified period due to Hurricane Irma or Maria. For more information, see Days of Presence in the United States or Relevant Possession in chapter 1.

Bona fide residents of Puerto Rico generally will pay tax to Puerto Rico on their worldwide income.

U.S. citizen or resident alien. If you are a U.S. citizen or resident alien and also a bona fide resident of Puerto Rico during the entire tax year, you generally must file the following returns.
- A Puerto Rico tax return reporting income from worldwide sources. If you report U.S. source income on your Puerto Rico tax return, you can claim a credit against your Puerto Rico tax, up to the amount allowable, for income taxes paid to the United States.
- A U.S. tax return reporting income from worldwide sources, but excluding Puerto Rico source income. However, see U.S. government employees under Special Rules for Puerto Rico, later, for an exception.

If you are excluding Puerto Rico income on your U.S. tax return, you will not be allowed any deductions or credits that are directly or indirectly allocable to exempt income. For more information, see Special Rules for Completing Your U.S. Tax Return in chapter 4.

If all of your income is from Puerto Rico sources, you are not required to file a U.S. tax return. However, if you have self-employment income, see Self-employment tax, later.

U.S. citizen only. If you are a U.S. citizen, you also may qualify under these rules if you have been a bona fide resident of Puerto Rico for at least 2 years before moving from Puerto Rico. In this case, you can exclude your income derived from sources within Puerto Rico (but not wages and salaries received as an employee of the U.S. government or its agencies) that you earned before the date you changed your residence. For more information, see Puerto Rico under Year of Moving From a Possession in chapter 1.

Nonresident alien. If you are a bona fide resident of Puerto Rico during the entire tax year, but a nonresident alien of the United States, you generally must file the following returns.
- A Puerto Rico tax return reporting income from worldwide sources. If you report U.S. source income on your Puerto Rico tax return, you can claim a credit against your Puerto Rico tax, up to the amount allowable, for income taxes paid to the United States.
- A U.S. tax return (Form 1116) reporting income from worldwide sources, but excluding Puerto Rico source income. For more information, see Days of Presence in the United States or Relevant Possession in chapter 1.
- Form 1040NR, line 1a, by entering the deductible moving expenses on line 2.

Puerto Rico generally will pay tax to Puerto Rico on their worldwide income.

Net Investment Income Tax. The Net Investment Income Tax (NIIT) is 3.8% of the lesser of an individual’s net investment income or the excess of the individual’s modified adjusted gross income over a specified threshold amount. The NIIT will apply to a bona fide resident of Puerto Rico if a taxpayer has modified adjusted gross income from sources outside of Puerto Rico that exceeds a specified threshold amount, for example, $200,000 for single filers. The NIIT does not apply to any individual who is a nonresident alien with respect to the United States. See Form 8960 and its instructions for more information on the NIIT.

Estimated tax payments. To see if you are required to make payments of estimated income tax, self-employment tax, Additional Medicare Tax, and/or Net Investment Income Tax to the IRS, get Form 1040-ES (or Form 1040-ES(PR)). To pay by check or money order, send your payment with the Form 1040-ES (or Form 1040-ES(PR)) payment voucher to:

Internal Revenue Service
P.O. Box 1300
Charlotte, NC 28201-1300
USA

To get information on paying electronically (by credit or debit card, or through the Electronic Federal Tax Payment System (EFTPS)), go to IRS.gov/Payments.

For information on making estimated income tax payments to Hacienda, see Where To Get Forms and Information, earlier.

Not a Bona Fide Resident of Puerto Rico

An individual who is not a bona fide resident of Puerto Rico for the tax year generally files tax returns with both Puerto Rico and the United States.

U.S. citizen or resident alien. If you are a U.S. citizen or resident alien but not a bona fide resident of Puerto Rico during the entire tax year, you generally must file the following returns.
- A Puerto Rico tax return reporting income from worldwide sources. If you report U.S. source income on your Puerto Rico tax return, you can claim a credit against your Puerto Rico tax, up to the amount allowable, for income taxes paid to the United States.
- A U.S. tax return reporting income from worldwide sources, but excluding Puerto Rico source income. However, see U.S. government employees under Special Rules for Puerto Rico, later, for an exception.

If all of your income is from Puerto Rico sources, you are not required to file a U.S. tax return. However, if you have self-employment income, see Self-employment tax, later.

U.S. citizen only. If you are a U.S. citizen, you also may qualify under these rules if you have been a bona fide resident of Puerto Rico for at least 2 years before moving from Puerto Rico. In this case, you can exclude your income derived from sources within Puerto Rico (but not wages and salaries received as an employee of the U.S. government or its agencies) that you earned before the date you changed your residence. For more information, see Puerto Rico under Year of Moving From a Possession in chapter 1.

Nonresident alien. If you are a bona fide resident of Puerto Rico during the entire tax year, but a nonresident alien of the United States, you generally must file the following returns.
- A Puerto Rico tax return reporting income from worldwide sources. If you report U.S. source income on your Puerto Rico tax return, you can claim a credit against your Puerto Rico tax, up to the amount allowable, for income taxes paid to the United States.
- A U.S. tax return reporting income from worldwide sources, but excluding Puerto Rico source income. For more information, see Days of Presence in the United States or Relevant Possession in chapter 1.
year, you generally must file the following returns.

- A Puerto Rico tax return reporting only your income from Puerto Rico sources. Wages for services performed in Puerto Rico, whether for a private employer, the U.S. government, or otherwise, is income from Puerto Rico sources.
- A U.S. tax return reporting income from worldwide sources. Generally, you can claim a foreign tax credit for income taxes paid to Puerto Rico on the Puerto Rico income that is not exempt from U.S. taxes (see chapter 4 for more information).

Nonresident alien. If you are a nonresident alien of the United States who does not qualify as a bona fide resident of Puerto Rico for the entire tax year, you generally must file the following returns.

- A Puerto Rico tax return reporting only your income from Puerto Rico sources. Wages for services performed in Puerto Rico, whether for a private employer, the U.S. government, or otherwise, is income from Puerto Rico sources.
- A U.S. tax return (Form 1040NR) according to the rules for a nonresident alien. See the Instructions for Form 1040NR.

De minimis exception to determining source of income. In certain situations, you will not have income from a possession. See De minimis exception under Compensation for Labor or Personal Services in chapter 2.

Where to file. Use the addresses listed below to file your U.S. and Puerto Rico income tax returns.

If you are not including a check or a money order, send your U.S. tax return and all attachments to:

Department of the Treasury Internal Revenue Service Austin, TX 73301-0215 USA

If you are including a check or a money order, send your U.S. tax return and all attachments to:

Internal Revenue Service P.O. Box 1303 Charlotte, NC 28201-1303 USA

If you request a refund on your Puerto Rico return, send your Puerto Rico tax return and all attachments to:

Departamento de Hacienda P.O. Box 50072 San Juan, PR 00902-6272

Send all other Puerto Rico tax returns, with all attachments, to:

Departamento de Hacienda P.O. Box 9022501 San Juan, PR 00902-2501

Special Rules for Puerto Rico

In addition to the general rules given earlier for filing U.S. and Puerto Rico tax returns, there are some special rules that apply to certain individuals and types of income.

U.S. government employees. Wages and cost-of-living allowances paid by the U.S. government (or one of its agencies) for working in Puerto Rico are subject to Puerto Rico tax. However, the cost-of-living allowances are excluded from Puerto Rico gross income up to the amount exempt from U.S. tax. In order to claim this exclusion, you must:
- Include with your Puerto Rico tax return evidence to show the amount received during the year, and
- Be in full compliance with your Puerto Rico tax responsibilities.

These wages also are subject to U.S. tax, but the cost-of-living allowances are excludable. A foreign tax credit is available in order to avoid double taxation.

U.S. Armed Forces. Bona fide residents of Puerto Rico include military personnel whose official home of record is Puerto Rico.

Civilian spouse of active duty member of the U.S. Armed Forces. If, under the rule discussed at the beginning of chapter 1 (see Special rule for civilian spouse of active duty member of the U.S. Armed Forces), your tax residence is Puerto Rico, follow the guidance in the section for bona fide residents under Which Returns To File, earlier. However, if your tax residence is one of the 50 states or the District of Columbia and your only income from Puerto Rico is from wages, salaries, tips, or self-employment, you will be taxed on your worldwide income and file only a U.S. tax return (Form 1040) and a state and/or local tax return, if required. If you have income from Puerto Rico other than wages, salaries, tips, or self-employment that is considered to be sourced in that possession (see Table 2-1), contact the Hacienda for guidance.

Income from sources outside Puerto Rico and the United States. If you are a U.S. citizen and bona fide resident of Puerto Rico and you have income from sources outside both Puerto Rico and the United States, that income is treated as foreign source income under both tax systems. In addition to your Puerto Rico and U.S. tax returns, you also may have to file a return with the country or possession from which your outside income was derived. To avoid double taxation, a foreign tax credit generally is available for either the U.S. or Puerto Rico return.

Example. Thomas Red is a bona fide resident of Puerto Rico and a U.S. citizen. He traveled to the Dominican Republic and worked in the construction industry for 1 month. His wages were $20,000. Because the wages were earned outside Puerto Rico and outside the United States, Thomas must file a tax return with Puerto Rico and the United States. He also may have to file a tax return with the Dominican Republic.

Moving expense deduction. Beginning in 2018, the deduction for moving expenses is suspended unless you are a member of the U.S. Armed Forces who moves pursuant to a military order and incident to a permanent change of station. For more information, see Pub. 3. If you meet these requirements, see the discussion below.

Generally, expenses of a move to Puerto Rico are directly attributable to wages, salaries, and other earned income from Puerto Rico. Likewise, the expenses of a move back to the United States are generally attributable to U.S. earned income.

If your move was to Puerto Rico, report your deduction for moving expenses as follows.
- If you are a bona fide resident in the tax year of your move, enter your deductible expenses on your Puerto Rican tax return.
- If you are not a bona fide resident, enter your deductible expenses on both your Puerto Rican and U.S. tax returns. Also, for purpose of a tax credit against your U.S. tax liability, reduce your Puerto Rican general category income on Form 1116, line 1a, by entering the deductible moving expenses on line 2.

If your move was to the United States, complete Form 3903, and enter the deductible amount on Schedule 1 (Form 1040), line 26.

Additional child tax credit (ACTC). If you are not required to file a U.S. income tax return, this credit is available only if you meet all three of the following conditions.
- You were a bona fide resident of Puerto Rico during the entire tax year.
- Social security and Medicare taxes were withheld from your wages or you paid self-employment tax.
- You had three or more qualifying children.

If your income exceeds certain levels, you may be disqualified from receiving this credit. Use Form 1040-PR or Form 1040-SS to claim the ACTC.

Double Taxation

A mutual agreement procedure exists to settle cases of double taxation between the United States and the Commonwealth of Puerto Rico. See Double Taxation in chapter 4.

The Commonwealth of the Northern Mariana Islands

The CNMI has its own tax system based partly on the same tax laws and tax rates that apply to the United States and partly on local taxes imposed by the CNMI government.
Where To Get Forms and Information
Requests for advice about CNMI residency and tax matters should be addressed to:
Commonwealth of the Northern Mariana Islands
Division of Revenue and Taxation
P.O. Box 5234 CHRB
Dandan Commercial Center
Saipan, MP 96950

You can order forms and publications by calling 670-664-1000.
You can order forms and publications through fax at 670-664-1015.
The addresses and phone numbers listed above are subject to change.

