

Exclusion of Income from Sources in United States Possessions

1974

▶ Attach to Form 1040.

Name as shown on Form 1040 _____ Social security number _____

Gross Income for Applicable Periods

Year	Name of Possession	Periods in Which Income Was Derived From Sources Within Possessions of United States (Dates are inclusive)		Gross Income During Periods Shown in Columns (3) and (4)			
		From—	To—	Gross Income From Sources Within Possessions of United States		Gross Income From Sources Outside United States and Possessions of United States *	Gross Income From Sources Within United States
				Gross income from salary, wages, or active conduct of a trade or business	Other gross income		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1972	-----	-----	-----	\$ -----	\$ -----	\$ -----	\$ -----
1973	-----	-----	-----	-----	-----	-----	-----
1974	-----	-----	-----	-----	-----	-----	-----
Totals				\$	\$	\$	\$

Total of columns (5), (6), (7), and (8) \$

Source of Gross Income from Salary, Wages, or Active Conduct of a Trade or Business (Column (5), above)

Year	Name and Address of Employer (If self-employed, so state)	Nature of Business
1972	-----	-----
1973	-----	-----
1974	-----	-----

INSTRUCTIONS (References are to the Internal Revenue Code)

A. Exclusion.—In general, foreign source income actually or constructively received outside the United States and all types of income from sources in a United States possession and not received in the United States, including earned income, investment income, and capital gains, qualify for exemption from United States tax under section 931. Income earned from services performed in Non-U.S. Continental Shelf Areas may qualify for exclusion under section 931 as income from a United States possession or other foreign source. (See section 638.)

B. Who is Entitled to Benefits of Section 931.—A United States citizen is entitled to section 931 benefits if for the 3 years ending with the close of this taxable year he derived at least:

- 80% of his gross income (computed without the benefit of this section) from sources within a possession of the United States, and
- 50% of his gross income (computed without the benefit of this section) from the active conduct of a trade or business within a United States possession either on his own account or as an employee or an agent of another.

If you did not conduct a trade or business or were not employed in a United States possession for the entire 3 years, you are required, for benefits of section 931, to meet the test only for that part of the 3-year period during which you were

engaged in business or were employed in the possession. The computation period begins when you start your employment, or when you become actively engaged in your trade or business.

C. Where to File.—Attach Form 4563 to your Form 1040 and file with Internal Revenue Service Center, 11601 Roosevelt Boulevard, Philadelphia, Pennsylvania 19155.

D. The United States and Possessions of the United States.—For purposes of section 931, the term "United States" means only the 50 states and the District of Columbia. Examples of possessions are: Panama Canal Zone, American Samoa, Wake, Johnston Island, and the Midway Islands. For purposes of section 931, the term "possessions" does not include the Virgin Islands and such term when used with respect to United States citizens does not include Puerto Rico and Guam.

E. Income to be Reported.—If you meet the requirements of paragraph B, and are therefore permitted to exclude income from a United States possession or other foreign source, you must nevertheless report the following on Form 1040:

- All income you received from United States sources,
- All amounts you or your agent received in the United States with respect to income from possessions or other foreign sources, and
- Amounts you received for services performed as an employee of the United States or its agencies, regardless of where performed.

F. Deductions.—If you are entitled to the benefits of section 931, you may claim deductions only to the extent they are connected with income from sources within the United States. Determine the proper apportionment and allocation of the deductions for income from sources within and without the United States as provided in the regulations.

Exceptions.—The following deductions are allowed whether or not they are connected with United States source income:

- One personal exemption of \$750.
- Losses allowed by section 165(c)(2) that are not connected with a trade or business, if those losses stemmed from transactions for profit, but only if any resulting profit would have been taxable.
- Losses allowed by section 165(c)(3) of property not connected with a trade or business if arising from certain casualties or theft, but only if the loss is of property within the United States.
- Contributions and gifts to qualified charitable organizations allowed by section 170.

If you claim the benefits of section 931, you are not allowed to:

- Use the standard deduction or tax tables.
- Claim exemptions for your spouse or dependents.
- Use the income averaging provisions of sections 1301, 1302, 1303, 1304, and 1305.
- Claim a credit for income taxes paid to a foreign country or United States possession.

*Salary earned by you in a United States possession and deposited by your employer to your bank account in the United States is considered as received in the United States.