Instructions for Form 1116

Foreign Tax Credit (Individual, Estate, or Trust)

Section references are to the Internal Revenue Code unless otherwise noted.

General Instructions

Election To Claim the Foreign Tax Credit Without Filing Form 1116

You may be able to claim the foreign tax credit without filing Form 1116. By making this election, the foreign tax credit limitation (lines 14 through 20 of the form) will not apply to you. This election is available only if you meet all of the following conditions:

- All of your foreign source gross income was "passive category income" (which includes most interest and dividends) on page 3. However, for this purpose, passive income also includes (a) income subject to the special rule for high-taxed income described on page 3, and (b) certain export financing interest.
- All the income and any foreign taxes paid on it were reported to you on a qualified payee statement. Qualified payee statements include Form 1099-DIV, Form 1099-INT, Schedule K-1 (Form 1041), Schedule K-1 (Form 1065), Schedule K-1 (Form 1065-B), Schedule K-1 (Form 1120S), or similar substitute statements.
- Your total creditable foreign taxes are not more than $300 ($600 if married because of boycott provisions). Do not use Form 1116 to figure a filing a joint return.

Described in item (3) or (5) under Tax Help.

You cannot carry over to any other year any foreign taxes paid or accrued in a tax year to which the election applies (but carryovers to and from other years are unaffected). See the instructions for line 10 on page 15.

- You are still required to take into account the general rules for determining whether a tax is creditable. See Foreign Taxes Eligible for a Credit and Foreign Taxes Not Eligible for a Credit on page 2.
- You are still required to reduce the taxes available for credit by any amount you would have entered on line 12 of Form 1116. See the instructions for Line 12 on page 15.
- To make the election, just enter on the foreign tax credit line of your tax return (for example, Form 1040, line 47) the smaller of (a) your total foreign tax or (b) your regular tax (for example, Form 1040, line 44).

Purpose of Form

Who should file. File Form 1116 to claim the foreign tax credit if the election above does not apply and:
- You are an individual, estate, or trust, and
- You paid or accrued certain foreign taxes to a foreign country or U.S. possession.

See Foreign Taxes Eligible for a Credit on page 2 to determine if the taxes you paid or accrued qualify for the credit.

Do not use Form 1116 to figure a credit for taxes paid to the U.S. Virgin Islands. Instead, use Form 8889, Allocation of Individual Income Tax to the U.S. Virgin Islands.

Nonresident aliens. If you are a nonresident alien, you generally cannot take the credit. However, you may be able to take the credit if:

- You were a resident of Puerto Rico during your entire tax year, or
- You paid or accrued tax to a foreign country or U.S. possession on income from foreign sources that is effectively connected with a trade or business in the United States. But if you must pay tax to a foreign country or U.S. possession on income from U.S. sources only because you are a citizen or a resident of that country or U.S. possession, do not use that tax in figuring the amount of your credit.

See section 906 for more information on the foreign tax credit allowed to a nonresident alien individual.

Credit or Deduction

Instead of claiming a credit for eligible foreign taxes, you can choose to deduct foreign income taxes. Form 1040 filers choosing to do so would deduct foreign income taxes on Schedule A (Form 1040), Itemized Deductions. Generally, if you take the credit for any eligible foreign taxes, you cannot take any part of that year’s foreign taxes as a deduction. However, even if you take the credit for eligible foreign taxes for the year, you can take a deduction for:

- Foreign taxes not allowed as a credit because of boycott provisions.
- Taxes paid to certain foreign countries for which a credit has been denied, as described in item (2) under Foreign Taxes Not Eligible for a Credit on page 2.
- Taxes on income or gain that are not creditable because you do not meet the holding period requirement, as described in item (3) or (5) under Foreign Taxes Not Eligible for a Credit on page 2.
- Certain taxes paid or accrued to a foreign country in connection with the purchase or sale of oil or gas extracted in that country, as described in item (6) under Foreign Taxes Not Eligible for a Credit on page 2.

If you want to change your election to take a deduction instead of a credit, or a credit instead of a deduction, you must do so within a special 10-year limitation period. See Pub. 514 for more information.

Tax Help

For more information about, or assistance with figuring, the foreign tax credit, the following IRS resources are available.

IRS Contacts
- Call 1-800-829-1040 (in U.S. and Puerto Rico).
- Call 215-516-2000 (overseas) (not toll free).
- Contact IRS offices at U.S. embassies in London, Paris, or the U.S. consulate in Frankfurt.
- Write to Internal Revenue Service, International Section, P.O. Box 920, Bensalem, PA 19020-8518.

Publications
- Pub. 514, Foreign Tax Credit for Individuals.
- Pub. 575, Pension and Annuity Income.
Foreign Taxes Eligible for a Credit

You cannot take a credit for income, war profits, or excess profits taxes paid or accrued during your tax year to any foreign country, or any political subdivision (for example, city, state, or province), agency, or instrumentality of the country or possession. This includes taxes paid or accrued in lieu of a foreign or possession income, war profits, or excess profits tax that is otherwise generally imposed. For purposes of the credit, U.S. possessions include Puerto Rico and American Samoa. U.S. citizens living in certain treaty countries may be able to take an additional foreign tax credit for foreign taxes imposed on certain items of income from the United States. See Tax Treaties in Pub. 514 for details. If this applies to you, use the worksheet near the back of Pub. 514 to help you figure this additional credit.

Foreign Taxes Not Eligible for a Credit

You cannot take a credit for the following foreign taxes.

1. Taxes paid to a foreign country that you do not legally owe, including amounts eligible for refund by the foreign country. If you do not exercise your available remedies to reduce the amount of foreign tax to what you legally owe, the credit for the excess amount is not allowed.

Example. Country X withholds $25 of tax from a payment made to you. Under the income tax treaty between the United States and Country X, you own only $15 and can claim a refund from Country X for the other $10. Only $15 is eligible for the foreign tax credit (which you receive in full for the $15 you receive as a refund).

2. Taxes imposed by and paid to certain foreign countries. These countries are those designated by the Secretary of State as countries that repeatedly provide support for acts of international terrorism, countries with which the United States does not have diplomatic relations, or countries whose governments are not recognized by the United States. Pub. 514 contains a list of these countries.

3. Foreign taxes withheld on a dividend from a corporation, if you have not held the stock for at least 16 days within the 31-day period that begins 15 days before the ex-dividend date. This required holding period is greater for preferred-stock dividends attributable to periods totaling more than 366 days. See section 901(k)(3) or Pub. 514.

4. Foreign taxes withheld on a dividend to the extent that you have made related payments on positions in similar or related property.

Example. You receive a dividend subject to foreign withholding tax. You are obligated to pay someone else an amount equal to all these dividends you receive. You cannot claim a foreign tax credit for the withholding tax on these dividends.

5. Foreign taxes withheld on income or gain (other than dividends) from property if you have not held the property for at least 16 days within the 31-day period that begins 15 days before the date on which the right to receive the payment arises. See section 901(j) or Pub. 514.

6. Foreign taxes withheld on income or gain (other than dividends) from property if you have to make related payments on positions in similar or related property.

Inflationary currency. Inflationary currency means the currency of a country in which there is cumulative inflation during the 36 calendar months immediately preceding the last day of the calendar year of at least 30%, as determined by reference to the consumer price index of the country listed in the monthly issues of International Financial Statistics, or a subsequent publication, of the International Monetary Fund.

Election to use exchange rate on date paid. If you have accrued foreign taxes that you otherwise are required to convert using the average exchange rate, you may elect to use the exchange rate in effect on the date the foreign taxes are paid if the taxes are denominated in a foreign currency. If any of the accrued taxes are unpaid, you must translate them into U.S. dollars using the exchange rate on the last day of the U.S. tax year to which those taxes relate. Once made, the election applies to tax years beginning after 2004. It must be made by the due date (including extensions) for filing the tax return for the first tax year to which the election applies. Make the election by attaching a statement to the return.

Special rules for a qualified business unit. If you have a qualified business unit, see Pub. 514 for special rules for converting foreign income and taxes into U.S. dollars. You may have a qualified business unit if you own and operate a business or are self-employed in a foreign country.

Foreign Tax Credit Redeterminations

If you claim a credit for foreign taxes paid, and you receive a refund of all or part of those taxes in a later year, you must file an amended return reducing the taxes credited by the amount refunded.

If you claim the foreign tax credit based on foreign taxes accrued instead of foreign taxes paid, your credit must be redetermined in any of the following situations.

1. Your accrued taxes when paid differ from the amount you claimed as a credit.
2. Your accrual of taxes within 2 years after the close of the tax year to which they relate. When this applies to you, you must reduce the credit previously claimed by the amount of the unpaid taxes. You will not be allowed a credit for the unpaid taxes until they are paid. When you pay the accrued taxes, you must translate them into U.S. dollars using the exchange rate as of the date they were paid. The foreign tax credit is allowed for the year to which the foreign tax relates. See Foreign Currency Conversion earlier.
3. After you pay the accrued taxes, you receive a full or partial refund of them.
4. For taxes taken into account when accrued but translated into dollars on the date of payment, the dollar value of the accrued tax differs from the dollar value of the tax paid because of fluctuations in the exchange rate between the date of accrual and the date of payment. However, no redetermination is required if the change in foreign tax liability for each foreign country is less than the smaller of:
   a. $10,000, or
   b. 2% of the total dollar amount of the foreign tax initially accrued for that foreign country for the U.S. tax year. In this case, you must adjust your U.S. tax in the tax year in which the accrued foreign taxes are paid.