Which Return To File
In general, all individuals with income from the CNMI will file only one return, either to the CNMI or to the United States. Your residency status with regard to the CNMI determines which return you will file. Be sure to check the Special Rules for the Commonwealth of the Northern Mariana Islands, later, for additional information about filing your tax return.

Bona Fide Resident of the Commonwealth of the Northern Mariana Islands
If you are a U.S. citizen, resident alien, or nonresident alien and a bona fide resident of the CNMI during the entire tax year, file your income tax return with the CNMI.

- Include income from worldwide sources on your CNMI return. In determining your total tax payments, include all income tax withheld by either the CNMI or the United States, any credit for an overpayment of income tax to either the CNMI or the United States, and any payments of estimated tax to either the CNMI or the United States. Pay any balance of tax due with your tax return.

- Generally, if you properly file your return with, and fully pay your income tax to, the CNMI, then you are not liable for filing an income tax return with, or for paying tax to, the United States for the tax year. However, if you were self-employed in 2018, see Self-employment tax, later.

Example. David Gold was a bona fide resident of the CNMI for 2018. He received wages of $30,000 paid by a private employer in the CNMI and dividends of $4,000 from U.S. corporations that carry on business mainly in the United States. He must file a 2018 income tax return with the CNMI Division of Revenue and Taxation. He reports his total income of $34,000 on the CNMI return.

Where to file. If you are a bona fide resident of the CNMI for the entire tax year, send your return and all attachments to the Division of Revenue and Taxation at the address given earlier.

U.S. Citizen or Resident Alien (Other Than a Bona Fide Resident of the Commonwealth of the Northern Mariana Islands)
If you have income from sources within the CNMI and are a U.S. citizen or resident alien, but you are not a bona fide resident of the CNMI during the entire tax year, file your income tax return with the United States.

- Include income from worldwide sources on your U.S. return. In determining your total tax payments, include all income tax withheld by either the United States or the CNMI, any credit for an overpayment of income tax to either the United States or the CNMI, and any payments of estimated tax to either the United States or the CNMI. Pay any balance of tax due with your tax return.

Note. You also may need to complete Form 5074.

- You are not liable for filing an income tax return with, or for paying tax to, the CNMI for the tax year.

Form 5074. If you file a U.S. income tax return, attach a completed Form 5074 if you (and your spouse if filing a joint return) have:

- Adjusted gross income of $50,000 or more for the tax year, and
- Gross income of $5,000 or more from sources within the CNMI.

The United States and the CNMI use this form to divide your income taxes.

There is an example of a filled-in Form 5074 in chapter 5.

De minimis exception to determining source of income. In certain situations, you will not have income from a possession. See De minimis exception under Compensation for Labor or Personal Services in chapter 2.

Citizen or resident alien of the United States but not a bona fide resident of the Commonwealth of the Northern Mariana Islands. If you are a citizen or resident alien of the United States but not a bona fide resident of the CNMI during the entire tax year and you are not including a check or a money order, send your return and all attachments to:

Department of the Treasury
Internal Revenue Service
Austin, TX 73301-0215
USA

If you are including a check or a money order, send your U.S. tax return and all attachments to:

Internal Revenue Service
P.O. Box 1303
Charlotte, NC 28201-1303
USA

Send your CNMI tax return and all attachments to:

Department of Finance
Division of Revenue and Taxation
Commonwealth of the Northern Mariana Islands
P.O. Box 5234 CHRB
Saipan, MP 96950

Nonresident Alien (Other Than a Bona Fide Resident of the Commonwealth of the Northern Mariana Islands)
If you are a nonresident alien of the United States who does not qualify as a bona fide resident of the CNMI for the entire tax year, you generally must file the following returns.

- A CNMI tax return reporting only your income from sources within the CNMI. In this situation, wages for services performed in the CNMI, whether for a private employer, the U.S. government, or otherwise, is income from sources within the CNMI.
- A U.S. tax return (Form 1040NR) reporting U.S. source income according to the rules for a nonresident alien. See the Instructions for Form 1040NR.

If you are not a bona fide resident of the CNMI during the entire tax year and you are not including a check or a money order, send your U.S. tax return and all attachments to:

Department of Finance
Division of Revenue and Taxation
Commonwealth of the Northern Mariana Islands
P.O. Box 5234 CHRB
Saipan, MP 96950

Citizen of the Commonwealth of the Northern Mariana Islands
If you are a citizen of the CNMI (meaning that you were born or naturalized in the CNMI) but not otherwise a U.S. citizen or a U.S. resident alien during the tax year, file your income tax return with the CNMI. Include income from worldwide sources on your CNMI return. Take into account tax withheld by both jurisdictions in determining if there is tax overdue or an overpayment. Pay any balance of tax due with your tax return. Send your return and all attachments to:

Department of Finance
Division of Revenue and Taxation
Commonwealth of the Northern Mariana Islands
P.O. Box 5234 CHRB
Saipan, MP 96950
Special Rules for the Commonwealth of the Northern Mariana Islands

Special rules apply to certain types of income, employment, and filing status.

Joint return. If you file a joint return, file your return (and pay the tax) with the jurisdiction where the spouse who has the greater adjusted gross income (AGI) would have to file if you were filing separately. If the spouse with the greater AGI is a bona fide resident of the CNMI during the entire tax year, file the joint return with the CNMI. If the spouse with the greater AGI is a U.S. citizen or resident alien but not a bona fide resident of the CNMI during the entire tax year, file your joint return with the United States. For this purpose, income is determined without regard to community property laws.

Example. Marsha Blue, a U.S. citizen, was a resident of the United States, and her spouse, a citizen of the CNMI, was a bona fide resident of the CNMI during the entire tax year. Marsha earned $65,000 as a computer programmer in the United States. Her spouse earned $20,000 as an artist in the CNMI. Marsha and her spouse will file a joint return. Because Marsha has the greater AGI, she and her spouse must file their return with the United States and report the entire $85,000 on that return.

U.S. Armed Forces. If you are a member of the U.S. Armed Forces who qualified as a bona fide resident of the CNMI in a prior tax year, your absence from the CNMI solely in compliance with military orders will not change your bona fide residency. If you did not qualify as a bona fide resident of the CNMI in a prior tax year, your presence in the CNMI solely in compliance with military orders will not qualify you as a bona fide resident of the CNMI.

Civilian spouse of active duty member of the U.S. Armed Forces. If, under the rule discussed at the beginning of chapter 1 (see Special rule for civilian spouse of active duty member of the U.S. Armed Forces), your tax residence is the CNMI, follow the guidance in the section for bona fide residents under Which Return To File, earlier. However, if your tax residence is one of the 50 states or the District of Columbia and your only income from the CNMI is from wages, salaries, tips, or self-employment, you will be taxed on your worldwide income and file only a U.S. tax return (Form 1040) and a state and/or local tax return, if required. If you have income from the CNMI other than wages, salaries, tips, or self-employment that is considered to be sourced in that possession (see Table 2–1), you may need to file Form 5074 with your U.S. tax return.

Moving expense deduction. Beginning in 2018, the deduction for moving expenses is suspended unless you are a member of the U.S. Armed Forces who moves pursuant to a military order and incident to a permanent change of station. For more information, see Pub. 3. If you meet these requirements, see the discussion below.

Generally, expenses of a move to the CNMI are directly attributable to wages, salaries, and other earned income from the CNMI. Likewise, the expenses of a move back to the United States are generally attributable to U.S. earned income.

If your move was to the CNMI, report your deduction for moving expenses as follows.

- If you are a bona fide resident in the tax year of your move, enter your deductible expenses on your CNMI tax return.
- If you are not a bona fide resident, enter your deductible expenses on Form 3903, and enter the deductible amount on Schedule 1 (Form 1040), line 26, and on Form 5074, line 20.

If your move was to the United States, complete Form 3903, and enter the deductible amount on Schedule 1 (Form 1040), line 26.

Foreign tax credit. Under the filing rules explained earlier, individuals with CNMI source income normally will not claim a foreign tax credit on a U.S. income tax return for tax paid to the CNMI.

Self-employment tax. If you have no U.S. filing requirement, but have income that is effectively connected with a trade or business in the CNMI, you must file Form 1040-SS with the United States to report your self-employment income and, if necessary, pay self-employment tax.

Additional Medicare Tax. You may be required to pay Additional Medicare Tax. Also, you may need to report Additional Medicare Tax withheld by your employer. For more information, see Additional Medicare Tax under Special Rules for Completing Your U.S. Tax Return in chapter 4.

Estimated tax payments. To see if you are required to make payments of estimated income tax, self-employment tax, and/or Additional Medicare Tax to the IRS, get Form 1040-ES.

Payment of estimated tax. If you must pay estimated tax, make your payment to the jurisdiction where you would file your income tax return if your tax year were to end on the date your first estimated tax payment is due. Generally, you should make the rest of your quarterly payments of estimated tax in the jurisdiction where you made your first payment of estimated tax. However, estimated tax payments to either jurisdiction will be treated as payments to the jurisdiction with which you file the tax return.

If you make a joint payment of estimated tax, make your payment to the jurisdiction where the spouse who has the greater estimated AGI would have to pay (if a separate payment were made). For this purpose, income is determined without regard to community property laws.

Early payment. If you make your first payment of estimated tax early, follow the rules given earlier to determine where to send it. If you send it to the wrong jurisdiction, make all later payments to the jurisdiction to which the first payment should have been sent.

To pay by check or money order, send your payment with the Form 1040-ES payment voucher to:

Internal Revenue Service
P.O. Box 1300
Charlotte, NC 28201-1300
USA

To get information on paying electronically (by credit or debit card, or through the Electronic Federal Tax Payment System (EFTPS)), go to IRS.gov/Payments.

For information on making estimated income tax payments to the CNMI, see Where To Get Forms and Information, earlier.

Double Taxation

A mutual agreement procedure exists to settle cases of double taxation between the United States and the Commonwealth of the Northern Mariana Islands. See Double Taxation in chapter 4.

Guam

Guam has its own tax system based on the same tax laws and tax rates that apply in the United States.

Where To Get Forms and Information

Requests for advice about Guam residency and tax matters should be addressed to:

Department of Revenue and Taxation
Taxpayer Services Division
P.O. Box 23607
GMF, Guam 96921

You can order forms and publications by calling 671-635-1840 or 671-635-1841.

You can order forms and publications through fax at 671-633-2643.

You can get forms and publications at www.guamtax.com.

The addresses and phone numbers listed above are subject to change.

Which Return To File

Bona fide residents of Guam are subject to special U.S. tax rules. In general, all individuals with income from Guam will file only one return—either to Guam or the United States.

Bona Fide Resident of Guam

If you are a bona fide resident of Guam during the entire tax year, file your return with Guam. This applies to all bona fide residents who are...
citizens, resident aliens, or nonresident aliens of the United States.

- Include income from worldwide sources on your Guam return. In determining your total tax payments, include all income tax withheld by either Guam or the United States, any credit for an overpayment of income tax to either Guam or the United States, and any payments of estimated tax to either Guam or the United States. Pay any balance of tax due with your tax return.
- Generally, if you properly file your return with, and fully pay your income tax to, Guam, then you are not liable for filing an income tax return with, or for paying tax to, the United States. However, if you were self-employed in 2018, see Self-employment tax, later.

