

Individual Foreign-earned Income and Tax Credit, by Country, 1987

Data Release

For 1987, U.S. taxpayers excluded \$6.4 billion of net foreign-earned income and "excess" housing costs from their U.S. gross income on approximately 171,000 U.S. individual income tax returns. Of this amount, \$703 million was claimed by taxpayers living in the United Kingdom, \$647 million by those in Saudi Arabia, \$515 million by those in Japan, \$482 million, by those in West Germany and \$428 million by those who lived in Canada. Taxpayers also claimed \$1.0 billion of their foreign taxes paid as a credit to reduce their U.S. individual income tax on about 561,000 returns. The United Kingdom, Canada, Japan, West Germany and Puerto Rico received the largest share of these taxes. Likewise, of the \$7.1 billion of gross foreign-source income used to calculate the foreign tax credit, 18 percent was reported for Canada, 12 percent for the United Kingdom, 9 percent for Japan, 6 percent for Puerto Rico and 6 percent for West Germany.

For 1987, U.S. citizens who resided in a foreign country for the entire tax year and U.S. citizens or residents who maintained a tax home abroad for 11 months out of a consecutive 12-month period could exclude their foreign earnings, including salaries and wages, pro rata shares of partnership income, certain business income and other compensation, such as housing and meals, from their U.S. gross income. In addition, they were permitted to exclude their "excess" housing costs. They could not exclude pensions, annuities, compensation paid by the U.S. Government and meals and lodging provided by employers for their convenience. Moreover, the total amount of excludable foreign earnings and "excess" housing costs was limited to \$70,000.

Taxpayers with income from abroad, regardless of their residency, could claim the foreign taxes they paid as a credit to offset their U.S. income tax. The total credit that could be claimed for 1987 was subject to a limitation that had to be calculated separately for eight different categories of income [1]. Foreign taxes paid on income excluded under the foreign-earned income exclusion could not be credited.

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Data Sources and Limitations

The 1987 data presented in this article are based on a stratified sample of individual income tax returns, Forms 1040, *U.S. Individual Income Tax Return*, processed during Calendar Year 1988, with a foreign tax credit or an attached Form 2555, *Foreign Earned Income Exclusion*.

About 3.9 percent of the sampled returns with a foreign tax credit and 12.3 percent of those with a Form 2555 attached were for tax years prior to 1987. These prior-year returns were included as a representation of 1987 returns not included in the 1987 statistics because they were filed after December 31, 1988. However, as some taxpayers needed more time to adjust to the changes in law made by the Tax Reform Act of 1986, there were a greater number of 1986 returns filed late than otherwise expected. Thus, the representation of expected late filed 1987 returns is slightly exaggerated.

Also, because the sample is weighted to represent the estimated population, slight differences on some returns are magnified in the weighted data. Adding or subtracting items across on the tables, therefore, will yield differences which are different from the total and cannot be attributed to rounding.

Notes and References

- [1] For a definition of "excess housing" costs and the foreign tax credit income categories, see Redmiles, Lissa, "Individual Foreign Earned Income and Tax Credit, 1987", *Statistics of Income Bulletin*, Winter 1991-1992, Volume 11, Number 3. This article also presents the data classified by size of adjusted gross income.

This data release was written by Lissa Redmiles, an economist with the Foreign Returns Analysis Section, under the direction of Chris Carson, Chief.

Individual Foreign-earned Income and Tax Credit, by Country, 1987

Table 1.—Returns with Foreign-earned Income: Sources of Foreign Income and Exclusions, by Selected Country