If any of the above situations occurs after you file your return, you must file Form 1040X, Amended U.S. Individual Income Tax Return, or other amended return, to notify the IRS so that your U.S. tax for the year or years affected can be redetermined. Complete and attach to Form 1040X (or other amended return) Form 1116 for the tax year(s) affected and a statement that contains information sufficient for the IRS to redetermine your U.S. tax liability. See Pub. 514 for more information.

Amended returns for all years affected by foreign tax redeterminations that result in U.S. tax deficiencies and that occurred in the three tax years immediately preceding your first tax year beginning after November 6, 2007, must be filed no later than the due date of your return (including extensions) for your second tax year beginning after November 6, 2007.

If you do not notify the IRS of a foreign tax refund or change in tax liability due to foreign tax redetermination, you must file Form 1116 for the foreign tax year(s) affected and a statement that contains information sufficient for the IRS to redetermine the dollar amount of foreign taxes paid or accrued, you will have to pay a penalty unless you can show that the failure to notify the IRS is due to reasonable cause and not due to willful neglect.

Income From Sources Outside the United States
This income generally includes, but is not limited to, the following:
- Compensation for services performed outside the United States.
- Interest income from a payer located outside the United States.
- Dividends from a corporation incorporated outside the United States.
- Gain on the sale of nondepreciable personal property you sold while maintaining a tax home outside the United States, if you paid a tax of at least 10% of the gain to a foreign country.

Special rules apply in determining the source of income from the sale of inventory; sale of depreciable property used in a trade or business; sale of intangible property such as a patent, copyright, or trademark; ocean activities; and transportation services that begin or end in the United States or a U.S. possession. See Pub. 514 for more information.

Compensation for labor or personal services as an employee. If you are an employee and receive compensation for passive income and services performed both inside and outside the United States, special rules apply in determining the source of the compensation. Compensation (other than fringe benefits) is sourced on a time basis. Fringe benefits (such as housing and education) are sourced on a geographical basis. Or you may be able to use an alternative basis to determine the source. If you use an alternative basis, you may have to check the box on line 1b (discussed on page 13). See Pub. 514 for more information.

Categories of Income
Use a separate Form 1116 to figure the credit for each category of foreign income listed above Part I of Form 1116. The following instructions tell you what kind of income to include in each category. For more information, see Pub. 514, Code section 904, and Regulations sections 1.904-4 and 1.904-5.

a. Passive Category Income
Passive category income consists of dividends and other specified passive category income.

Passive category income does not include gain from the sale of inventory or property held primarily for sale to customers in the ordinary course of your trade or business; gain from commodities hedging transactions; and active business gains or losses of processing, manufacturing, merchandising, or handling of commodities. It may also not include dividends, interest, rents, or royalties received from a controlled foreign corporation (CFC) in which you are a U.S. shareholder who owns 10% or more of the total voting power of all classes of the corporation’s stock.

Passive income. Passive income generally includes dividends, interest, royalties, rents, annuities, gain from the sale of property that produces such income or of non-income-producing investment property, and gains from foreign currency or commodities transactions. Capital gains not related to the active conduct of a trade or business are also generally passive income.

Passive income does not include export financing interest, active business rents and royalties, or high-taxed income (see High-taxed income on this page).

Specified passive category income. Dividends from a DISC (domestic international sales corporation) or former DISC to the extent they are treated as foreign source income, and certain distributions from a former FSC (foreign sales corporation) are specified passive category income.

b. General Category Income
General category income is income that is not passive category income or income described in categories c., d., and e., discussed later. General category income may include:
- Wages, salary, and overseas allowances of an individual as an employee.
- Income earned in the active conduct of a trade or business.
- Gains from the sale of inventory or depreciable property used in a trade or business.

Financial services income. In general, financial services income is treated as general category income if it is derived from a financial services entity. You are a financial services entity if you are predominantly engaged in the active conduct of a banking, insurance, financing, or similar business for any taxable year. Financial services income of a financial services entity generally includes income derived in the active conduct of a banking, financing, insurance or similar business. Financial services income of a financial services entity also includes passive income and certain incidental income.

If you qualify as a financial services entity because you derive income from a foreign corporation that is active in a country that repeatedly provides support for acts of international terrorism, countries with which the United States does not have diplomatic relations, or countries whose governments are not recognized by the United States, Pub. 514 contains a list of these countries.

If you paid taxes to a country that is not recognized by the United States during the tax year, see Pub. 514 for details on how to figure the foreign tax credit for the period that begins after the end of the sanctions.

Presidential waiver. The President of the United States has the authority to waive the denial of the credit with respect to a sanctioned country if (a) it

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is in the national interest of the United States and will expand trade and investment opportunities for U.S. companies in such sanctioned country, and (b) the President reports to the Congress, not less than 30 days before the waiver is granted, the intention to grant such a waiver and the reason for such waiver.

Since no credit is allowed for taxes paid to sanctioned countries, you would generally complete Form 1116 for this category only through line 16.

d. Certain Income Re-sourced by Treaty

If a sourcing rule in an applicable income tax treaty treats any of the specific types of income described below as foreign source, and you elect to apply the treaty, the income will be treated as foreign source.

• Certain gains (section 865(h)), or
• Certain income from a U.S.-owned foreign corporation (section 904(b)(10)). See Regulations section 1.904-5(m)(7) for more information.

Important. You must compute a separate foreign tax credit limitation for any such income for which you claim benefits under a treaty, using a separate Form 1116 for each amount of re-sourced income from a treaty country. Add the amounts from line 21 of each separate Form 1116 and enter the total on line 24 of your summary Form 1116 (that is, the Form 1116 for which you are completing Part IV).

Other types of income that are re-sourced under the terms of an income tax treaty (for example, compensation for services performed in the United States by a U.S. citizen resident in a foreign country) are not subject to a separate foreign tax credit limitation. However, the specific treaty may provide for other restrictions on the amount of income that is re-sourced or the amount of credit that is allowed with respect to foreign tax paid on re-sourced income. See, for example, article 24, paragraph 1, of the treaty between France and the United States.

e. Lump-Sum Distributions

You can take a foreign tax credit for taxes you paid or accrued on a foreign source lump-sum distribution from a pension plan. Special formulas may be used to figure a separate tax on a qualified lump-sum distribution for the year in which the distribution is received. See Pub. 575 for more information.

If you are able to elect, and do elect, to figure your U.S. tax on a lump-sum distribution using Form 4972, Tax on Lump-Sum Distributions, a separate foreign tax credit limitation applies. Use a separate Form 1116. On this separate Form 1116, check box e of Part I. Skip Part II showing only foreign taxes that are attributable to the lump-sum distribution. Then, complete the Worksheet for Lump-Sum Distributions on this page to figure the amounts to enter in Part III.

Special Rules

Look-Through Rules

Certain income received or accrued by you as a 10%-or-more U.S. shareholder in a controlled foreign corporation (CFC) is treated as income in one of the specific categories listed under Categories of Income starting on page 3. For example, Subpart F inclusions, dividends, interest, rents, and royalties from a CFC are treated as separate category income to the extent they are attributable to separate category income of the CFC. See Regulations section 1.904-5 for more information.

Reporting Foreign Tax Information From Partnerships and S Corporations

If you received a 2008 Schedule K-1 from a partnership or S corporation that includes foreign tax information, use the rules below to report that information on Form 1116.

General Information for Partners and S Corporation Shareholders

Less-than-10% limited partners and certain less-than-10% S corporation shareholders. If you are a limited partner or an S corporation shareholder who does not actively participate in the management of the S corporation and you own a less-than-10% interest (by value) in the partnership or S corporation, you generally may assign exclusively to passively held income your distributive share of foreign source income and deductions from that partnership or S corporation. See Regulations section 1.904-5(h)(2) for more details and exceptions.

This rule takes precedence over the income category rules outlined in the instructions that follow for line 16, codes C and D–F, (or line 14, codes C and D–F) of the Schedule K-1, and the apportionment of deductions rules outlined in the instructions on page 16, codes H and I–K, (or line 14 codes H and I–K) of the Schedule K-1.

Reporting amounts on Form 1116. include amounts reported to you on Schedule K-1 with any other amounts reportable on Form 1116.

• A separate column in Part I and a separate line in Part II for each category of income.

Explanation of Certain Line Items on Schedule K-1

In each instance that follows, the first line reference is to the Schedule K-1 for Form 1065 and the second line reference is to the Schedule K-1 for Form 1120S. (The Schedule K-1 for Form 1065-B includes all foreign tax information in box 9 or in an attachment for box 8.)

Line 16, code B, or line 14, code C—Gross income from all sources. Combine your distributive share of “gross income from all sources” with all of your other gross income and enter the total on line 3e. “Gross income from all sources” is a constant amount (that is, you will enter the same amount on line 3e of all Forms 1116 that you file).

Line 16, code C, or line 14, code C—Gross income sourced at partner or shareholder level. This line includes income from the sale of
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Schedule D, see Qualified Dividends and Capital Gain Tax Worksheet (Individuals), next, to determine the adjustments you may be required to make. If you completed the Qualified Dividends Tax Worksheet in the Instructions for Form 1041, see Qualified Dividends Tax Worksheet (Estates and Trusts), later, to determine the adjustments you may be required to make. If you are required to file Schedule D, see Schedule D Filers, on this page, to determine the adjustments you may be required to make.