**Example.** Gary Barker was a bona fide resident of Guam for 2018. He received wages of $25,000 paid by a private employer in Guam and dividends of $2,000 from U.S. corporations that carry on business mainly in the United States. He must file a 2018 income tax return with the government of Guam. He reports his total income of $27,000 on the Guam return.

If you are a bona fide resident of Guam for the entire tax year, send your return and all attachments to:

Department of Revenue and Taxation
Taxpayer Services Division
P.O. Box 23607
GMF, Guam 96921

**U.S. Citizen or Resident Alien (Other Than a Bona Fide Resident of Guam)**

If you have income from sources within Guam and are a U.S. citizen or resident alien, but you are not a bona fide resident of Guam during the entire tax year, file your income tax return with the United States.
- Include income from worldwide sources on your U.S. return. In determining your total tax payments, include all income tax withheld by either the United States or Guam, any credit for an overpayment of income tax to either the United States or Guam, and any payments of estimated tax to either the United States or Guam. Pay any balance of tax due with your tax return. You also may need to complete Form 5074.
- You are not liable for filing an income tax return with, or for paying tax to, Guam, for the tax year.

**Form 5074.** If you file a U.S. income tax return, attach a completed Form 5074 if you (and your spouse if filing a joint return) have:
- Adjusted gross income of $50,000 or more for the tax year, and
- Gross income of $5,000 or more from sources within Guam.

The United States and Guam use this form to divide your income taxes.

See the **Illustrated Example of Form 5074** in chapter 5.

**De minimis exception to determining source of income.** In certain situations, you will not have income from a possession. See De minimis exception under Compensation for Labor or Personal Services in chapter 2.

**Example.** Bill Whiting, a U.S. citizen, was a member of the U.S. Armed Forces. He must file a 2018 income tax return with, or for paying tax to, the United States. However, if you were self-employed in 2018, see Self-employment tax, later.

If you are a citizen or resident alien of the United States but not a bona fide resident of Guam during the entire tax year and you are not including a check or money order, send your U.S. tax return and all attachments (including Form 5074) to:

Department of the Treasury
Internal Revenue Service
Austin, TX 73301-0215
USA

If you are including a check or a money order, send your U.S. tax return and all attachments (including Form 5074) to:

Internal Revenue Service
P.O. Box 1303
Charlotte, NC 28201-1303
USA

**Nonresident Alien (Other Than a Bona Fide Resident of Guam), Where To File**

If you are a nonresident alien of the United States who does not qualify as a bona fide resident of Guam for the entire tax year, you generally must file the following returns:
- A Guam tax return reporting only your income from sources within Guam. In this situation, wages for services performed in Guam, whether for a private employer, the U.S. government, or otherwise, is income from sources within Guam.
- A U.S. tax return (Form 1040NR) reporting U.S. source income according to the rules for a nonresident alien. See the Instructions for Form 1040NR.

If you are not a bona fide resident of Guam during the entire tax year and you are not including a check or money order, send your U.S. tax return and all attachments to:

Department of the Treasury
Internal Revenue Service
Austin, TX 73301-0215
USA

If you are including a check or a money order, send your U.S. tax return and all attachments to:

Internal Revenue Service
P.O. Box 1303
Charlotte, NC 28201-1303
USA

Send your Guam tax return and all attachments to:

Department of Revenue and Taxation
Taxpayer Services Division
P.O. Box 23607
GMF, Guam 96921

**Citizen of Guam**

If you are a citizen of Guam (meaning that you were born or naturalized in Guam) but not otherwise a U.S. citizen or a U.S. resident alien during the tax year, file your income tax return with Guam. Include income from worldwide sources on your Guam return. Take into account tax withheld by both jurisdictions in determining if there is tax overdue or an overpayment. Pay any balance of tax due with your tax return.

If you are a citizen of Guam, send your return and all attachments to:

Department of Revenue and Taxation
Taxpayer Services Division
P.O. Box 23607
GMF, Guam 96921

**Special Rules for Guam**

Special rules apply to certain types of income, employment, and filing status.

**Joint return.** If you file a joint return, you should file your return (and pay the tax) with the jurisdiction where the spouse who has the greater adjusted gross income (AGI) would have to file if you were filing separately. If the spouse with the greater AGI is a bona fide resident of Guam during the entire tax year, file the joint return with Guam. If the spouse with the greater AGI is a U.S. citizen or resident alien but not a bona fide resident of Guam during the entire tax year, file the joint return with the United States. For this purpose, income is determined without regard to community property laws.

**Example.** Bill Whiting, a U.S. citizen, was a resident of the United States, and his spouse, a citizen of Guam, was a bona fide resident of Guam during the entire tax year. Bill earned $45,000 as an engineer in the United States. His spouse earned $15,000 as a teacher in Guam. Bill and his spouse will file a joint return. Because Bill has the greater AGI, he and his spouse must file their return with the United States and report the entire $60,000 on that return.

**U.S. Armed Forces.** If you are a member of the U.S. Armed Forces who qualified as a bona fide resident of Guam in a prior tax year, your absence from Guam solely in compliance with military orders will not change your bona fide residency. If you did not qualify as a bona fide resident of Guam in a prior tax year, your presence in Guam solely in compliance with military orders will not qualify you as a bona fide resident of Guam.

**Civilian spouse of active duty member of the U.S. Armed Forces.** If, under the rule discussed at the beginning of chapter 1 (see Special rule for civilian spouse of active duty member of the U.S. Armed Forces), your tax residence is Guam, follow the guidance in the section for bona fide residents under Which Return To File, earlier. However, if your tax residence is one of the 50 states or the District of Columbia and your only income from Guam is from wages, salaries, tips, or self-employment,
you will be taxed on your worldwide income and file only a U.S. tax return (Form 1040) and a state and/or local tax return, if required. If you have income from Guam other than wages, salaries, tips, or self-employment that is considered to be sourced in that possession (see Table 2-1), you may need to file Form 5074 with your U.S. tax return.

Moving expense deduction. Beginning in 2018, the deduction for moving expenses is suspended unless you are a member of the U.S. Armed Forces who moves pursuant to a military order and incident to a permanent change of station. For more information, see Pub. 3. If you meet these requirements, see the discussion below.

Generally, expenses of a move to Guam are directly attributable to wages, salaries, and other earned income from Guam. Likewise, the expenses of a move back to the United States are generally attributable to U.S. earned income.

If your move was to Guam, report your deduction for moving expenses as follows.

- If you are a bona fide resident in the tax year of your move, enter your deductible expenses on your Guam tax return.
- If you are not a bona fide resident, enter your deductible expenses on Form 3903, and enter the deductible amount on Schedule 1 (Form 1040), line 26, and on Form 5074, line 20.

If your move was to the United States, complete Form 3903, and enter the deductible amount on Schedule 1 (Form 1040), line 26.

Foreign tax credit. Under the filing rules explained earlier, individuals with Guam source income normally will not claim a foreign tax credit on a U.S. income tax return for tax paid to Guam.

Self-employment tax. If you have no U.S. filing requirement, but have income that is effectively connected with a trade or business in Guam, you must file Form 1040-SS with the United States to report your self-employment income and, if necessary, pay self-employment tax.

Additional Medicare Tax. You may be required to pay Additional Medicare Tax. Also, you may need to report Additional Medicare Tax withheld by your employer. For more information, see Additional Medicare Tax under Special Rules for Completing Your U.S. Tax Return in chapter 4.

Estimated tax payments. To see if you are required to make payments of estimated income tax, self-employment tax, and/or Additional Medicare Tax to the IRS, get Form 1040-ES.

Payment of estimated tax. If you must pay estimated tax, make your payment to the jurisdiction where you would file your income tax return if your tax year were to end on the date your first estimated tax payment is due. Generally, you should make the rest of your quarterly payments of estimated tax to the jurisdiction where you made your first payment of estimated tax. However, estimated tax payments to either jurisdiction will be treated as payments to the jurisdiction with which you file the tax return.

If you make a joint payment of estimated tax, make your payment to the jurisdiction where the spouse who has the greater estimated AGI would have to pay (if a separate payment were made). For this purpose, income is determined without regard to community property laws.

Early payment. If you make your first payment of estimated tax early, follow the rules given earlier to determine where to send it. If you send it to the wrong jurisdiction, make all later payments to the jurisdiction to which the first payment should have been sent.

To pay by check or money order, send your payment with the Form 1040-ES payment voucher to:

Department of Revenue and Taxation
Taxpayer Services Division
P.O. Box 23607
GMF, Guam 96921

To get information on paying electronically (by credit or debit card, or through the Electronic Federal Tax Payment System (EFTPS)), go to IRS.gov/Payments.

For information on making estimated income tax payments to the Department of Revenue and Taxation, see Where To Get Forms and Information, earlier.

Double Taxation

A mutual agreement procedure exists to settle cases of double taxation between the United States and Guam. See Double Taxation in chapter 4.

The U.S. Virgin Islands

The USVI has its own tax system based on the same tax laws and tax rates that apply in the United States. An important factor in USVI taxation is whether, during the entire tax year, you are a bona fide resident of the USVI.

Where To Get Forms and Information

For information about filing your USVI tax return or about Form 1040INFO in St. Thomas, contact:

Virgin Islands Bureau of Internal Revenue
6115 Estate Smith Bay
Suite 225
St. Thomas, USVI 00802

You can order forms and publications by calling 340-715-1040.

You can order forms and publications through fax at 340-774-2672.

For information about filing your USVI tax return or about Form 1040INFO in St. Croix, contact:

Virgin Islands Bureau of Internal Revenue
4008 Estate Diamond Plot 7-B
Christiansted, USVI 00820-4421

You can order forms and publications by calling 340-773-1040.

You can order forms and publications through the fax at 340-773-1006.

You can access the USVI website at http://bir.vi.gov/.

The addresses and phone numbers listed above are subject to change.

Which Return To File

In general, bona fide residents of the USVI pay taxes only to the USVI. U.S. citizens or resident aliens (but not bona fide residents of the USVI) with USVI source income pay a portion of the tax to each jurisdiction.

Bona Fide Resident of the U.S. Virgin Islands

Disaster tax relief. If you meet the requirements, you will remain a bona fide resident of the USVI in 2018, even though you were absent for a specified period due to Hurricane Irma. For more information, see Days of Presence in the United States or Relevant Possession in chapter 1.

File your tax return with the USVI if you are a U.S. citizen, resident alien, or nonresident alien and a bona fide resident of the USVI during the entire tax year.

- Include your worldwide income on your USVI return. In determining your total tax payments, take into account all income tax withheld by either the USVI or the United States, any credit for an overpayment of income tax to either the USVI or the United States, and any payments of estimated tax to either the USVI or the United States. Pay any balance of tax due with your tax return. Filing this return with the USVI generally also starts the statute of limitations on assessment of your U.S. income tax.

- You generally do not have to file with the United States for any tax year in which you are a bona fide resident of the USVI during the entire tax year, provided you report and pay tax on your income from all sources to the USVI and identify the source(s) of the income on the return. However, if you have self-employment income, you may be required to file Form 1040-SS with the United States. For more information, see Self-employment tax under Special Rules for the U.S. Virgin Islands, later.

Form 1040INFO. If you are a bona fide resident of the USVI and have non-USVI source income, you also must file Virgin Islands Form 1040INFO, Non-Virgin Islands Source Income of Virgin Islands Residents, with the Virgin Islands. Attach Form 1040INFO to your USVI tax
return before filing. You can get Form 1040NFO by contacting the address or website given earlier.

