

# Exclusion of Income from Sources in United States Possessions

1976

▶ Attach to Form 1040.

Name(s) as shown on Form 1040	Your social security number
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**Gross Income for Applicable Periods (See Instruction E for income to be reported.)**

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 (c) and (d)			
				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		
(a)	(b)	From—	To—	(e)	(f)	(g)	(h)
1974				\$	\$	\$	\$
1975				\$	\$	\$	\$
1976				\$	\$	\$	\$
<b>1 Totals</b>				\$	\$	\$	\$
<b>2 Total gross income for applicable periods. Add line 1 (columns (e), (f), (g), and (h))</b>							\$

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

Year	Name and Address of Employer (If self-employed, so state)	Nature of Business
1974		
1975		
1976		

## Instructions

(References are to the Internal Revenue Code)

**A. Exclusion.**—In general, foreign source income actually or constructively received outside the U.S. and all types of income from sources in a U.S. possession and not received in the U.S., including earned income, investment income, and capital gains, qualify for exemption from U.S. 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 U.S. possession or other foreign source. (See section 638.)

**B. Who is Entitled to Benefits of Section 931.**—A U.S. citizen is entitled to section 931 benefits if for the 3 years ending with the close of this taxable year (or for such part of such period immediately preceding the close of such taxable year as may be applicable) you derived at least:

1. 80% of your gross income (computed without the benefit of this section) from sources within a possession of the U.S., and
2. 50% of your gross income (computed without the benefit of this section) from the active conduct of a trade or business within a U.S. possession either on your 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 U.S. 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 U.S. and Possessions of the U.S.**—For purposes of section 931, the term "U.S." means only the 50 states and the District of Columbia.

For purposes of section 931, the term "possession of the U.S." includes the Panama Canal Zone, American Samoa, Wake Island, and Midway Island. For purposes of section 931, the term "possession" does not include the Virgin Islands and such term when used with respect to U.S. 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 U.S. possession or other foreign source, you must nevertheless report the following on Form 1040:

1. All income you received from U.S. sources,
2. All amounts you or your agent received in the U.S. with respect to income from possessions or other foreign sources,
3. Amounts you received for services performed as an employee of the U.S. or its agencies, regardless of where performed, and
4. All income you received during the portion of the taxable year that is not part of the applicable period shown above. The source of that income or the place where it was received are not relevant. It does not qualify for the possession exemption.

**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 U.S. Determine the proper apportionment and allocation of the deductions for income from sources within and without the U.S. as provided in the regulations.

**Exceptions.**—The following deductions are allowed whether or not they are connected with U.S. source income:

1. One personal exemption of \$750.
2. 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.
3. 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 U.S.

4. Contributions and gifts to qualified charitable organizations allowed by section 170.

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

- (a) Use the standard deduction.
- (b) Claim exemptions for your spouse or dependents.
- (c) Use the income averaging provisions of sections 1301, 1302, 1303, 1304, and 1305.
- (d) Claim a credit for income taxes paid to a foreign country or U.S. possession.
- (e) Claim the earned income credit.

For more information on U.S. possessions income obtain **Publication 570, Tax Guide for U.S. Citizens Employed in U.S. Possessions**, from any Internal Revenue Service office.