You can elect not to make the adjustments to your qualified dividends and capital gains if you qualify for the adjustment exception. See Adjustment exception under Qualified Dividends and Capital Gain Tax Worksheet (Individuals), Qualified Dividends Tax Worksheet (Estates and Trusts), and Schedule D Filers.

Qualified Dividends and Capital Gain Tax Worksheet (Individuals)

If you completed the Qualified Dividends and Capital Gain Tax Worksheet in your tax return instructions and you do not have to file Schedule D, you may have to adjust the amount of your foreign source qualified dividends and capital gain distributions.

Form 1040 filers. You must adjust the amount of your foreign source qualified dividends and capital gain distributions if both of the following apply:

- Line 7 of the Qualified Dividends and Capital Gain Tax Worksheet is greater than zero.
- Line 16 of the Qualified Dividends and Capital Gain Tax Worksheet is less than line 17 of that worksheet.

Form 1040NR filers. You must adjust the amount of your foreign source qualified dividends and capital gain distributions if both of the following apply:

- Line 5 of the Qualified Dividends and Capital Gain Tax Worksheet is greater than zero.
- Line 14 of the Qualified Dividends and Capital Gain Tax Worksheet is less than line 15 of that worksheet.

Adjustment exception. If you qualify for the adjustment exception, you can elect not to adjust your foreign source capital gain distributions and qualified dividends. You make this election by not adjusting these items. If you make this election, you must elect not to adjust any of your foreign source qualified dividends or capital gain distributions.

Adjustment exception for Form 1040NR filers. You qualify for the adjustment exception if you meet both of the following requirements:

1. Line 5 of the Qualified Dividends and Capital Gain Tax Worksheet in the Form 1040NR filers does not exceed:
   - $0.00 if you checked filing status box 6.
   - $100,150 if you checked filing status box 3, 4, or 5, or
   - $164,550 if you checked filing status box 1 or 2.
2. The amount of your foreign source qualified capital gain distributions is less than:
   - $20,000. For this purpose, ignore any qualified capital gain distributions taxed at the 0% rate by not including them on line 1a. Amounts taxed at the 0% rate are on line 10 of the Qualified Dividends and Capital Gain Tax Worksheet in the Form 1040 instructions and line 8 of the Qualified Dividends and Capital Gain Tax Worksheet in the Form 1040NR instructions.

How to make adjustments. To adjust your foreign source qualified dividends or capital gain distributions, multiply your foreign source qualified dividends or capital gain distributions in each separate category by 0.4286 if the foreign source qualified dividends or capital gain distributions are taxed at a rate of 15%. Include the results on line 1a of the applicable Form 1116.

You adjust your foreign source qualified dividends or capital gain distributions taxed at the 0% rate by not including them on line 1a. Amounts taxed at the 0% rate are on line 8 of the Qualified Dividends Tax Worksheet.

Do not adjust the amount of any foreign source qualified dividends that you elected to include on Form 4952, line 4g.

No adjustment required. If you are not required to make adjustments to your foreign source qualified dividends or capital gain distributions, you do not have to make this election. If you do not make this election, you must adjust your foreign source qualified dividends and capital gain distributions taxed at the 0% rate by not including them on line 1a. Amounts taxed at the 0% rate are on line 8 of the Qualified Dividends Tax Worksheet.

Adjustments to foreign qualified dividends. If you are required to file Schedule D (Form 1040, or Form 1041), you must adjust the amount of your foreign source qualified dividends or capital gain distributions if you include on line 1a of Form 1116 if one of the following applies to you:

1. You figured your tax using the Qualified Dividends and Capital Gain Tax Worksheet in the Form 1040 instructions, line 7 of that worksheet is greater than zero, and line 16 of that worksheet is less than line 17.
2. You figured your tax using the Qualified Dividends and Capital Gain Tax Worksheet in the Form 1040NR instructions, line 7 of that worksheet is greater than zero, and line 14 of that worksheet is less than line 15.
3. You figured your tax using Schedule D (Form 1041), line 23 of Schedule D is greater than zero, and line 32 of Schedule D is less than line 33.

- Line 14 of the Qualified Dividends Tax Worksheet is less than line 15 of that worksheet.
4. You figured your tax using the Schedule D Tax Worksheet (in the Schedule D (Form 1040) instructions), line 17 of the Schedule D Tax Worksheet is greater than zero, and line 34 of the Schedule D Tax Worksheet is less than line 35.

Adjustment exception. If you qualify for the adjustment exception, you can elect not to adjust your foreign source qualified dividends. You make this election by reducing your foreign source qualified dividends or your foreign capital gains (or losses). If you make this election, you must elect not to adjust any of your foreign source qualified dividends. You qualify for the adjustment exception if the amount of your foreign source net capital gain, plus the amount of your foreign source qualified dividends, is less than $20,000 and one of the following applies to you:

1. Line 7 of the Qualified Dividends and Capital Gain Tax Worksheet in the Form 1040 instructions or line 17 of the Schedule D Tax Worksheet in the Schedule D (Form 1040) instructions is less than or equal to:
   a. $200,000 if married filing jointly or qualifying widow(er).
   b. $100,150 if married filing separately.
   c. $164,550 if single, or
   d. $182,400 if head of household.

2. Line 5 of the Qualified Dividends and Capital Gain Tax Worksheet in the Form 1040NR instructions or line 17 of the Schedule D Tax Worksheet in the Schedule D (Form 1040) instructions is less than or equal to:
   a. $200,000 if you checked filing status box 3, 4, or 5.
   b. $100,150 if you checked filing status box 1 or 2.
   c. $164,550 if you checked filing status box 1 or 2.

3. Line 23 of Schedule D (Form 1041) or line 17 of the Schedule D Tax Worksheet in the Schedule D (Form 1041) instructions is less than or equal to $7,850.

Note. Your foreign source net capital gain is the excess of your net long-term capital gain from foreign sources over your net short-term capital loss from foreign sources. Ignore any long-term capital gains you elected to include on Form 4952, line 4g, in determining your foreign source net capital gain. Ignore any qualified dividends you elected to include on Form 4952, line 4g, in determining the amount of your foreign source qualified dividends.

How to make adjustment. To adjust your foreign source qualified dividends, multiply your foreign source qualified dividends in each separate category by 0.4286 if the foreign source qualified dividends are taxed at a rate of 15%. Include the results on line 1a of the applicable Form 1116.

1. You adjust your foreign source qualified dividends taxed at the 0% rate by not including them on line 1a. Amounts taxed at the 0% rate are on the following line of the worksheet or schedule you completed.
   a. Line 10 of the Qualified Dividends and Capital Gain Tax Worksheet in the Form 1040 instructions.
   b. Line 2 of the Qualified Dividends and Capital Gain Tax Worksheet in the Form 1040NR instructions.
   c. Line 19 of the Schedule D Tax Worksheet.

2. Do not adjust the amount of any foreign source qualified dividends that you elected to include on Form 4952, line 4g.

No adjustment required. If you are not required to adjust your foreign source qualified dividends (or you qualify for the adjustment exception and elect not to adjust these dividends), include on line 1a of Form 1116 the full amount of foreign source qualified dividends without adjustment.

Adjustments to foreign capital gains and losses. You use Worksheet A, Worksheet B, or the instructions for Capital Gains and Losses in Pub. 514 to determine the adjustments you must make to your foreign capital gains or losses. Read the instructions below to see if you qualify to use Worksheet A or Worksheet B. If you do not qualify to use Worksheet A or Worksheet B, use the instructions for Capital Gains and Losses in Pub. 514 to determine the adjustments you must make.

1. Line 24 of the Schedule D Tax Worksheet is greater than zero, and line 15 of Schedule D (Form 1040) or line 16 of Schedule D (Form 1041) is zero or a loss.

2. You figured your tax using the Qualified Dividends and Capital Gain Tax Worksheet in the Form 1040 instructions and (a) line 3 of that worksheet minus the amount on Form 4952, line 4e, that you elected to include on Form 4952, line 4g, is zero or less, (b) line 7 of that worksheet is zero, or (c) line 16 of that worksheet is equal to or greater than line 17.

3. You figured your tax using the Qualified Dividends and Capital Gain Tax Worksheet in the Form 1040NR instructions and (a) line 3 of that worksheet is zero, (b) line 5 of that worksheet is zero, or (c) line 14 of that worksheet is equal to or greater than line 15.

4. You figured your tax using Schedule D (Form 1041) and (a) line 23 of Schedule D is zero, (b) line 18 of Schedule D minus the amount on Form 4952, line 4e, that you elected to include on Form 4952, line 4g, is zero or less, or (c) line 32 is equal to or greater than line 33.

5. You figured your tax using the Qualified Dividends and Capital Gain Tax Worksheet in the Form 1040NR instructions and (a) line 3 of that worksheet is zero, (b) line 9 is zero or less, or (c) line 34 is equal to or greater than line 35.

Complete Worksheet A only once, even if you have capital gains or losses in two separate categories. Keep the completed Worksheet A for your records. Do not file Worksheet A with your tax return.

Capital losses are deductible only up to $3,000 of ordinary income.

Worksheet B. If you do not qualify to use Worksheet A, use Worksheet B on page 9 to determine the adjustments you must make to your foreign source capital gains or losses if:

1. You have foreign source capital gains or losses in more than two separate categories.

2. You did not complete the Unrecaptured Section 1250 Gain Worksheet or the 28% Rate Gain Worksheet in the Schedule D instructions, and

3. You did not complete any foreign source capital gains or losses with the Schedule D Filers or your foreign qualified dividends (if any).