If you are a bona fide resident of the USVI for the entire tax year, file your return and all attachments with the Virgin Islands Bureau of Internal Revenue at:

Bureau of Internal Revenue
6115 Estate Smith Bay
St. Thomas, VI 00802

U.S. Citizen or Resident Alien (Other Than a Bona Fide Resident of the U.S. Virgin Islands)

If you are a U.S. citizen or resident alien but not a bona fide resident of the USVI during the entire tax year, you must file your original Form 1040 with the United States and an identical copy of that return with the USVI if you have:

- Income from sources in the USVI,
- Income effectively connected with the conduct of a trade or business in the USVI.

File your original Form 1040 with the United States and file a signed copy of the U.S. return (including all attachments, forms, and schedules) with the Virgin Islands Bureau of Internal Revenue by the due date for filing Form 1040. Use Form 8689 to figure the amount of tax you must pay to the USVI.

Form 8689. Complete this form and attach it to both the return you file with the United States and the copy you file with the USVI. Figure the amount of tax you must pay to the USVI as follows:

- Total tax on US return
- multiplied by USVI AGI
- (after certain adjustments)

Pay any tax due to the USVI when you file your return with the Virgin Islands Bureau of Internal Revenue. To receive credit on your U.S. return for taxes paid to the USVI, include the amounts from Form 8689, lines 40 and 45, in the total on Form 1040, line 18. On the dotted line next to line 18, enter Form 8689 and show the amounts.

See the Illustrated Example of Form 8689 in chapter 5.

De minimis exception to determining source of income. In certain situations, you will not have income from a possession. See De minimis exception under Compensation for Labor or Personal Services in chapter 2.

If you are not a bona fide resident of the USVI during the entire tax year, but you have USVI source income, and you are not including a check or a money order, file Form 1040 and all attachments (including Form 8689) with the:

Department of the Treasury
Internal Revenue Service
Austin, TX 73301-0215
USA

If you are including a check or a money order, send your U.S. tax return and all attachments (including Form 8689) to:

Internal Revenue Service
P.O. Box 1303
Charlotte, NC 28201-1303
USA

If you are a nonresident alien of the United States who does not qualify as a bona fide resident of the USVI for the entire tax year, you generally must file the following returns:

- A USVI tax return reporting only your income from sources within the USVI. In this situation, wages for services performed in the USVI, whether for a private employer, the U.S. government, or otherwise, is income from sources within the USVI.
- A U.S. tax return (Form 1040NR) reporting U.S. source income according to the rules for a nonresident alien. See the Instructions for Form 1040NR.

If you are not a bona fide resident of the USVI during the entire tax year, and you are not including a check or a money order, send your U.S. tax return and all attachments (including Form 8689) to:

Department of the Treasury
Internal Revenue Service
Austin, TX 73301-0215
USA

If you are including a check or a money order, send your U.S. tax return and all attachments (including Form 8689) to:

Internal Revenue Service
P.O. Box 1303
Charlotte, NC 28201-1303
USA

Send your USVI tax return and all attachments to:

Bureau of Internal Revenue
6115 Estate Smith Bay
St. Thomas, USVI 00802

Special Rules for the U.S. Virgin Islands

There are some special rules for certain types of income, employment, and filing status.

Joint return. If you file a joint return, you should file your return (and pay the tax) with the jurisdiction where the spouse who has the greater adjusted gross income (AGI) would have to file if you were filing separately. If the spouse with the greater AGI is a bona fide resident of the USVI during the entire tax year, file the joint return with the USVI. If the spouse with the greater AGI is a U.S. citizen or resident alien of the United States but not a bona fide resident of the USVI during the entire tax year, file the joint return with the United States. For this purpose, income is determined without regard to community property laws.

Example. Marge Birch, a U.S. citizen, was a resident of the United States, and her spouse, a citizen of the USVI, was a bona fide resident of the USVI during the entire tax year. Marge earned $55,000 as an architect in the United States. Her spouse earned $30,000 as a librarian in the USVI. Marge and her spouse will file a joint return. Because Marge has the greater AGI, she and her spouse must file their return with the United States and report the entire $85,000 on that return.

U.S. Armed Forces. If you are a member of the U.S. Armed Forces who qualified as a bona fide resident of the USVI in a prior tax year, your absence from the USVI solely in compliance with military orders will not change your bona fide residency. If you did not qualify as a bona fide resident of the USVI in a prior tax year, your presence in the USVI solely in compliance with military orders will not qualify you as a bona fide resident of the USVI.

Civilian spouse of active duty member of the U.S. Armed Forces. If, under the rule discussed at the beginning of chapter 1 (see Special rule for civilian spouse of active duty member of the U.S. Armed Forces), your tax residence is the USVI, follow the guidance in the section for Bona Fide Residents of the U.S. Virgin Islands under Which Return To File, earlier. However, if your tax residence is one of the 50 states or the District of Columbia and your only income from the USVI is from wages, salaries, tips, or self-employment, you will be taxed on your worldwide income and file only a U.S. tax return (Form 1040) and a state and/or local tax return, if required. If you have income from the USVI other than wages, salaries, tips, or self-employment that is considered to be sourced in that possession (see Table 2-1), you may need to file Form 8689 with your U.S. tax return. In this case, follow the guidance under U.S. Citizen or Resident Alien (Other Than a Bona Fide Resident of the U.S. Virgin Islands), earlier.

Moving expense deduction. Beginning in 2018, the deduction for moving expenses is suspended unless you are a member of the U.S. Armed Forces who moves pursuant to a military order and incident to a permanent change of station. For more information, see Pub. 3. If you meet these requirements, see the discussion below.

Generally, expenses of a move to the USVI are directly attributable to wages, salaries, and other earned income from the USVI. Likewise, the expenses of a move back to the United States are generally attributable to U.S. earned income.
If your move was to the USVI, report your deduction for moving expenses as follows.

- If you are a bona fide resident in the tax year of your move, enter your deductible expenses on your USVI tax return.
- If you are not a bona fide resident, enter your deductible expenses on Form 9903, and enter the deductible amount on Schedule 1 (Form 1040), line 26, and on Form 8889, line 20.

If your move was to the United States, complete Form 9903, and enter the deductible amount on Schedule 1 (Form 1040), line 26.

**Foreign tax credit.** Under the filing rules explained earlier, individuals with USVI source income normally will not claim a foreign tax credit on a U.S. income tax return for tax paid to the USVI. However, individuals other than bona fide residents of the USVI may claim a direct credit for such tax (see Form 8889 earlier in this section).

**Self-employment tax.** If you have no U.S. filing requirement, but have income that is effectively connected with a trade or business in the USVI, you must file Form 1040-SS with the United States to report your self-employment income and, if necessary, pay self-employment tax.

**Additional Medicare Tax.** You may be required to pay Additional Medicare Tax. Also, you may need to report Additional Medicare Tax withheld by your employer. For more information, see Additional Medicare Tax under Special Rules for Completing Your U.S. Tax Return in Chapter 4.

**Estimated tax payments.** To see if you are required to make payments of estimated income tax, self-employment tax, and/or Additional Medicare Tax to the IRS, get Form 1040-ES.

To pay by check or money order, send your payment with the Form 1040-ES payment voucher to:

Bureau of Internal Revenue
6115 Estate Smith Bay
St. Thomas, USVI 00802

To get information on paying electronically (by credit or debit card, or through the Electronic Federal Tax Payment System (EFTPS)), go to IRS.gov/Payments.

For information on making estimated income tax payments to the Bureau of Internal Revenue, see Where To Get Forms and Information, earlier.

**Extension of time to file.** You can get an automatic 6-month extension of time to file your tax return. See Extension of Time To File in Chapter 4. Bona fide residents of the USVI during the entire tax year must file a paper Form 4868 with the Virgin Islands Bureau of Internal Revenue. Nonresidents of the USVI should file separate extension requests with the IRS and the Virgin Islands Bureau of Internal Revenue and make any payments due to the respective jurisdictions. However, the Virgin Islands Bureau of Internal Revenue will honor an extension request that is timely filed with the IRS.

### Double Taxation

A mutual agreement procedure exists to settle cases of double taxation between the United States and the U.S. Virgin Islands. See Double Taxation in Chapter 4.

### Filing U.S. Tax Returns

The information in chapter 3 will tell you if a U.S. income tax return is required for your situation. If a U.S. return is required, your next step is to see if you meet the filing requirements. If you do meet the filing requirements, the information presented in this chapter will help you understand the special procedures involved. This chapter discusses:

- Filing requirements,
- When to file your return,
- Where to send your return,
- How to adjust your deductions and credits if you are excluding income from American Samoa or Puerto Rico,
- How to make estimated tax payments and pay self-employment tax, and
- How to request assistance in resolving instances of double taxation.

### Who Must File

If you are not required to file a possession tax return that includes your worldwide income, you generally must file a Form 1040 U.S. income tax return if your gross income is at least the amount shown in Table 4-1, later, for your filing status and age. Use the Instructions for Form 1040 to help you complete Form 1040.

If you were a bona fide resident of American Samoa or Puerto Rico and are able to exclude your possession income from your U.S. tax return, your filing requirement may be less than the amount in Table 4-1. For details, see the information under Filing Requirement if Possession Income is Excluded, later.

Some individuals (such as those who can be claimed as a dependent on another person’s return or who owe certain taxes, such as self-employment tax) must file a tax return even though the gross income is less than the amount shown in Table 4-1 for their filing status and age. For more information, see the Instructions for Form 1040.

### Filing Requirement if Possession Income Is Excluded

If you were a bona fide resident of American Samoa or Puerto Rico and qualify to exclude possession income on your U.S. tax return, you must determine your adjusted filing requirement. Generally, your filing requirement is based on your standard deduction.

**Standard deduction amount.** For 2018, the standard deduction amounts for most taxpayers are:

- Single or Married filing separately: $12,000
- Head of household: $18,000
- Married filing jointly or Qualifying widow(er): $24,000

If you or your spouse was born before January 2, 1954, or either of you is blind, figure your standard deduction using the Standard Deduction Chart for People Who Were Born Before January 2, 1954, or Were Blind in the Instructions for Form 1040.