4. Line 15 or 16 of Schedule D (Form 1040) (line 1a or 15 of Schedule D (Form 1041)) is zero or a loss.

5. You figured your tax using the Qualified Dividends and Capital Gain Tax Worksheet in the Form 1040 instructions and (a) line 3 of that worksheet minus the amount on Form 4952, line 4e, that you elected to include on Form 4952, line 4g, is zero or less, (b) line 7 of that worksheet is zero, or (c) line 16 of that worksheet is equal to or greater than line 17.

Complete Worksheet B only once, even if you have capital gains or losses in two separate categories. Keep the completed Worksheet B for your records. Do not file Worksheet B with your tax return.
Worksheet A  (See instructions below)

<table>
<thead>
<tr>
<th>Category #1</th>
<th>Category #2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specify ►</td>
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</table>

1. Separate category capital gain or (loss) ...............
2. Foreign source capital gain net income .......................... 
3. Capital gain net income ...........................................
4. Total U.S. capital loss adjustment ....................................
5. Adjusted separate category capital gain ...........................
6. U.S. capital loss adjustment factor. (For each separate
category, divide line 1 by line 2 and round off the result
to at least four decimal places.) .......................
7. U.S. capital loss adjustment. (For each separate category,
multiply line 4 by line 6.) ..........................
8. Adjusted separate category capital gain. (For each
separate category, subtract line 7 from line 1. Enter
the result here and include the result on line 1a of the
applicable Form 1116.) ...............................

Instructions for Worksheet A

Line 1. For each separate category for which you have foreign source capital gains or losses, combine your foreign source capital gains and losses in that separate category and enter the result on line 1. Show a loss on line 1 of this worksheet as a negative amount and include the loss on line 5 of the Form 1116 you are filing for that separate category.

Line 2. Combine the amounts entered on line 1. If the result is zero or less, do not complete the rest of the worksheet. Instead, for each separate category with a positive amount on line 1 of this worksheet, include that positive amount on line 1a of the Form 1116 you are filing for that separate category.

Line 3. Enter the amount from line 16 of Schedule D (Form 1040), less the portion of net capital gain you included on Form 4952, line 4g. If the result is zero or less, enter -0-.

Estates and trusts: Enter the amount from line 15 of Schedule D (Form 1041), less any amount shown on line 21 of that Schedule D. If the result is zero or less, enter -0-.

Line 4. Subtract line 3 from line 2 and enter the result on line 4. If the result is zero or less, do not complete the rest of the worksheet. Instead, for each separate category with a positive amount on line 1 of this worksheet, include that positive amount on line 1a of the Form 1116 you are filing for that separate category.

Line 5.
• If both separate categories have a positive amount on line 1, skip line 5 and go to line 6.
• If only one separate category has a positive amount on line 1, subtract line 4 from that positive amount. Enter the result here and include the result on line 1a of the Form 1116 you are filing for that separate category. Skip lines 6–8 of this worksheet.
**Worksheet B** (See instructions below)

<table>
<thead>
<tr>
<th>Category #1</th>
<th>Category #2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specify</td>
<td>Specify</td>
</tr>
<tr>
<td>(1) Short-Term</td>
<td>(2) Long-Term (15%)</td>
</tr>
<tr>
<td>1. Separate category rate group capital gain or (loss)</td>
<td></td>
</tr>
<tr>
<td>2. U.S. capital loss adjustment amount</td>
<td></td>
</tr>
<tr>
<td>3. Subtotal (subtract line 2 from line 1 gain amounts)</td>
<td></td>
</tr>
<tr>
<td>4. Net U.S. long-term capital loss</td>
<td></td>
</tr>
<tr>
<td>5. U.S. long-term capital loss adjustment</td>
<td></td>
</tr>
<tr>
<td>6. Excess net U.S. long-term capital loss</td>
<td></td>
</tr>
<tr>
<td>7. Long-term capital gain (or adjustment amount)</td>
<td></td>
</tr>
<tr>
<td>8. Limitation percentage</td>
<td></td>
</tr>
<tr>
<td>9. Long-term limitation amounts</td>
<td></td>
</tr>
<tr>
<td>10. Adjustment amounts</td>
<td></td>
</tr>
<tr>
<td>11. Rate differential adjustments</td>
<td></td>
</tr>
<tr>
<td>12. Long-term gains</td>
<td></td>
</tr>
<tr>
<td>13. Rate differential adjustment</td>
<td></td>
</tr>
<tr>
<td>14. Long-term gain</td>
<td></td>
</tr>
<tr>
<td>15. Adjusted separate category capital gains and losses</td>
<td></td>
</tr>
</tbody>
</table>
Instructions for Worksheet B

Line 1. For each separate category:
- Combine your foreign source short-term capital gains and losses and enter the result in column (1) or (3).
- Combine your foreign source long-term capital gains and losses and enter the result in column (2) or (4).

Line 2. Complete the Line 2 Worksheet on page 11 for each column on line 1 with a gain.

Line 4. Enter your net long-term capital loss (if any) from U.S. sources. To determine this amount, subtract your long-term capital losses from U.S. sources from your long-term capital gains from U.S. sources. Enter the loss (if any) as a positive amount in column (5). If you do not have a loss, leave line 4 blank and skip lines 5 through 14.

Line 5. Combine the amounts (if any) from columns (2) and (4) on line 2. Enter the result in column (5). If you do not have any amount entered in either column, enter -0- in column (5).

Line 6. Subtract line 5 from line 4. Enter the result in column (5). If the result is zero or less, leave line 6 blank and skip lines 7 through 14 of this worksheet.

Line 7.
- If you entered an amount in either column (2) or (4) (but not both) of line 3, subtract line 6 from the amount entered in either column (2) or (4) of line 3. Enter the result in column (2) or (4) on line 7 and skip lines 8 through 12.
- If you entered amounts in both columns (2) and (4) on line 3, combine those amounts and enter the result in column (5) on line 7.

Line 8. Divide each amount on line 3 by line 7 and enter the results on line 8. Round off each result to at least four decimal places.

Line 9. Multiply each decimal amount on line 8 by line 6 and enter the results in the appropriate columns on line 9.

Line 10. Subtract line 9, column (2) from line 3, column (2) and enter the result on line 10, column (2). Subtract line 9, column (4) from line 3, column (4) and enter the result on line 10, column (4).

Line 11. Multiply each amount on line 10 by 0.4286 and enter the results here.

Line 12. Combine line 11, column (2) with line 9, column (2) and enter the result on line 12, column (2). Combine line 11, column (4) with line 9, column (4) and enter the result on line 12, column (4). Include the amounts on line 1a of the applicable Form 1116. Skip lines 13 and 14.

Line 13. Multiply the amount on line 7 by 0.4286 and enter the result here in the applicable column.

Line 14. Combine line 6 and line 13 and enter the result here. Include the result on line 1a of the applicable Form 1116.

Line 15. If you have a:
- Short-term gain shown in column (1) or (3) of line 3, enter the amount of that short-term gain on line 15, column (1) or (3).
- Long-term gain shown in column (2) or (4) of line 3, and line 6 is blank, multiply the amount of each gain by 0.4286 and enter the result on line 15, column (2) or (4).
- Short-term loss in any column of line 1, complete the Line 15 Worksheet on page 12 for each column with a loss.
- Long-term loss in column (2) or (4) of line 1, multiply the amount of the loss by 0.4286 and enter the result on line 15 in the appropriate column.

After you have completed line 15:
- Include line 15 gain amounts on line 1a of the applicable Form 1116.
- Include line 15 loss amounts on line 5 of the applicable Form 1116.
### Line 2 Worksheet  
(For Line 2 of Worksheet B)  
(See instructions below)  

<table>
<thead>
<tr>
<th>Specify</th>
<th>Category #1</th>
<th>Category #2</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Separate category rate group gain (or loss)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Short-Term</td>
<td>Long-Term</td>
</tr>
<tr>
<td>2. Separate category gain (or loss)</td>
<td>2.</td>
<td></td>
</tr>
<tr>
<td>3. Foreign source capital gain net income</td>
<td>3.</td>
<td></td>
</tr>
<tr>
<td>5. Total U.S. capital loss adjustment</td>
<td>5.</td>
<td></td>
</tr>
<tr>
<td>7. Rate Group Factor</td>
<td>7.</td>
<td></td>
</tr>
<tr>
<td>8. Rate Group Adjustment</td>
<td>8.</td>
<td></td>
</tr>
</tbody>
</table>

### Instructions for Line 2 Worksheet

**Line 1.** Enter your gains and losses from line 1 of Worksheet B. Enter a loss as a negative amount (in parentheses).

**Line 2.** For each separate category, combine the amounts from line 1. Enter a loss as a negative amount (in parentheses).

**Line 3.** Combine the amounts from line 2 of this worksheet. If the result is zero or less, stop here. Do not enter any amount on line 2 of Worksheet B.

**Line 4.** Enter the amount from line 16 of the Schedule D (Form 1040), less the portion of net capital gain you included on Form 4952, line 4g. If the amount entered on line 4 is zero or less, stop here. Do not continue with this worksheet or Worksheet B. Instead, complete Worksheet A.

**Estates and trusts:** Enter the amount from line 15 of the Schedule D (Form 1041), less any amount shown on line 21 of that Schedule D. If the amount entered on line 4 is zero or less, stop here. Do not continue with this worksheet or Worksheet B. Instead, complete Worksheet A.

**Line 5.** Subtract line 4 from line 3 and enter the result on line 5. If the result is zero or less, stop here. Do not enter any amount on line 2 of Worksheet B.

**Line 6.**
- If only one separate category has a positive amount on line 2, enter the amount from line 5 on line 6 (in the column for the separate category with the positive amount on line 2).
- If both separate categories have positive amounts on line 2, divide each amount on line 2 by line 3. Multiply each result by line 5. Enter the results on line 6 in the appropriate columns.

**Line 7.**
- For each separate category:
  - If you entered an amount on line 6 and you entered positive amounts in both the short-term and long-term columns on line 1, divide each positive amount on line 1 by line 2 and enter the results in the appropriate columns.
  - Leave line 7 blank if you did not enter an amount on line 6 or only one column on line 1 has a positive amount.

**Line 8.**
- For each separate category:
  - If you entered amounts on line 7, multiply each amount on line 7 by line 6. Enter the results in the appropriate columns on line 8 of this worksheet and on line 2 of Worksheet B.
  - If line 7 is blank, enter the amount from line 6 in the same column on line 8 as the column that has a gain on line 1. Also, enter the amount on line 2 of Worksheet B in the appropriate column. If line 6 is blank, do not enter any amount on line 8 of this worksheet or line 2 of Worksheet B.
Line 15 Worksheet  (For Line 15 of Worksheet B)  

1. Enter your net short-term capital gain (if any) from U.S. sources. To determine this amount, subtract your short-term capital losses from U.S. sources from your short-term capital gains from U.S. sources. If the result is zero or a loss, enter -0- ....................................................................... 1. 

2. If you entered a short-term gain on line 3 of Worksheet B, enter that amount here ........................................................................ 2. 

3. Add lines 1 and 2 ........................................................................ 3. 

4. Did you enter a short-term capital loss on line 1 of Worksheet B for one (but not both) of the separate categories? 
   □ Yes. Complete lines 5-10 and skip the rest of this worksheet. 
   □ No. Skip lines 5-10 and go to line 11. 

5. Enter the short-term capital loss from line 1 of Worksheet B (enter the loss as a positive amount) ................................................................ 5. 

6. Enter the gain, if any, determined on line 3. If line 3 is not a gain, enter -0- ........................................................................ 6. 

7. Subtract line 6 from line 5. If zero or a loss, enter -0- ........................................................................ 7. 

8. Multiply line 7 by 0.4286 ........................................................................ 8. 

9. Enter the smaller of line 5 or line 6 ........................................................................ 9. 

10. Add lines 8 and 9. Enter the result here and on line 15 of Worksheet B ........................................................................ 10. 

11. Is the amount on line 1 zero? 
   □ Yes. Multiply each short-term loss by 0.4286. Enter the results on line 15 of Worksheet B. Skip the rest of this worksheet. 
   □ No. Go to line 12. 

12. Enter your short-term loss from Worksheet B, line 1, column (1) (enter the loss as a positive amount) ................................................................ 12. 

13. Enter your short-term loss from Worksheet B, line 1, column (3) (enter the loss as a positive amount) ................................................................ 13. 


15. Enter the gain determined in line 1 ........................................................................ 15. 


Is the result zero or less? 
   □ Yes. Skip the rest of this worksheet. Enter each short-term loss from line 1 on line 15 of Worksheet B, in the applicable column, without adjustment (that is, each short-term loss you enter on line 15 of Worksheet B will be the same as the short-term loss you entered on line 1 of Worksheet B). 
   □ No. Complete lines 17-22. 

17. Multiply line 16 by 0.4286 ........................................................................ 17. 

18. Add lines 15 and 17 ........................................................................ 18. 


20. Multiply line 19 by line 18. Enter the result here and on Worksheet B, line 15, column (1) ........................................................................ 20. 


22. Multiply line 21 by line 18. Enter the result here and on Worksheet B, line 15, column (3) ........................................................................ 22.
Specific Instructions

Part I—Taxable Income or Loss From Sources Outside the United States

Part I must be completed by all filers unless specifically indicated otherwise in these instructions.

Line g—Foreign Country or U.S. Possession

Generally, if you received income from, or paid taxes to, more than one foreign country or U.S. possession, report information on a country-by-country basis on Form 1116, Parts I and II. Use a separate column in Part I and a separate line in Part II for each country or possession. If you paid taxes to more than three countries or possessions, attach additional sheets following the format of Parts I and II.

If you have passive income that is treated as general category income because it is high taxed, use a separate column in Part I, Enter “HTKO” on line g of Forms 1116 for passive category income and general category income.

You do not need to report income passed through from a mutual fund or other regulated investment company (RIC) on a country-by-country basis. Total all income, in the applicable category, passed through from the mutual fund or other RIC and enter the total in a single column in Part I. Enter “RIC” on line g. Total all foreign taxes passed through and enter the total on a single line in Part II for the applicable category.

Lines 1a and 1b—Foreign Gross Income

Include income in the category checked above Part I that is taxable by the United States and is from sources within the country entered on line g. You must include income even if it is not taxable by that foreign country.

Identify the type of income on the dotted line next to line 1a. Do not include any earned income excluded on Form 2555, Foreign Earned Income, or Form 2555-EZ, Foreign Earned Income Exclusion.

Example. If you received dividends (passive category income) and wages (general category income) from foreign sources, you must complete lines 1a and 1b of Form 1116. On one Form 1116, check box a (passive category income), enter the dividends on line 1b, and check box b (general category income) for wages on line 1a. If all your wages are not excluded on Form 2555 or Form 2555-EZ, and write “Wages” on the dotted line, complete Parts I, II, and III of each Form 1116. Then, complete Part IV on the Form 1116 with the largest amount entered on line 21.

If you are filing a Form 1116 that includes foreign source qualified dividends or foreign source capital gains or losses, see Foreign Qualified Dividends and Capital Gains (Losses) starting on page 6.

High-taxed income. On your Form 1116 for passive category income, passively treated income that is treated as general category income because it is high taxed should be included on line 1a in the column for the country entered on line g. Also, enter the high taxed income in the “HTKO” column on line 1a as a negative number. On your Form 1116 for general category income, the high-taxed income should be entered as a positive number on line 1a in the “HTKO” column.

Line 1b

You must check the box on line 1b if all of the following apply.

• The income on line 1a is compensation for services you performed as an employee.
• Your total employee compensation from both U.S. and foreign sources was $250,000 or more.
• You used an alternative basis (discussed in Pub. 514) to determine the source of the compensation entered on line 1a.

In addition, attach to Form 1116 a statement that contains the following information.

• The specific compensation income or the specific fringe benefit for which the alternative basis is used.
• For each such item, the alternative basis of allocation used.
• For each such item, a computation showing how the alternative allocation was computed.
• A comparison of the dollar amount of the compensation sourced within and without the United States under both the alternative basis and the time or geographical basis for determining the source.

You must keep documentation showing why the alternative basis more properly determines the source of the compensation.

Lines 2 Through 5—Deductions and Losses

You must reduce your foreign gross income on line 1a by entering on lines 2 through 5:

• Any of your deductions that definitely relate to that foreign income, and
• A ratable share of your other deductions that do not definitely relate to that foreign income, any other foreign-source income, or U.S. source income.

Do not enter any amounts on lines 2 through 5 for your HTKO column. Add all deductions that are definitely related or apportioned to passive income that is treated as general category income because it is high taxed and enter the total amount of those deductions on line 6 in the HTKO column. Enter the amount on line 6 as a negative number on your Form 1116 for passive category income. Enter the amount as a positive number on your Form 1116 for general category income.

Do not include:

• Deductions and losses related to exempted foreign income, such as foreign earned income you have excluded on Form 2555 or Form 2555-EZ.
• The deduction for personal exemptions. (However, you can include the additional exemptions for housing Midwestern displaced individuals from Form 8914, line 2.)

Special rules apply to the allocation of research and experimental expenditures. See Regulations section 1.6961-17.

If the law of a U.S. state to which you pay income taxes does not specifically exempt foreign source income from tax, you may be required to make a special allocation of state taxes you paid. See Pub. 514 for more information.

Itemized deduction limit. If you must reduce itemized deductions on line 29 of Schedule A (Form 1040) because your adjusted gross income is more than $159,970 ($79,975 if married filing separately), you must reduce each of the itemized deductions that are subject to the reduction by the reduction percentage before you complete lines 3, 3a, and 4a.

Use the Itemized Deductions Worksheet in the Instructions for Schedule A (Form 1040) to figure the reduction percentage. Divide the amount on line 11 of the worksheet (the overall reduction) by the amount on line 3 of the worksheet (total itemized deductions subject to the reduction). This is your reduction percentage. Apply this percentage (expressed as a decimal rounded to at least four places) to each itemized deduction subject to the reduction to determine the amount to enter on the appropriate line of Form 1116.

Note. You do not need to make this computation if the entire amount of your itemized deductions is entered on any one of the following lines: line 2, line 3a, or line 4a. Just enter your reduced itemized deductions on that line.

Example. You are single and have an adjusted gross income of $219,950. Your itemized deductions subject to the overall reduction (line 3 of the worksheet) total $20,000. $8,000 of these deductions are definitely related to the income on Form 1116, line 1a. The other $12,000 ($20,000 − $8,000) are real estate taxes, which are not definitely related.