**Allowable standard deduction.** Unless your filing status is married filing separately, the minimum income level at which you must file a return is based on the standard deduction for your filing status and age. Because the standard deduction applies to all types of income, it must be divided between your excluded income and income from other sources. Multiply the regular standard deduction for your filing status and age (this is zero if you are married filing a separate return; all others, see Form 1040 instructions) by the following fraction:

\[
\frac{\text{Gross income subject to U.S. income tax}}{\text{Gross income from all sources (including excluded possession income)}}
\]

**Example.** Barbara Spruce, a U.S. citizen, is single, under 65, and a bona fide resident of American Samoa. During 2018, she received $20,000 of income from American Samoa sources (qualifies for exclusion) and $8,000 of income from sources outside the possession (subject to U.S. income tax). Her allowable standard deduction for 2018 is figured as follows:

\[
\frac{8,000}{28,000} \times 12,000 = 3,429
\]

### Adjusted filing requirement

Your adjusted filing requirement is the amount of your allowable standard deduction. You must file a U.S. income tax return if your gross income is at least the amount of the allowable standard deduction, as explained, earlier.
Table 4-1. 2018 Filing Requirements Chart for Most Taxpayers

| IF your filing status is... | AND at the end of 2018 you were... | THEN file a return if your gross income was at least...
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>under 65</td>
<td>$12,000</td>
</tr>
<tr>
<td></td>
<td>65 or older</td>
<td>$13,600</td>
</tr>
<tr>
<td>Married filing jointly**</td>
<td>under 65 (both spouses)</td>
<td>$24,000</td>
</tr>
<tr>
<td></td>
<td>65 or older (one spouse)</td>
<td>$25,300</td>
</tr>
<tr>
<td></td>
<td>65 or older (both spouses)</td>
<td>$26,600</td>
</tr>
<tr>
<td>Married filing separately</td>
<td>any age</td>
<td>$5</td>
</tr>
<tr>
<td>Head of household</td>
<td>under 65</td>
<td>$18,000</td>
</tr>
<tr>
<td></td>
<td>65 or older</td>
<td>$19,600</td>
</tr>
<tr>
<td>Qualifying widow(er)</td>
<td>under 65</td>
<td>$24,000</td>
</tr>
<tr>
<td></td>
<td>65 or older</td>
<td>$25,300</td>
</tr>
</tbody>
</table>

* If you were born on January 1, 1954, you are considered to be age 65 at the end of 2018. (If your spouse died in 2018 or if you are preparing a return for someone who died in 2018, see Pub. 501.)

** Gross income means all income you received in the form of money, goods, property, and services that is not exempt from tax, including any income from sources outside the United States or from the sale of your main home (even if you can exclude part or all of it). Do not include social security benefits unless (a) you are married filing a separate return and you lived with your spouse at any time during 2018, or (b) one-half of your social security benefits plus your other gross income and any tax-exempt interest is more than $25,000 ($32,000 if married filing jointly). If (a) or (b) applies, see the Instructions for Form 1040 or Pub. 915, to figure the taxable part of social security benefits you must include in gross income. Gross income includes gains, but not losses, reported on Form 8949 or Schedule D. Gross income from a business means, for example, the amount on Schedule C, line 7, or Schedule F, line 9. But, in figuring gross income, do not reduce your income by any losses, including any loss on Schedule C, line 7, or Schedule F, line 9.

*** If you did not live with your spouse at the end of 2018 (or on the date your spouse died) and your gross income was at least $5, you must file a return regardless of your age.

**Example 1.** James and Joan Thompson, one over 65, are U.S. citizens and bona fide residents of Puerto Rico during the entire tax year. They file a joint income tax return. During 2018, they received $35,000 of income from Puerto Rico sources (qualifies for exclusion) and $6,000 of income from sources outside Puerto Rico (subject to U.S. income tax). Their allowable standard deduction for 2018 is figured as follows:

$$
\frac{\$6,000 \times \$25,300}{\$41,000} = \$3,702
$$

The Thompsons have to file a U.S. income tax return because their gross income subject to U.S. tax ($6,000) is more than their allowable standard deduction. ($6,000 − $3,702 = $2,298).

**Example 2.** Barbara Spruce (see Example under Allowable standard deduction, earlier), must file a U.S. income tax return because her gross income subject to U.S. tax ($8,000) is more than her allowable standard deduction ($3,429).

**When To File**

If you file on a calendar year basis, the due date for filing your U.S. income tax return is April 15 following the end of your tax year. If you use a fiscal year (a year ending on the last day of a month other than December), the due date is the 15th day of the 4th month after the end of your fiscal year. If any due date falls on a Saturday, Sunday, or legal holiday, your tax return is due on the next business day.

For your 2018 tax return, the due date is April 15, 2019.

If you mail your federal tax return, it is considered timely if it bears an official postmark dated on or before the due date, including any extensions. If you use a private delivery service designated by the IRS, generally the postmark date is the date the private delivery service records in its database or marks on the mailing label. Go to IRS.gov/Filing/Private-Delivery-Services-PDS for the current list of designated services.

**Extension of Time To File**

You can get an extension of time to file your U.S. income tax return. Special rules apply for those living outside the United States.

**Automatic 6-Month Extension**

If you cannot file your 2018 return by the due date, you can get an automatic 6-month extension of time to file.

**Example.** If your return must be filed by April 15, 2019, you will have until October 15, 2019, to file.

Although you are not required to make a payment of the tax you estimate as due, Form 4868 does not extend the time to pay taxes. If you do not pay the amount due by the regular due date (generally April 15), you will owe interest on any unpaid tax from the original due date to the date you pay the tax. You also may be charged penalties (see Form 4868).

**How to get the automatic extension.** You can get the automatic 6-month extension if you do one of the following by the due date for filing your return:

- *E-file* Form 4868 using your personal computer or a tax professional.
- *E-file* and pay by credit or debit card. Your payment must be at least $1. You may pay by phone or over the Internet. Do not file Form 4868.
- File a paper Form 4868. If you are a fiscal year taxpayer, you must file a paper Form 4868.

See Form 4868 for information on getting an extension using these options.

**When to file.** You must request the automatic extension by the due date for your return. You can file your return any time before the 6-month extension period ends.

**When you file your return.** Enter any payment you made related to the extension of time to file on Schedule 5 (Form 1040), line 71.
You cannot ask the IRS to figure your tax if you use the extension of time to file.

Individuals Outside the United States and Puerto Rico

You are allowed an automatic 2-month extension (until June 17, 2019, if you use the calendar-year to file your 2018 return and pay any federal income tax due if:

1. You are a U.S. citizen or resident, and
2. On the due date of your return:
   a. You are living outside of the United States and Puerto Rico, and your main place of business or post of duty is outside the United States and Puerto Rico; or
   b. You are in military or naval service on duty outside the United States and Puerto Rico.

However, if you pay the tax due after the regular due date (generally April 15), interest will be charged from April 15 until the date the tax is paid.

If you serve in a combat zone or qualified hazardous duty area, you may be eligible for a longer extension of time to file. For more information, see Pub. 3.

Married taxpayers. If you file a joint return, only one spouse has to qualify for this automatic extension. However, if you and your spouse file separate returns, this automatic extension applies only to the spouse who qualifies.

How to get the extension. To use this special automatic extension, you must attach a statement to your return explaining what situation qualified you for the extension. (See the situations listed in item 2, in the list above.)

Extension beyond 2 months. If you cannot file your 2018 return within the automatic 2-month extension period, you can get an additional 4-month extension, for a total of 6 months. File Form 4868 by the end of the automatic extension period (June 17, 2019, for calendar year taxpayers). Be sure to check the box on Form 4868, line 8, if appropriate.

Extension beyond 6 months. In addition to this 6-month extension, taxpayers who are out of the country (as defined in item 2, in the list above) can request a discretionary 2-month additional extension of time to file their returns (to December 16, 2019, for calendar year taxpayers).

To request this extension, you must send the IRS a letter explaining the reasons why you need the additional 2 months. Send the letter by the extended due date (October 15 for calendar year taxpayers) to:

Department of the Treasury
Internal Revenue Service
Austin, TX 73301-0215
USA

You will not receive any notification from the IRS unless your request is denied for being untimely.

Where To File

Use the addresses listed below if you have to file Form 1040 with the United States and you are excluding possession income from American Samoa or Puerto Rico.

If you are not including a check or a money order, send your U.S. tax return and all attachments to:

Department of the Treasury
Internal Revenue Service
Austin, TX 73301-0215
USA

If you are including a check or a money order, send your U.S. tax return and all attachments to:

Internal Revenue Service
P.O. Box 1303
Charlotte, NC 28201-1303
USA

Send your U.S. return to these addresses if you are attaching Form 5074 or Form 8869. If you are not in either of the above categories, send your return to the address shown in the Instructions for Form 1040 for the possession or state in which you reside.

Special Rules for Completing Your U.S. Tax Return

If you are not excluding possession income from your U.S. tax return, follow the Instructions for Form 1040. However, you may not qualify to claim the earned income credit (EIC).

Earned income credit. Even if you maintain a household in one of the possessions discussed in this publication that is your main home and the home of your qualifying child, you cannot claim the earned income credit on your U.S. tax return. This credit is available only if you maintain the household in the United States or you are serving on extended active duty in the U.S. Armed Forces.

U.S. Armed Forces. U.S. military personnel stationed outside the United States on extended active duty are considered to live in the United States during that duty period for purposes of the EIC. Extended active duty means you are called or ordered to duty for an indefinite period or for a period of more than 90 days. Once you begin serving your extended active duty, you are still considered to have been on extended active duty even if you do not serve more than 90 days.

Income from American Samoa or Puerto Rico excluded. You will not be allowed to take deductions and credits that apply to the excluded income. The additional information you need follows.

Deductions if Possession Income Is Excluded

Deductions that specifically apply to your excluded possession income, are not allowable on your U.S. income tax return.

Deductions that do not specifically apply to any particular type of income must be divided between your excluded income from sources in the relevant possession and income from all other sources to find the part that you can deduct on your U.S. tax return. Examples of such deductions are alimony payments, the standard deduction, and certain itemized deductions (such as medical expenses, charitable contributions, real estate taxes, and mortgage interest on your home).

Note. Under section 11051 of P.L. 115-97 (TCJA), alimony payments are no longer deductible if the divorce or separation agreement is executed after December 31, 2018, or if executed before January 1, 2019, but modified after December 31, 2018, the modification must state that section 11051 of P.L. 115-97 applies to the modification.

Figuring the deduction. To find the part of a deduction that is allowable, multiply the deduction by the following fraction:

\[
\frac{\text{Gross income subject to U.S. income tax}}{\text{Gross income from all sources (including excluded possession income)}}
\]

Adjustments to Income

Your adjusted gross income equals your gross income minus certain deductions (adjustments).

Moving expense deduction. Beginning in 2018, the deduction for moving expenses is suspended unless you are a member of the U.S. Armed Forces who moves pursuant to a military order and incident to a permanent change of station. For more information, see the separate discussions of the moving expense deduction for each possession in chapter 3.

Self-employment tax deduction. Generally, if you are reporting self-employment income on your U.S. return, you can include the deductible part of your self-employment tax on Schedule 1 (Form 1040), line 27. This is an income tax deduction only; it is not a deduction in figuring net earnings from self-employment (for self-employment tax).

However, if you are a bona fide resident of American Samoa or Puerto Rico and you exclude all of your self-employment income from gross income, you cannot take the deduction on Schedule 1 (Form 1040), line 27, because the deduction is related to excluded income.
If only part of your self-employment income is excluded, the part of the deduction that is based on the nonexcluded income is allowed. This would happen if, for instance, you have two businesses and only the income from one of them is excludable.

For purposes of the deduction only, figure the self-employment tax on the nonexcluded income by multiplying your total self-employment tax (from Schedule SE (Form 1040)), by the following fraction:

\[
\frac{\text{Self-employment income subject to U.S. income tax}}{\text{Total self-employment income (including excluded possession income)}}
\]

The result is your self-employment tax on nonexcluded income. Include the deductible part of this amount on Schedule 1 (Form 1040), line 27.

**Individual retirement arrangement (IRA) deduction.** Do not take excluded income into account when figuring your deductible IRA contribution.

**Standard Deduction**

The standard deduction is composed of the regular standard deduction amount and the additional standard deduction for taxpayers who are blind or age 65 or over.

To find the amount you can claim on Form 1040, line 8, first figure your full standard deduction according to the Instructions for Form 1040. Then multiply your full standard deduction by the following fraction:

\[
\frac{\text{Gross income subject to U.S. income tax}}{\text{Gross income from all sources (including excluded possession income)}}
\]

In the space above line 8, enter “Standard deduction modified due to income excluded under section 931 (if American Samoa) or section 933 (if Puerto Rico).”