The amount of the overall reduction on line 11 of the worksheet is $1,200. To figure the amount of the real estate taxes included in the total for line 3a of Form 1116, divide the amount on line 11 ($1,200) by the amount on line 3 ($20,000). This is your reduction percentage (6%). You must reduce your $12,000 deduction by $720 (6% × $12,000). The amount remaining is $11,280 ($12,000 − $720) is the amount to enter on the line of Form 1116. Make a similar computation to figure the amount of definitely related income.
Before you complete line 2, read itemized deduction limit on page 13.

Enter your deductions that definitely relate to the gross income from foreign sources shown on line 1a. For example, if you are an employee reporting foreign earned income on line 1a, include on line 2 expenses such as those incurred to move to a new principal place of work outside the United States or supplies you bought for your job outside the United States. Do not include any interest expense on line 2. See lines 4a and 4b for special rules for interest expense.

Some deductions do not definitely relate to either your foreign source income or your U.S. source income. Enter on line 3a and 3b any deductions (other than interest expense) that:

- Are not shown on line 2, and
- Are not definitely related to your U.S. source income.

Before you complete line 3a, read itemized deduction limit on page 13.

Enter the following itemized deductions (from Schedule A (Form 1040)) on line 3a:

- Medical expenses (line 4)
- General sales tax (line 5)
- Real estate taxes (line 6)

If you do not itemize deductions, enter your standard deduction on line 3a.

Enter deductible home mortgage interest (from lines 10 through 13 of Schedule A (Form 1040)) on line 3b.

Enter your gross foreign source income of the type shown on line 3a. Enter on line 3b any other deductions that do not definitely relate to any specific type of income. Examples of these deductions are the deduction for alimony paid from Form 1040, line 31a, and the additional exemptions for housing Midwestern displaced individuals from Form 8914, line 2.

For lines 3d and 3e, gross income means the total of your gross receipts (reduced by cost of goods sold), total capital and ordinary gains (before subtracting any losses), and all other income (before subtracting any deductions).

Enter your gross foreign source income from the category you checked above Part I of this Form 1116. Include any foreign earned income you have excluded on Form 2555 or Form 2555-EZ but do not include any other exempt income.

If you had income from more than one country, you must enter income from only one country in each column. If you had to adjust your foreign qualified dividends or capital gains (see page 5), include those amounts without regard to any adjustments.

Enter on line 3e in each column your gross income from all sources and all categories, both U.S. and foreign. Include any foreign earned income you have excluded on Form 2555 or Form 2555-EZ but do not include any other exempt income.

If you are a nonresident alien, include on both lines 3d and 3e your income that is not effectively connected with a trade or business in the United States.

If you had to adjust your foreign qualified dividends or capital gains (see page 5), include those amounts without regard to any adjustments.

Divide line 3d by line 3e and round off the result to at least four decimal places (for example, if your result is 0.8756782, round off to 0.8757, not to 0.876 or 0.88). Enter this result, but do not enter more than 1.0.

If your gross foreign source income (including income from Form 2555 or Form 2555-EZ) does not exceed $5,000, you can allocate all of your interest expense to U.S. source income. Otherwise, deductible home mortgage interest (including points and qualified mortgage insurance premiums) is apportioned using a gross income method. Use the worksheet on this page to figure the amount to enter on line 4a. Before you complete the worksheet, read itemized deduction limit on page 13.

Other interest expense includes investment interest, interest incurred in a trade or business, and passive activity interest. If you are a U.S. citizen, resident alien, or a domestic estate, and your gross foreign source income (including any income excluded on Form 2555 or Form 2555-EZ) does not exceed $5,000, you can allocate all of your interest expense to U.S. source income. Otherwise, each type of interest expense is apportioned separately using an "asset method." See Pub. 514 for more information.

Example. You have investment interest expense of $2,000. Your assets of $100,000 consist of stock generating U.S. source income (adjusted basis, $40,000) and stock generating foreign source income (adjusted basis, $60,000). You apportion 40% ($40,000/$100,000) of your $2,000, or $800 of your investment interest, to U.S. source income and 60% ($60,000/$100,000) of your $2,000, or $1,200, to foreign source income. In this example, you will enter the $1,200 apportioned to foreign source income on line 4b. You would not enter the $800 apportioned to U.S. source income on any line of Part I of Form 1116.

If you have capital losses from foreign sources, see Foreign Qualified Dividends and Capital Gains (Losses) starting on page 5 for information on adjustments you may be required to make.
You cannot carry over unused foreign taxes paid or accrued by the tax year beginning after 2006. Also, a reduction in the foreign tax credit back to a tax year for which you elected to claim a deduction, rather than a credit, for foreign taxes paid or accrued on income from sources in American Samoa excluded from U.S. tax. For more information, see Pub. 570.

Taxes on foreign-oil-related income. Reduce taxes paid or accrued by the amount of the reduction is the amount of income subject to foreign tax minus deductible expenses allocable to that income.

The reduction in foreign taxes is limited to the extent the tax imposed by the foreign country on the oil-related income exceeds the amount of the foreign income that is considered to be materially foreign income. The amount of the reduction is the amount of income subject to foreign tax on the oil-related income that is considered to be materially foreign income. See Regulations section 1.907(b)-1. The amount of tax not allowed as a credit under this rule is allowed as a business expense deduction.

Taxes on foreign oil and gas extraction income. Reduce taxes paid or accrued by the amount of the reduction is the amount of income subject to foreign tax on the oil-related income that is considered to be materially foreign income. The amount of the reduction is the amount of income subject to foreign tax on the oil-related income that is considered to be materially foreign income. See Regulations section 1.907(b)-1. The amount of tax not allowed as a credit under this rule is allowed as a business expense deduction.

Taxes on foreign mineral income. Reduce taxes paid or accrued on mineral income from a foreign country or U.S. possession if you took a deduction for percentage depletion under section 613A for any part of the mineral income.

Reduction for failure to file Form 5471. U.S. persons who have a foreign corporation must file Form 5471, Information Return of U.S. Persons With Respect To Certain Foreign Corporations. If you do not file Form 5471 and furnish all of the information required by the due date of your tax return, reduce by 10% all foreign taxes that you otherwise may take into account for the foreign tax credit. You may have to make additional reductions if the failure continues. See section 6038(c) for details and exceptions.

Note. The reduction in foreign taxes is reduced by any dollar penalty imposed under section 6038(b).
Respect to Certain Foreign Partnerships. If you do not file Form 8865 and furnish all of the information required by the due date of your tax return, reduce by 10% all foreign taxes that you otherwise may take into account for the foreign tax credit. You may have to make additional reductions if the failure continues. See section 6038(c) for details and exceptions.

Note. The reduction of foreign taxes is reduced by any dollar penalty imposed under section 6038(b).

- Reduction of taxes or credit due to international boycott operations.
  
  In general, if you agree to participate in, or cooperate with, an international boycott, you must file Form 5713, International Boycott Report, and attach all supporting schedules. In addition, you must either reduce the total taxes available for credit or the credit otherwise allowable by your foreign taxes resulting from boycott activities. If you can figure the taxes specifically attributable to the boycott on line 14, enter the amount on line 12. If you cannot figure the amount of taxes specifically attributable to boycott operations, multiply the credit otherwise allowable by the international boycott factor (figured on Schedule A (Form 5713), International Boycott Factor) and enter the result on Form 1116, line 28. Attach a statement to Form 1116 showing in detail how you figured the reduction.

  For more information, see Form 5713 and its instructions.

Line 13

You must adjust the amount you enter on line 13 if you have foreign taxes that relate to passive income that is treated as general category income because it is high-taxed. On your Form 1116 for passive category income, reduce the amount you enter on line 13 by the amount of your foreign taxes that relate to that income. In the space above line 13, enter “HTKO” and the amount of the reduction as a negative number (in parentheses). On your Form 1116 for general category income, increase the amount you enter on line 13 by the amount of your foreign taxes that relate to that income. In the space above line 13, enter “HTKO” and the amount of the increase.

Line 14

The amount on line 14 is your taxable income (or loss), before adjustments, from sources outside the United States. If the amount on line 14 is zero or a loss, you generally have no foreign tax credit for any category of income. Enter the amount on line 14 if line 14 is zero or a loss.

Line 15

You are required to increase or decrease the amount on line 14 by the following adjustments. The adjustments must be made in the order listed. If you have more than one adjustment, enter the net adjustment on line 15 and attach a detailed statement showing your computation. See Pub. 514 for more details on each of these adjustments.

The adjustments are:

1. Allocation of foreign losses.

   If you have a loss on line 14 of one Form 1116 that has not been allocable, or if you are required to recharacterize the income you received in the loss category in later years. See Recapture of separate limitation loss accounts on page 17. In situations where the loss to be allocated exceeds foreign income in other categories, reduce the excess by $1,000, foreign source income (as modified below under Capital losses), you create, or increase the balance in, an over-all foreign loss account and for later years, you must follow the rules described under Recapture of prior year overall foreign loss accounts on page 17.

   Capital losses. In your U.S. source income, reduce the amount of a capital loss from U.S. sources by the amount you entered on line 4 of Worksheet A or line 5 of the Line 2 Worksheet for Worksheet B. If you have capital losses from U.S. sources and you did not use either Worksheet A or Worksheet B, see Pub. 514 to determine your U.S. source income.

   Example. For 2008, you completed three Forms 1116. The first had a loss from general category income of $2,000 on line 14, the second had passive category income of $4,000 on line 14, and the third had income of $1,000 from the certain income re-sourced by treaty category on line 14. You must allocate the $2,000 loss between the passive category income and the certain income re-sourced by treaty category in the same proportion as each category’s income bears to the total foreign income.