This calculation may not be the same as the one you used to determine if you need to file a U.S. tax return.

**Itemized Deductions**

Most itemized deductions do not apply to a particular type of income. However, itemized deductions can be divided into three categories.

- Those that apply specifically to excluded income, are not deductible.
- Those that apply specifically to income subject to U.S. income tax are fully allowable under the Instructions for Schedule A (Form 1040).
- Those that do not apply to specific income must be allocated between your gross income subject to U.S. income tax and your total gross income from all sources.

The example given later shows how to figure the deductible part of each type of expense that is not related to specific income.

**Example.** In 2018, you and your spouse are both under 65 and U.S. citizens who are bona fide residents of Puerto Rico during the entire tax year. You file a joint income tax return. During 2018, you earned $24,000 from Puerto Rican sources (excluded from U.S. gross income) and your spouse earned $96,000 from the U.S. government. You have $42,250 of itemized deductions that do not apply to any specific type of income. These are medical expenses of $11,000, real estate taxes of $10,000, home mortgage interest of $16,250, and charitable contributions of $5,000 (cash contributions). You determine the amount of each deduction that you can claim on your Schedule A (Form 1040), Itemized Deductions, by multiplying the deduction by the fraction shown under Figuring the deduction, earlier, under Deductions if Possession Income Is Excluded.

\[
\frac{\text{Total income subject to possession tax less deductible expenses based on that income}}{\text{Tax paid or accrued to the possession in foreign taxes}} = \text{Reduction in foreign taxes}
\]

Enter the amount of the reduction on Form 1116, line 12.

For more information on the foreign tax credit, see Pub. 514.

**Example.** Jason and Lynn Reddy (both under 65) are U.S. citizens who were bona fide residents of Puerto Rico during all of 2018. They file a joint tax return. The following table shows their excludable and taxable income for U.S. federal income tax purposes.

<table>
<thead>
<tr>
<th>Income Source</th>
<th>Taxable</th>
<th>Excludable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jason's wages from U.S. government</td>
<td>$25,000</td>
<td></td>
</tr>
<tr>
<td>Lynn's wages from Puerto Rico corp.</td>
<td>$15,000</td>
<td></td>
</tr>
<tr>
<td>Dividend from Puerto Rico corp. doing business in Puerto Rico</td>
<td>$200</td>
<td></td>
</tr>
<tr>
<td>Dividend from U.S. corp. doing business in U.S.*</td>
<td>1,000</td>
<td></td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>$26,000</td>
<td>$15,200</td>
</tr>
</tbody>
</table>

* Income from sources outside Puerto Rico is taxable.

Jason and Lynn must file 2018 income tax returns with both Puerto Rico and the United States. They have gross income of $26,000 for U.S. tax purposes. They paid taxes to Puerto Rico of $4,000 ($3,980 on their wages and $20 on the dividend from the Puerto Rico corporation). They figure their foreign tax credit on two Forms 1116, which they must attach to their U.S. return. They fill out one Form 1116 for wages (general category income) and one Form 1116 for the dividend (passive category income). Jason and Lynn figure the Puerto Rico taxes on excluded income as follows.

\[
\frac{(\$15,000 + \$40,000) \times \$3,980}{\$200} = \$1,493
\]

Dividend:

\[
\frac{\$200 + \$200}{\$20} = \$20
\]
They enter $1,493 on Form 1116, line 12, for wages and $20 on the second Form 1116, line 12, for the dividend.

Self-Employment Tax

Self-employment tax includes both social security and Medicare taxes for individuals who are self-employed.

A U.S. citizen or resident alien who is self-employed must pay self-employment tax on net self-employment earnings of $400 or more. This rule applies whether or not the earnings are includable from gross income (or whether or not a U.S. income tax return must otherwise be filed). Bona fide residents of the possessions discussed in this publication are considered U.S. residents for this purpose and are subject to the self-employment tax.

Forms to file. If you have net self-employment income and are subject to self-employment tax, file one of the following with the United States.

- If you are required to file Form 1040 with the United States, complete Schedule SE (Form 1040) and attach it to your Form 1040.
- If you are not required to file Form 1040 with the United States and you are a bona fide resident of American Samoa, the CNMI, Guam, Puerto Rico, or the USVI, file Form 1040-SS. If you are a resident of Puerto Rico, you can file the Spanish-language Form 1040-PR instead. Do not file Form 1040-SS or 1040-PR with Form 1040.
- If you are required to pay Additional Medicare Tax (discussed later) on your self-employment income, attach Form 8959 to Form 1040, Form 1040-SS, or Form 1040-PR, as applicable.

Chapter 11 bankruptcy cases. While you are a debtor in a chapter 11 bankruptcy case, your net profit or loss from self-employment will be included on the Form 1041 (income tax return) of the bankruptcy estate. However, you—not the bankruptcy estate—are responsible for paying self-employment tax on your net earnings from self-employment.

Use Schedule SE (Form 1040), Form 1040-SS, or Form 1040-PR, as determined above, to figure your correct amount of self-employment tax.

For other reporting requirements, see Chapter 11 Bankruptcy Cases in the Instructions for Form 1040.

Additional Medicare Tax

A 0.9% Additional Medicare Tax applies to Medicare wages, railroad retirement (RRTA) compensation, and self-employment income that are more than: $125,000 if married filing separately; $250,000 if married filing jointly; or $200,000 if single, head of household, or qualifying widow(er).

Medicare wages and self-employment income are combined to determine if income exceeds the threshold. A self-employment loss should not be considered for purposes of this tax. RRTA compensation should be separately compared to the threshold.

Your employer is responsible for withholding the 0.9% Additional Medicare Tax on Medicare wages or RRTA compensation it pays to you in excess of $200,000. You should consider this withholding, if applicable, in determining whether you need to make estimated tax payments.

There are no special rules for U.S. citizens and nonresident aliens living abroad for purposes of this provision. Wages, RRTA compensation, and self-employment income that are subject to Medicare tax also will be subject to Additional Medicare Tax if in excess of the applicable threshold.

For more information, see Form 8959, and its instructions or visit IRS.gov/Additional-Medicare-Tax.

You cannot include the Additional Medicare Tax as a deductible part of your self-employment tax.

Net Investment Income Tax

The Net Investment Income Tax (NIIT) imposes a 3.8% tax on the lesser of an individual’s net investment income or the excess of the individual’s modified adjusted gross income over a specified threshold amount. Bona fide residents of Puerto Rico and American Samoa who may have a federal income tax return filing obligation may be liable for the NIIT if the taxpayer’s modified adjusted gross income from non-territory sources exceeds a specified threshold amount. The NIIT does not apply to any individual who is a nonresident alien with respect to the United States. Bona fide residents must take into account any additional tax liability associated with the NIIT when calculating the estimated tax payments.

Forms to file. If you are a bona fide resident of American Samoa or Puerto Rico and you are required to pay the NIIT, you must file Form 1040 with the United States and attach Form 8960. For more information, see Form 8960 and its instructions.

Paying Your Taxes

You may find that not all of your income tax has been paid through withholding by either the United States or the possession. This is often true if you have income that is not subject to withholding, such as self-employment, interest, or rental income. In this situation, you may need to make estimated tax payments.

Estimated Tax

If your estimated income tax obligation is to the United States, use the worksheet in Form 1040-ES to figure your estimated tax, including self-employment tax. Include the Additional Medicare Tax and Net Investment Income Tax, if applicable. If you are paying by check or money order, use the payment vouchers in the Form 1040-ES, or you can make your payments electronically and not have to file any paper forms. See the Form 1040-ES for information on making payments.

Double Taxation

Mutual agreement procedures exist to settle issues where there is inconsistent tax treatment between the IRS and the taxing authorities of the following possessions.

- American Samoa
- The Commonwealth of Puerto Rico
- The Commonwealth of the Northern Marianas Islands
- Guam
- The U.S. Virgin Islands

These issues usually involve allocations of income, deductions, credits, or allowances between related persons; determinations of residency; and determinations of the source of income and related expenses.

Competent Authority Assistance

The tax coordination agreements between the United States and the possession tax departments contain provisions allowing the competent authorities of the United States and the relevant possession to resolve, by mutual agreement, inconsistent tax treatment by the two jurisdictions.

How to make your request. Your request for competent authority assistance must be in the form of a letter addressed to the Deputy Commissioner (International) Large Business & International Division. It must contain a statement that competent authority assistance is requested under the mutual agreement procedure with the possession. You (or a person having authority to sign your federal return) must sign and date the request. For more information, see Revenue Procedure 2006-23, available at IRS.gov/inb/2006-06_IRB#RP-2006-23.

Go to IRS.gov/Individuals/International-Taxpayers/Competent-Authority-Arrangements for information on the Competent Authority Arrangements for the possessions.

Nonresident aliens generally must present their initial request for assistance to the relevant possession tax agency.

Credit or Refund

In addition to the tax assistance request, if you seek a credit or refund of any overpayment of U.S. tax paid on the income in question, you should file a claim on Form 1040X. Indicate on the form that a request for assistance under the mutual agreement procedure with the possession has been filed. Attach a copy of the request to the form.

Also, you should take whatever steps must be taken under the possession tax code to prevent the expiration of the statutory period for filing a claim for credit or refund of a possession tax.


Illustrated Example of Form 4563

John Black is a U.S. citizen, single, and under 65. He was a bona fide resident of American Samoa during all of 2018. John received $13,100 from the rental of a condominium he owns in Florida, and $1,000 of dividends from U.S. corporations. John must file Form 1040 because his gross income from U.S. sources is $14,100 ($13,100 rental income and $1,000 of dividends), which is more than his adjusted filing requirement for single filers under 65 ($12,000). (See Filing Requirement if Possession Income Is Excluded in chapter 4.)

Because he must file Form 1040 (not illustrated), he fills out Form 4563 to determine the amount of income from American Samoa he can exclude. See Bona Fide Resident of American Samoa in chapter 3.

Completing Form 4563. John enters his name and social security number at the top of the form.

Line 1. On Form 4563 (see later), John enters the date his bona fide residence began in American Samoa, June 2, 2017. Because he is still a bona fide resident, he enters "not ended" in the second blank space.

Line 2. He checks the box labeled “Rented house or apartment” to describe his type of living quarters in American Samoa.

Lines 3a and 3b. He checks “No” on line 3a because no family members lived with him. He leaves line 3b blank.

Lines 4a and 4b. He checks “Yes” on line 4a because he owns a rental property outside American Samoa (Florida), which he rents to an unrelated individual. He enters the relevant information on line 4b.

Line 5. He enters the name and address of his employer, Samoa Products Co. It is a private American Samoa corporation.

Line 6. He enters the dates of his 2-week vacation to New Zealand from November 11 to November 25. That was his only trip outside American Samoa during the year.

Line 7. He enters the $24,000 in wages he received from Samoa Products Co.

Line 9. He received $220 in dividends from an American Samoa corporation, which he enters here. He also received $1,000 of dividends from a U.S. corporation, but he will enter that amount only on his Form 1040 because the U.S. dividends do not qualify for the possession exclusion.

Line 12. John received $13,100 in rental income from his condominium in Florida, but he will enter that amount only on his Form 1040 because the rental income does not qualify for the possession exclusion.

Line 15. John totals the amounts on lines 7 and 9 to get the amount he can exclude from his gross income in 2018. He will not enter his excluded income on Form 1040. However, he will attach his completed Form 4563 to his Form 1040.

Illustrated Example of Form 5074

Tracy Grey is a U.S. citizen who is a self-employed fisheries consultant with a tax home in New York. Her only income for 2018 was net self-employment income of $80,000. Of the $80,000, $20,000 was from consulting work in Guam and the rest was earned in the United States. Thinking she would owe tax to Guam on the $20,000, Tracy made estimated tax payments of $1,409 to Guam. She was not a bona fide resident of Guam during 2018.

Tracy completes Form 1040 (not illustrated), reporting her worldwide income. Because the adjusted gross income on her Form 1040 was $50,000 or more and at least $5,000 of her gross income is from Guam, Tracy must file Form 5074 with her Form 1040. All amounts reported on Form 5074 also are reported on her Form 1040. See U.S. Citizen or Resident Alien (Other Than a Bona Fide Resident of Guam) in chapter 3.

Completing Form 5074. Tracy enters her name and social security number at the top of the form.

Part I. On Form 5074 (see later), Tracy enters her self-employment income from Guam ($20,000) on line 6. She has no other income from Guam, so the total on line 16 is $20,000.

Part II. Tracy’s only adjustment in Part II is the deductible part of the self-employment tax on her net income earned in Guam. She enters $1,413 on line 21 and line 28. Her adjusted gross income on line 29 is $18,587.

Part III. Tracy made estimated tax payments of $1,409. She enters this amount on line 30, and again on line 34 as the total payments.

Illustrated Example of Form 8689

Juan and Carla Moreno live and work in the United States. In 2018, they received $14,400 in income from the rental of a condominium they own in the USVI. The rental income was deposited in a bank in the U.S.Virgin Islands and they received $500 of interest on this income. They were not bona fide residents of the USVI during the entire tax year.

The Morenos complete Form 1040 (not illustrated), reporting their income from all sources, including their interest income and the income and expenses from their USVI rental property (reported on Schedule E (Form 1040)). The Morenos take the standard deduction for married filing jointly, both are under 65, and they have no dependents.

The Morenos also complete Form 8689 to determine how much of their U.S. tax shown on Form 1040, line 15 (with certain adjustments), must be paid to the USVI. See U.S. Citizen or Resident Alien (Other Than a Bona Fide Resident of the U.S. Virgin Islands) in chapter 3.
The Morenos file their Form 1040, attaching Form 8689 and all other schedules, with the IRS.

At the same time, they send a copy of their Form 1040 with all attachments, including Form 8689, to the Virgin Islands Bureau of Internal Revenue. The Virgin Islands Bureau of Internal Revenue will process this copy.

**Completing Form 8689.** Juan and Carla enter their names and Juan’s social security number at the top of the form.

**Part I.** The Morenos enter their income from the USVI in Part I (see later). The interest income is entered on line 2 and the net rental income of $6,200 ($14,400 of rental income minus $8,200 of rental expenses) is entered on line 11. The Morenos’ total USVI income of $6,700 is entered on line 16.

**Part II.** The Morenos have no adjustments to their USVI income, so they enter zero (-0-) on line 28, and $6,700 on line 29. Their USVI adjusted gross income (AGI) is $6,700.

**Part III.** On line 30, the Morenos enter the amount from Form 1040, line 15 ($4,539). Their Form 1040 does not show any entries required on line 31, so they leave that line blank and enter $4,539 on line 32.

The Morenos enter their worldwide AGI, $54,901 (Form 1040, line 7), on line 33. Next, they find what percentage of their AGI is from USVI sources ($6,700 ÷ $54,901 = 0.122) and enter that as a decimal on line 34. They then apply that percentage to the U.S. tax entered on line 32 to find the amount of U.S. tax allocated to USVI income ($4,539 x 0.122 = $554), and enter that amount on line 35.

**Part IV.** Part IV is used to show payments of income tax to the USVI only. The Morenos had no tax withheld by the USVI, but made estimated tax payments to the USVI of $400, which they entered on lines 37 and 39. They include this amount ($400) in the total payments on Form 1040, line 18. On the dotted line next to the entry space for line 18, they enter “Form 8689” and show the amount. The Morenos do not complete Form 1116 because they receive credit on Form 1040, line 18, for the tax paid to the USVI.

The income tax they owe to the USVI ($154) is shown on Form 8689, line 44. They enter this amount on line 45. They also include this additional amount ($154) on the dotted line next to the entry space and in the total on Form 1040, line 18. The Morenos will pay their USVI tax at the same time they file the copy of their U.S. income tax return with the USVI.
## Form 4563 (Revised September 2018) Exclusion of Income for Bona Fide Residents of American Samoa

**Part I: General Information**

1. Date bona fide residence began **not ended**, and ended **not ended**
2. Type of living quarters in American Samoa
   - Rented room
   - Quarters furnished by employer
   - Purchased home
3a. Did any of your family live with you in American Samoa during any part of the tax year? **Yes**
3b. If “Yes,” who and for what period?
   - 800 Kennedy Street, Ft. Lauderdale, FL, rental condominium, Bob Wilson, unrelated
4a. Did you maintain any home(s) outside American Samoa? **Yes**
4b. If “Yes,” show address of your home(s), whether it was rented, the name of each occupant, and his or her relationship to you.
   - 800 Kennedy Street, Ft. Lauderdale, FL, rental condominium, Bob Wilson, unrelated
5. Name and address of employer (state if self-employed)
   - Samoa Products Co., Pago Pago, American Samoa
6. Complete columns (a) through (d) below for days absent from American Samoa during the tax year.

<table>
<thead>
<tr>
<th>(a) Date left</th>
<th>(b) Date returned</th>
<th>(c) Number of days absent</th>
<th>(d) Reason for absence</th>
</tr>
</thead>
<tbody>
<tr>
<td>11-11-2018</td>
<td>11-25-2018</td>
<td>14</td>
<td>Vacation to New Zealand</td>
</tr>
</tbody>
</table>

**Part II: Figure Your Exclusion.** Include only income that qualifies for the exclusion. See instructions.

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>Wages, salaries, tips, etc.</td>
<td>24,000</td>
</tr>
<tr>
<td>8</td>
<td>Taxable interest</td>
<td>8</td>
</tr>
<tr>
<td>9</td>
<td>Ordinary dividends</td>
<td>220</td>
</tr>
<tr>
<td>10</td>
<td>Business income</td>
<td>11</td>
</tr>
<tr>
<td>11</td>
<td>Capital gain</td>
<td>13</td>
</tr>
<tr>
<td>12</td>
<td>Rental real estate, royalties, etc.</td>
<td>14</td>
</tr>
<tr>
<td>13</td>
<td>Farm income</td>
<td>14</td>
</tr>
<tr>
<td>14</td>
<td>Other income. List type and amount</td>
<td>24,220</td>
</tr>
</tbody>
</table>

15. Add lines 7 through 14. This is the amount you may exclude from your gross income this tax year.

---

**For Paperwork Reduction Act Notice, see instructions.**

Cat. No. 12909U

Form 4563 (Rev. 9-2018)
### Part I  Income From Guam or the CNMI Reported on Form 1040 and Schedule 1 (Form 1040)

<table>
<thead>
<tr>
<th></th>
<th>Guam</th>
<th>CNMI</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Wages, salaries, tips, etc.</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>Taxable Interest</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>Ordinary dividends</td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>Taxable refunds, credits, or offsets of local Guam or CNMI income taxes</td>
<td>4</td>
</tr>
<tr>
<td>5</td>
<td>Alimony received</td>
<td>5</td>
</tr>
<tr>
<td>6</td>
<td>Business income or (loss)</td>
<td>6</td>
</tr>
<tr>
<td>7</td>
<td>Capital gain or (loss)</td>
<td>7</td>
</tr>
<tr>
<td>8</td>
<td>Other gains or (losses)</td>
<td>8</td>
</tr>
<tr>
<td>9</td>
<td>IRA distributions (taxable amount)</td>
<td>9</td>
</tr>
<tr>
<td>10</td>
<td>Pensions and annuities (taxable amount)</td>
<td>10</td>
</tr>
<tr>
<td>11</td>
<td>Rental real estate, royalties, partnerships, S corporations, trusts, etc.</td>
<td>11</td>
</tr>
<tr>
<td>12</td>
<td>Farm income or (loss)</td>
<td>12</td>
</tr>
<tr>
<td>13</td>
<td>Unemployment compensation</td>
<td>13</td>
</tr>
<tr>
<td>14</td>
<td>Social security benefits (taxable amount)</td>
<td>14</td>
</tr>
<tr>
<td>15</td>
<td>Other income. List type and amount</td>
<td>15</td>
</tr>
<tr>
<td>16</td>
<td>Total income. Add lines 1 through 15</td>
<td>16</td>
</tr>
</tbody>
</table>

### Part II  Adjustments to Income From Guam or the CNMI Reported on Schedule 1 (Form 1040)

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
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<tbody>
<tr>
<td>17</td>
<td>Educator expenses</td>
</tr>
<tr>
<td>18</td>
<td>Certain business expenses of reservists, performing artists, and fee-basis government officials</td>
</tr>
<tr>
<td>19</td>
<td>Health savings account deduction</td>
</tr>
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<td>20</td>
<td>Moving expenses for members of the armed forces</td>
</tr>
<tr>
<td>21</td>
<td>Deductible part of self-employment tax</td>
</tr>
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<td>22</td>
<td>Self-employed SEP, SIMPLE, and qualified plans</td>
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<td>23</td>
<td>Self-employed health insurance deduction.</td>
</tr>
<tr>
<td>24</td>
<td>Penalty on early withdrawal of savings</td>
</tr>
<tr>
<td>25</td>
<td>IRA deduction</td>
</tr>
<tr>
<td>26</td>
<td>Student loan interest deduction</td>
</tr>
<tr>
<td>27</td>
<td>Tuition and fees deduction (see instructions)</td>
</tr>
<tr>
<td>28</td>
<td>Add lines 17 through 27</td>
</tr>
<tr>
<td>29</td>
<td>Adjusted gross income. Subtract line 28 from line 16</td>
</tr>
<tr>
<td>30</td>
<td></td>
</tr>
</tbody>
</table>

### Part III  Payments of Income Tax to Guam or the CNMI

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>30</td>
<td>Payments on estimated tax return filed with Guam or the CNMI</td>
</tr>
<tr>
<td>31</td>
<td>Income tax withheld from your wages while employed by the U.S. Government as a civilian in Guam or the CNMI</td>
</tr>
<tr>
<td>32</td>
<td>Income tax withheld from your wages while employed as a member of the U.S. Armed Forces in Guam or the CNMI</td>
</tr>
<tr>
<td>33</td>
<td>Income tax withheld from your wages earned in Guam or the CNMI other than amounts on lines 30 through 32</td>
</tr>
<tr>
<td>34</td>
<td>Total payments. Add lines 30 through 33</td>
</tr>
</tbody>
</table>
For Paperwork Reduction Act Notice, see the Form 1040 instructions.
6. How To Get Tax Help

TIP Assistance for overseas taxpayers is available in the U.S. and at certain foreign locations.

Taxpayer Assistance

If you have questions about a tax issue, need help preparing your tax return, or want to download free publications, forms, or instructions, go to IRS.gov and find resources that can help you right away.