   The amount of the loss that would reduce passive category income would be $2,000 x ($4,000/($4,000 + $5,000)) of the $2,000 loss or $1,600. Include the $1,600 (in parentheses) on line 15 of the passive category income Form 1116. Assuming you have no other line 15 adjustments, enter $2,400 ($4,000 – $1,600) on line 16 of that form.

   The amount of the loss that would reduce the certain income re-sourced by treaty would be 20% ($1,000/$5,000) of the $2,000 loss or $400. Include the $400 in parentheses on line 16 of the certain income re-sourced by treaty Form 1116. Assuming you have no other line 15 adjustments, enter $600 ($1,000 – $400) on line 16 of that form.

   In this case, all of the $2,000 loss was allocated between the foreign source passive category income and the certain income re-sourced by treaty category, and no reduction was made to U.S. source income.

   If you receive general category income in a later year, you must recharacterize all or part of that income as passive category income, and no reduction was made to U.S. source income.


   If you have a net loss from Form 1116, proportionately allocate that loss among the separate categories of your foreign income. Reduce the income on line 14 (adjusted by any allocation of losses, as described under Allocation of foreign losses in these line 15 instructions) by including (in parentheses) on line 15 the allocable portion of any U.S. loss. In later years, you will be allowed to treat part of your U.S. source income as foreign source income.

   A U.S. loss includes a rental loss on property located in the United States. If you have any qualified dividends or capital gains (including capital gain distributions) or losses for the taxable year and you are required to make any adjustments to those amounts, as explained earlier under Foreign Qualified Dividends and Capital Gains (Losses) starting on page 5 or the instructions for line 17, the amount of your foreign tax credit is the lesser of:

   a. The total of the amounts entered on line 14 for each Form 1116 you file; and
   
   b. The amount entered on line 17 of the Form 1116.

   Recapture of prior year overall foreign loss accounts.

   If you had an overall foreign loss in a prior year that offset U.S. source income, a part of your foreign income (in the same category as the loss) is recharacterized as U.S. source income in each following tax year.

   The part of your foreign source income subject to recapture is the lesser of the following:

   a. The total amount of maximum potential recapture in all overall foreign loss accounts. The maximum potential recapture in any account for a category is the lesser of:
   
      i. The current year taxable income from foreign sources in that category (enter the current year adjustment for allocation of losses, as described earlier under Allocation of foreign losses and Allocation of U.S. losses for that category), or
   
      ii. The balance in the overall foreign loss account for that category.
   
   b. 50% (or more, if you choose) of your total taxable income from foreign sources.

   If the total foreign income subject to recharacterization is the amount
described in a above, then for each separate category the recapture amount is the maximum potential recapture amount for that category. If the total foreign income subject to recapture in a separate category is more than the recapture amount described in b above, then for each separate category the recapture amount is computed by multiplying the total recapture amount by the following fraction:

\[
\text{Maximum potential recapture amount for the overall foreign loss account} \times \frac{\text{Recapture amount in the category checked above}}{\text{Total recapture amount in all separate categories}}
\]

Reduce the amount on line 14 by including (in parentheses) on line 15 the amount of the recapture for any category checked above Part I as determined above. Be sure to attach your computation and exceptions to the Form 1116 for your tax year. If you elect to recapture more of an overall foreign loss than is required (b above), show in your computation the percentage of the foreign taxable income recharacterized and the dollar amount recharacterized.

Dispositions of certain property.

If you generated foreign source gain in the same category as the overall foreign loss on a disposition of property that was used predominantly in a foreign trade or business and that generated foreign source income in the same category as the overall foreign loss, then the gain on the disposition may be subject to recharacterization as U.S. source income to the extent of 100% of your foreign source taxable income. This is true whether or not you would otherwise recognize gain on the disposition. See section 904(f)(3).

The above rule also generally applies to the gain on the disposition of stock in a controlled foreign corporation (CFC), if owned more than 50 percent of the time of the year (determined as of the stock right before you disposed of it). See section 904(f)(3)(D) for more information.

Reduce line 14 by including (in parentheses) on line 15 the smallest of:

1. the amount of the gain not recaptured above,
2. the remaining amount of the overall foreign loss not recaptured in earlier years or in the current year, or
3. the amount from line 14 (less any adjustment for allocation of losses, as described under Allocation of foreign losses and under Allocation of U.S. losses in these line 15 instructions, and any adjustment for any recapture above).

See Pub. 514 if you disposed of property described above and you recognize foreign source gains in a different category than the overall foreign loss, you recognized U.S. source gain, or you did not recognize gain.

Attach a statement to Form 1116 showing that income in a separate category overall foreign loss account. See Regulations section 1.904(f)-1(b) for more information.

5. Recapture of separate limitation loss accounts.

If, in a prior tax year, you reduced your foreign taxable income in the category checked above Part I by a pro rata share of a loss from another category, you must recharacterize in 2008 all or part of any income you receive in 2008 in that loss category. If you have separate limitation loss accounts in the loss category relating to more than one other category and the total balances in those loss accounts exceed the income you receive in 2008 in the loss category, then income in the loss category is recharacterized as income in those other categories in proportion to the balances of the separate limitation loss accounts for those other categories. You recharacterize the income by:

- Subtracting the amount on line 14 (adjusted by any of the other adjustments previously mentioned in these line 15 instructions) of the Form 1116 for each of the separate categories, other than the loss category, previously reduced by including on line 15 any recharacterized income and
- Decreasing the amount on line 14 (adjusted by any of the other adjustments previously mentioned in these line 15 instructions) of the Form 1116 for the loss category by including on line 15 the amount of recharacterized income as a negative number (in parentheses).

Example.

Using the facts in the example under Allocation of foreign losses on page 16, in the next year (2009), you have $5,000 of general category income, $3,000 of passive category income, and $500 of certain income re-sourced by treaty. Because $1,300 of the general category income loss was used to reduce your passive category loss income in 2008, $1,600 of your 2009 general category income must be recharacterized as passive category income. Similarly, $400 of the general category income must be recharacterized as certain income re-sourced by treaty. On your 2009 Form 1116 for passive category income, you would include $1,600 on line 15. On your 2009 Form 1116 for certain income re-sourced by treaty, you would include $400 on line 15. On your 2009 Form 1116 for general category income, you would include $(2,000) on line 15.

Recharacterizing income from a separate category does not result in recharacterizing any tax.

5. Recapture of overall domestic loss accounts.

If you have an overall domestic loss for any tax year beginning after 2006, you create, or increase the balance in, an overall domestic loss account and you must recharacterize a portion of your U.S. source taxable income as foreign source taxable income in succeeding years for purposes of the foreign tax credit.

The part that is treated as foreign source taxable income for the tax year is the smaller of:

- The total balance in your overall domestic loss account in each separate category (less amounts recaptured in earlier years), or
- 50% of your U.S. source taxable income for the tax year.

You must establish and maintain separate overall domestic loss accounts for each separate category in which foreign source income is offset by the domestic loss. The balance in each overall domestic loss account is the amount of the overall domestic loss subject to recharacterization. The recharacterized income is allocated among and increases foreign source income in separate categories in proportion to the balances of the overall domestic loss accounts for those separate categories. You increase the amount on line 14 (as adjusted by any of the other adjustments previously mentioned in these line 15 instructions) of the Form 1116 for each of the separate categories to which the recharacterized income is allocated.

Overall domestic loss defined.

In a tax year you choose to claim the foreign tax credit, the overall domestic loss is the domestic loss for that tax year to the extent it offsets foreign source taxable income for that tax year or for any preceding tax year (in which you choose to claim the foreign tax credit) because of a carryback. If you do not choose to claim the foreign tax credit for a tax year, the overall domestic loss is computed for that tax year to the extent it offsets foreign source taxable income for any preceding tax year (which you chose to claim the foreign tax credit) because of a carryback.

Domestic loss.

A domestic loss is the amount by which the U.S. source gross income for the tax year is exceeds the sum of foreign source gross income, foreign deductions, and any adjustment for any recapture of overall domestic losses. You may use Form 8914, Exemption Amount for Taxpayers Housing Midwestern Displaced Individuals, to figure the exemption amount.

Line 17

If you have qualified dividends or capital gains, you may be required to make adjustments to those qualified dividends and gains before you take those amounts into account on line 17. Also, individuals have to adjust their taxable income before exemptions if they file Form 8914, Exemption Amount for Taxpayers Housing Midwestern Displaced Individuals.

Individuals Who Completed a Qualified Dividends and Capital Gain Tax Worksheet

If you completed the Qualified Dividends and Capital Gain Tax Worksheet in the instructions for your tax return, you must use the Worksheet for Line 17 on page 18 to figure the amount to enter on line 17 if:

1. You file Form 1040 and...
The type and rule above prints on all proofs including departmental reproduction proofs. MUST be removed before printing.

a. Line 7 of your Qualified Dividends and Capital Gain Tax Worksheet is greater than zero, and
b. Line 16 of your Qualified Dividends and Capital Gain Tax Worksheet is less than line 17 of that worksheet, OR
2. You file Form 1040NR and
   a. Line 5 of your Qualified Dividends and Capital Gain Tax Worksheet is greater than zero, and
   b. Line 14 of your Qualified Dividends and Capital Gain Tax Worksheet is less than line 15 of that worksheet.