Tax reform. Major tax reform legislation impacting individuals, businesses, and tax-exempt entities was approved by Congress in the Tax Cuts and Jobs Act on December 22, 2017. Go to IRS.gov/TaxReform for information and updates on how this legislation affects your taxes.

Preparing and filing your tax return. Find free options to prepare and file your return on IRS.gov or in your local community if you qualify.

The Volunteer Income Tax Assistance (VITA) program offers free tax help to people who generally make $55,000 or less, persons with disabilities, and limited-English-speaking taxpayers who need help preparing their own tax returns. The Tax Counseling for the Elderly (TCE) program offers free tax help for all taxpayers, particularly those who are 60 years of age and older. TCE volunteers specialize in answering questions about pensions and retirement-related issues unique to seniors.

You can go to IRS.gov to see your options for preparing and filing your return which include the following:

- **Free File.** Go to IRS.gov/FreeFile to see if you qualify to use brand-name software to prepare and e-file your federal tax return for free.
- **VITA.** Go to IRS.gov/VITA, download the free IRS2Go app, or call 800-906-9887 to find the nearest VITA location for free tax return preparation.
- **TCE.** Go to IRS.gov/TCE, download the free IRS2Go app, or call 888-227-7669 to find the nearest TCE location for free tax return preparation.

Getting answers to your tax questions. On IRS.gov, get answers to your tax questions anytime, anywhere.

- Go to IRS.gov/Help for a variety of tools that will help you get answers to some of the most common tax questions.
- Go to IRS.gov/TA for the Interactive Tax Assistant, a tool that will ask you questions on a number of tax law topics and provide answers. You can print the entire interview and the final response for your records.
- Go to IRS.gov/Pub17 to get Pub. 17. Your Federal Income Tax for Individuals, which features details on tax-saving opportunities, 2018 tax changes, and thousands of interactive links to help you find answers to your questions. View it online in HTML, as a PDF, or download it to your mobile device as an eBook.
- You may also be able to access tax law information in your electronic filing software.

Getting tax forms and publications. Go to IRS.govForms to view, download, or print all of the forms and publications you may need. You can also download and view popular tax publications and instructions (including the 1040 instructions) on mobile devices as an eBook at no charge. Or you can go to IRS.gov/OrderForms to place an order and have forms mailed to you within 10 business days.

Access your online account (individual taxpayers only). Go to IRS.gov/Account to securely access information about your federal tax account.

- View the amount you owe, pay online, or set up an online payment agreement.
- Access your tax records online.
- Review the past 24 months of your payment history.
- Go to IRS.gov/SecureAccess to review the required identity authentication process.

Using direct deposit. The fastest way to receive a tax refund is to combine direct deposit and IRS e-file. Direct deposit securely and electronically transfers your refund directly into your financial account. Eight in 10 taxpayers use direct deposit to receive their refund. The IRS issues more than 90% of refunds in less than 21 days.

Refund timing for returns claiming certain credits. The IRS can’t issue refunds before mid-February 2019 for returns that claimed the earned income credit (EIC) or the additional child tax credit (ACTC). This applies to the entire refund, not just the portion associated with these credits.

Getting a transcript or copy of a return. The quickest way to get a copy of your tax transcript is to go to IRS.gov/Transcripts. Click on either “Get Transcript Online” or “Get Transcript by Mail” to order a copy of your transcript. If you prefer, you can:

- Order your transcript by calling 800-908-9946, or
- Mail Form 4506-T or Form 4506-T-EZ (both available on IRS.gov).

Using online tools to help prepare your return. Go to IRS.gov/Tools for the following:

- The Earned Income Tax Credit Assistant (IRS.gov/EITCAssistant) determines if you’re eligible for the EIC.
- The Online EIN Application (IRS.gov/EIN) helps you get an employer identification number.
- The IRS Withholding Calculator (IRS.gov/W4App) estimates the amount you should have withheld from your paycheck for federal income tax purposes and can help you perform a “paycheck checkup.”
- The First Time Homebuyer Credit Account Look-up (IRS.gov/HomeBuyer) tool provides information on your repayments and account balance.
- The Sales Tax Deduction Calculator (IRS.gov/SalesTax) figures the amount you can claim if you itemize deductions on Schedule A (Form 1040), choose not to claim state and local income taxes, and you didn’t save your receipts showing the sales tax you paid.

Resolving tax-related identity theft issues.

- The IRS doesn’t initiate contact with taxpayers by email or telephone to request personal or financial information. This includes any type of electronic communication, such as text messages and social media channels.
- Go to IRS.gov/IDProtection for information.
- If your SSN has been lost or stolen or you suspect you’re a victim of tax-related identity theft, visit IRS.gov/IdentityTheft to learn what steps you should take.

Checking on the status of your refund.

- Go to IRS.gov/Refunds.
- The IRS can’t issue refunds before mid-February 2019 for returns that claimed the EIC or the ACTC. This applies to the entire refund, not just the portion associated with these credits.
- Download the official IRS2Go app to your mobile device to check your refund status.
- Call the automated refund hotline at 800-829-1954.

Making a tax payment. The IRS uses the latest encryption technology to ensure your electronic payments are safe and secure. You can make electronic payments online, by phone, or from a mobile device using the IRS2Go app. Paying electronically is quick, easy, and faster than mailing in a check or money order. Go to IRS.gov/Payments to make a payment using any of the following options:

- IRS Direct Pay: Pay your individual tax bill or estimated tax payment directly from your checking or savings account at no cost to you.
- Debit or credit card: Choose an approved payment processor to pay online, by phone, and by mobile device.
- Electronic Funds Withdrawal: Offered only when filing your federal taxes using tax return preparation software or through a tax professional.
- Electronic Federal Tax Payment System: Best option for businesses. Enrollment is required.
- Check or money order: Mail your payment to the address listed on the notice or instructions.
- Cash: You may be able to pay your taxes with cash at a participating retail store.

What if I can’t pay now? Go to IRS.gov/Payments for more information about your options.

- Apply for an online payment agreement (IRS.gov/OPA) to meet your tax obligation.
in monthly installments if you can’t pay your taxes in full today. Once you complete the online process, you will receive immediate notification of whether your agreement has been approved.

- Use the Offer in Compromise Pre-Qualifier (IRS.gov/OLC) to see if you can settle your tax debt for less than the full amount you owe.

Checking the status of an amended return. Go to IRS.gov/WMAR to track the status of Form 1040X amended returns. Please note that it can take up to 3 weeks from the date you mailed your amended return for it to show up in our system and processing it can take up to 16 weeks.

Understanding an IRS notice or letter. Go to IRS.gov/Notices to find additional information about responding to an IRS notice or letter.

Contacting your local IRS office. Keep in mind, many questions can be answered on IRS.gov without visiting an IRS Tax Assistance Center (TAC). Go to IRS.gov/LetUsHelp for the topics people ask about most. If you still need help, IRS TACs provide tax help when a tax issue can’t be handled online or by phone. All TACs now provide service by appointment so you’ll know in advance that you can get the service you need without long wait times. Before you visit, go to IRS.gov/TACLocator to find the nearest TAC, check hours, available services, and appointment options. Or, on the IRS2Go app, under the Stay Connected tab, choose the Contact Us option and click on “Local Offices.”

Watching IRS videos. The IRS Video portal (IRSVideos.gov) contains video and audio presentations for individuals, small businesses, and tax professionals.

Getting tax information in other languages. For taxpayers whose native language isn’t English, we have the following resources available. Taxpayers can find information on IRS.gov in the following languages.

- Spanish (IRS.gov/Spanish).
- Chinese (IRS.gov/Chinese).
- Vietnamese (IRS.gov/Vietnamese).
- Korean (IRS.gov/Korean).
- Russian (IRS.gov/Russian).

The IRS TACs provide over-the-phone interpreter service in over 170 languages, and the service is available free to taxpayers.

The Taxpayer Advocate Service (TAS) Is Here To Help You

What Is TAS?

TAS is an independent organization within the IRS that helps taxpayers and protects taxpayer rights. Their job is to ensure that every taxpayer is treated fairly and that you know and understand your rights under the Taxpayer Bill of Rights.

How Can You Learn About Your Taxpayer Rights?

The Taxpayer Bill of Rights describes 10 basic rights that all taxpayers have when dealing with the IRS. Go to TaxpayerAdvocate.IRS.gov to help you understand what these rights mean to you and how they apply. These are your rights. Know them. Use them.

What Can TAS Do For You?

TAS can help you resolve problems that you can't resolve with the IRS. And their service is free. If you qualify for their assistance, you will be assigned to one advocate who will work with you throughout the process and will do everything possible to resolve your issue. TAS can help you:

- Your problem is causing financial difficulty for you, your family, or your business;
- You face (or your business is facing) an immediate threat of adverse action; or
- You’ve tried repeatedly to contact the IRS but no one has responded, or the IRS hasn’t responded by the date promised.

How Can You Reach TAS?

TAS has offices in every state, the District of Columbia, and Puerto Rico. Your local advocate’s number is in your local directory and at TaxpayerAdvocate.IRS.gov/Contact-Us. You can also call them at 877-777-4778.

How Else Does TAS Help Taxpayers?

TAS works to resolve large-scale problems that affect many taxpayers. If you know of one of these broad issues, please report it to them at IRS.gov/SAMS.

TAS also has a website, Tax Reform Changes, which shows you how the new tax law may change your future tax filings and helps you plan for these changes. The information is categorized by tax topic in the order of the IRS Form 1040. Go to TaxChanges.us for more information.

Low Income Taxpayer Clinics (LITCs)

LITCs are independent from the IRS. LITCs represent individuals whose income is below a certain level and need to resolve tax problems with the IRS, such as audits, appeals, and tax collection disputes. In addition, clinics can provide information about taxpayer rights and responsibilities in different languages for individuals who speak English as a second language. Services are offered for free or a small fee. To find a clinic near you, visit TaxpayerAdvocate.IRS.gov/LITCmap or see IRS Pub. 4134, Low Income Taxpayer Clinic List.

Taxpayer Assistance Outside the United States

If you are outside the United States, you can call 267-941-1000 (English-speaking only). This number is not toll free.

If you wish to write instead of calling, please address your letter to:

Internal Revenue Service
International Accounts
Philadelphia, PA 19255-0725
U.S.A.

Additional contacts for taxpayers who live outside the United States are available at IRS.gov/International

Taxpayer Advocate Service. If you live outside the United States, you can call the Taxpayer Advocate at (787) 522-8601 in English or (787) 522-8600 in Spanish. You can contact the Taxpayer Advocate at:

Internal Revenue Service
Taxpayer Advocate Service
City View Plaza, 48 Carr 165, Guaynabo, P.R. 00968-8000

You can call the Taxpayer Advocate toll-free at 1-877-777-4778. For more information on the Taxpayer Advocate Service and contacts if you are outside of the United States go to IRS.gov/Advocate/Local-Taxpayer-Advocate/Contact-Your-Local-Taxpayer-Advocate.
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To help us develop a more useful index, please let us know if you have ideas for index entries. See “Comments and Suggestions” in the “Introduction” for the ways you can reach us.

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Increase in and modification of the additional child tax credit (ACTC)
Itemized deductions
Maximum income subject to social security tax
Moving expense deduction suspended, except for certain Armed Forces members
Optional methods to figure net earnings
Overall limitation on itemized deductions
Personal exemptions suspended
Standard deduction amount increased

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