Adjustment exception. If you qualify for the adjustment exception and you chose not to make adjustments to any foreign qualified dividends or foreign capital gains (or losses) that you have, you can elect to not adjust your qualified dividends and capital gains. You can make this election by not completing the Worksheet for Line 17. You must make this election if you have any foreign qualified dividends or foreign capital gains (or losses) and you chose not to make any adjustments to those amounts when you completed lines 1a and 5.

If you are not required to complete the Worksheet for Line 17 or you qualify for the adjustment exception and you elect not to adjust your qualified dividends and capital gains, enter on line 17 of Form 1116 your taxable income without the deduction for your exemption (for example, the amount from Form 1040, line 41), minus any amount shown on Form 8914, line 2.

Adjustment exception for Form 1040 filers. You qualify for the adjustment exception if you meet both of the following requirements:
1. Line 7 of the Qualified Dividends and Capital Gain Tax Worksheet does not exceed:
   • $200,300 if married filing jointly or qualifying widow(er);
   • $100,150 if married filing separately;
   • $164,550 if single; or
   • $182,400 if head of household.
2. The amount of your foreign source net capital gain, plus the amount of your foreign source qualified dividends is less than $20,000. For this purpose, ignore any capital gains distributions or qualified dividends you elected to include on Form 4952, line 4g.

Adjustment exception for Form 1040NR filers. You qualify for the adjustment exception if you meet both of the following requirements:
1. Line 5 of the Qualified Dividends and Capital Gain Tax Worksheet does not exceed:
   a. $200,300 if you checked filing status box 6,
   b. $100,150 if you checked filing status box 3, 4, or 5, or
   c. $164,550 if you checked filing status box 1 or 2.
2. The amount of your foreign source net capital gain, plus the amount of your foreign source qualified dividends is less than $20,000.

Your foreign source net capital gain is the excess of your foreign source net long-term capital gain over your foreign source net short-term capital loss.

Adjustment exception for Estates and Trusts That Completed a Qualified Dividends Tax Worksheet or Schedule D. If you completed the Qualified Dividends Tax Worksheet in the instructions for Form 1041 or you completed Part V of Schedule D (Form 1041), you must use the Worksheet for Line 17, below, to figure the amount to enter on line 17 if:
1. You figured your tax using the Qualified Dividends Tax Worksheet, line 5 of that worksheet is greater than zero, and line 14 of your Qualified Dividends Tax Worksheet is less than line 15 of that worksheet, or
2. You figured your tax using the Part V of Schedule D (Form 1041), line 23 of the Schedule D is greater than zero, and line 32 of the Schedule D is less than line 33.

Adjustment exception. If you qualify for the adjustment exception and you chose not to make adjustments to any foreign qualified dividends or foreign

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Worksheet for Line 17 (Worldwide Qualified Dividends and Capital Gains)

Caution: See the instructions for Line 17 beginning on page 17 before starting this worksheet.

1. Individuals: Enter the amount from Form 1040, line 41 (minus any amount on Form 8914, line 2). If you are a nonresident alien, enter the amount from Form 1040NR, line 38 (minus any amount on Form 8914, line 2).
2. Estates and trusts: Enter taxable income without the deduction for your exemption ........................................ 1.
3. Enter your worldwide 28% gains (see instructions) .................................................... 2.
4. Enter your worldwide 25% gains (see instructions) .................................................... 3.
5. Multiply line 4 by 0.2857 .................................................... 5.
6. Enter your worldwide 15% gains and qualified dividends (see instructions) .................. 6.
7. Multiply line 6 by 0.5714 .................................................... 7.
8. Enter your worldwide 0% gains and qualified dividends (see instructions) .................. 8.
10. Subtract line 9 from line 1. Enter the result here and on Form 1116, line 17 .................. 10.
capital gains (or losses) that you have, you can elect not to adjust your qualified dividends and capital gains. You make this election by not completing the Worksheet for Line 17. You must make this election if you have any foreign qualified dividends or foreign capital gains (or losses) and you chose not to make any adjustments to those amounts when you completed lines 1a and 5. You qualify for the adjustment exception if:

1. The amount of your foreign source qualified dividends plus the amount of your foreign source net capital gain is less than $20,000, and
2. Line 17 of the Schedule D Tax Worksheet (Form 1040) is less than or equal to:
   - $200,300 if married filing jointly or qualifying widow(er);
   - $164,550 if single; or
   - $182,400 if head of household.

Your foreign source net capital gain is the excess of your foreign source net long-term capital gain over your foreign source net short-term capital loss. If you are not required to complete the Worksheet for Line 17 or you qualify for the adjustment exception and elect not to adjust your qualified dividends and capital gains, enter on line 17 of Form 1116 the estate’s or trust’s taxable income without the deduction for its exemption.

Completing the Worksheet for Line 17.

If you do need to complete the Worksheet for Line 17, do the following.

Lines 2 through 5.

Skip these lines.

Lines 6.

Enter the amount from line 11 of the Qualified Dividends Tax Worksheet or line 29 of Schedule D.

Lines 8.

Enter the amount from line 8 of the Qualified Dividends Tax Worksheet or line 26 of Schedule D.

Taxpayers Who Completed the Schedule D Tax Worksheet.

If you figured your tax using the Schedule D Tax Worksheet (in the Schedule D (Form 1040) instructions or in line 1a, Form 1041 (Form 1041) instructions), you must use the Worksheet for Line 17 on page 18 to figure the amount of tax to enter on line 17 of Form 1116 if:

• Line 17 of the Schedule D Tax Worksheet is greater than zero, and
• Line 34 of the Schedule D Tax Worksheet is less than line 35.

Adjustment exception. If you qualify for the adjustment exception and you did not make adjustments to any foreign qualified dividends or foreign capital gains (or losses) that you have, you can elect not to adjust your qualified dividends and capital gains. You make this election by not completing the Worksheet for Line 17. You must make this election if you have any foreign qualified dividends or foreign capital gains (or losses) and you chose not to make any adjustments to those amounts when you completed lines 1a and 5. You qualify for the adjustment exception if:

1. The amount of your foreign source qualified dividends plus the amount of your foreign source net capital gain is less than $20,000, and
2. Line 17 of the Schedule D Tax Worksheet (Form 1040) is less than or equal to:
   - $200,300 if married filing jointly or qualifying widow(er); or
   - $182,400 if head of household.

Your foreign source net capital gain is the excess of your foreign source net long-term capital gain over your foreign source net short-term capital loss. If you elected to include on Form 4952, line 4g, in determining the amount of your foreign source qualified dividends and net capital gain, you are not required to complete the Worksheet for Line 17 or you qualify for the adjustment exception and elect not to adjust your qualified dividends and capital gains, enter on line 17 of Form 1116 your taxable income without the deduction for your exemption (for example, the amount from Form 1040, line 41), minus any amount shown on Form 8914, line 2.

If you do need to complete the Worksheet for Line 17, do the following.

Line 2.

Enter the amount (if any) from line 31 of the Schedule D Tax Worksheet.

Line 4.

Enter the amount (if any) from line 28 of the Schedule D Tax Worksheet.

Line 6.

Enter the amount (if any) from line 22 of the Schedule D Tax Worksheet.

Line 8.

Enter the amount (if any) from line 19 of the Schedule D Tax Worksheet.

Complete all other lines as instructed on the worksheet.

Line 19.

If you are completing line 19 for separate category c (lump-sum distributions), enter the amount from line 5 of the Worksheet for Lump-Sum Distributions on page 4.

Do not complete line 19 for separate category c (section 901(j) income). See page 5.

For all other applicable categories, complete line 19 as follows.

Form 1040 filers.

Enter the amount from line 1040, line 44, less any tax included on line 44 from Form 4972.

Form 1040NR filers.

Enter the amount from Form 1040NR, line 41, less any tax included on line 41 from Form 4972.

form 1041 filers.

Enter the amount from Form 1041, Schedule G, line 1a.

Line 21.

The maximum foreign tax credit you can claim in the current year is generally limited to the allocated amount of U.S. tax imposed on the foreign income, or the actual amount of foreign tax paid or accrued on the foreign income (after reductions required on line 12), whichever is less. However, see Foreign Taxes Eligible for a Credit on page 2 for additional information.

If the amount on line 20 is smaller than the amount on line 13, see Pub. 514 for more information on carryback and carryforward provisions, including examples.

Part IV—Summary of Credits From Separate Parts III.

Complete lines 22 through 25 in Part IV only if you must complete more than one Form 1116 because you have more than one of the categories of income listed above Part I.

Complete line 22 only on one Form 1116 (the one with the largest amount entered on line 21) to summarize the credits you figured on all of your Forms 1116. However, if you completed a Form 1116 for category c (lump-sum distributions) or category (901(j) income), do not use Part IV of that Form 1116 as your summary. Enter the credits from line 21 of all of your Forms 1116 on lines 22 through 25 of the Form 1116 with the largest amount entered on line 21 to summarize your credits. File the other Forms 1116 as attachments.

Line 27.

Enter the smaller of line 19 or line 26.

Note. Generally, line 26 will exceed line 19 only if you have U.S. capital gains or qualified dividends that are not the capital gain rate differential (figured in the Worksheet for Line 17 on page 16).

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under OMB control number 1545-0074 and is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is: Recordkeeping, 2 hr., 43 min.; Learning about the law or the form, 1 hr., 6 min.; Preparing the form, 2 hr., 46 min.; Copying, assembling, and sending the form to the IRS, 1 hr., 4 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the IRS at the address listed in the instructions of the tax return with which this form is filed.