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Country	Number of returns	Sources of foreign-earned income				
		Salaries and wages	Business or professional net income (less loss)	Partnership net income (less loss)	Total noncash income	Allowances, reimbursements, or expenses paid
	(1)	(2)	(3)	(4)	(5)	(6)
All countries, total.....	171,191	5,846,912	296,866	79,805	164,497	1,578,824
Argentina.....	544	18,462	5,723	-	45	6,463
Australia.....	3,748	116,342	2,479	397	1,750	31,027
Austria.....	1,039	29,040	159	-	9	10,916
Bahamas.....	553	18,667	-	-	545	967
Belgium.....	1,687	83,688	375	1,220	3,956	45,518
Bermuda.....	585	19,828	-	-	12	3,663
Brazil.....	3,140	100,964	3,015	-	1,537	23,254
Canada.....	12,912	436,151	34,784	6,786	1,610	24,430
Chile.....	693	28,286	-	113	1	8,843
China.....	1,011	35,251	603	-	4,188	28,795
Colombia.....	1,346	43,068	876	-	608	13,836
Costa Rica.....	801	16,430	755	40	3,436	2,306
Denmark.....	149	8,952	-	-	242	2,138
Dominican Republic.....	482	14,027	-	1,052	436	607
Ecuador.....	637	12,315	-	-	569	5,892
Egypt.....	1,580	66,496	4,273	2,219	2,837	26,665
France.....	5,392	195,404	11,006	18,976	360	48,030
Greece.....	1,514	41,125	2,301	-	436	2,160
Honduras.....	796	19,147	815	-	-	1,585
Hong Kong.....	3,221	161,338	4,630	2,338	4,372	61,457
India.....	552	12,593	-	-	320	7,151
Indonesia.....	3,062	114,817	1,589	-	6,700	74,153
Israel.....	5,077	96,335	1,927	1	407	6,307
Italy.....	2,679	84,138	14,862	4,362	280	24,483
Japan.....	10,196	395,644	5,470	6,873	17,449	243,461
Kenya.....	1,188	14,621	3,424	-	187	2,778
Malaysia.....	652	20,014	917	-	400	11,070
Mexico.....	2,838	80,988	14,415	-	367	25,470
Netherlands.....	1,897	79,048	1,884	1,369	880	32,033
Nigeria.....	755	25,654	-	-	2,030	13,429
Norway.....	1,072	39,910	2,632	-	1,331	29,691
Pakistan.....	619	13,831	701	-	1,574	2,476
Panama.....	464	17,043	1,355	-	509	4,089
Peru.....	373	13,037	-	-	142	2,731
Philippines.....	3,040	65,993	5,107	-	1,205	13,379
Saudi Arabia.....	13,407	649,669	3,887	8,836	46,825	63,326
Singapore.....	1,781	82,801	132	597	2,938	42,348
South Africa.....	1,473	38,524	1,974	1,136	532	5,247
South Korea.....	2,887	97,604	2,086	-	4,501	29,678
Spain.....	1,789	56,809	3,053	828	408	15,408
Sweden.....	861	26,329	1,209	-	244	1,816
Switzerland.....	4,343	183,094	4,826	721	781	28,657
Taiwan.....	2,441	69,799	4,383	3,030	1,737	22,757
Thailand.....	1,405	34,175	359	-	1,427	16,576
Turkey.....	1,523	53,036	5,712	-	322	3,799
United Arab Emirates.....	1,024	45,055	888	-	3,421	24,462
United Kingdom.....	15,829	709,106	23,041	12,880	10,398	253,264
Venezuela.....	1,729	58,016	686	-	55	11,524
West Germany.....	18,149	458,028	88,675	477	4,159	64,171

Footnote at end of table.

Individual Foreign-earned Income and Tax Credit, by Country, 1987

Table 1.—Returns with Foreign-earned Income: Sources of Foreign Income and Exclusions, by Selected Country—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Country	Sources of foreign-earned income—Continued	Less: Meals and lodging excluded	Net foreign-earned income	Housing exclusion from Form 2555	Total exclusion from Form 2555	Deduction from Form 2555
	Other foreign earned income					
	(7)	(8)	(9)	(10)	(11)	(12)
All countries, total.....	223,310	42,873	8,147,355	467,896	6,427,167	16,761
Argentina.....	433	--	30,260	2,855	21,681	92
Australia.....	2,704	55	154,658	4,899	126,325	--
Austria.....	2,262	--	42,387	2,283	37,043	--
Bahamas.....	645	545	20,280	465	17,851	--
Belgium.....	3,711	444	138,023	9,367	96,406	84
Bermuda.....	715	--	24,219	1,519	18,924	143
Brazil.....	3,975	243	132,503	7,222	108,938	5
Canada.....	17,552	--	521,312	3,762	428,416	55
Chile.....	1,382	--	38,625	2,300	32,928	--
China.....	1,357	299	69,894	11,407	53,186	--
Colombia.....	11,627	--	70,015	1,933	51,727	--
Costa Rica.....	29	--	22,916	672	22,126	--
Denmark.....	114	--	11,217	370	8,903	--
Dominican Republic.....	--	--	16,123	137	13,879	5
Ecuador.....	523	290	19,009	526	14,743	165
Egypt.....	1,452	85	103,858	5,423	78,747	71
France.....	9,216	--	282,993	16,288	226,862	547
Greece.....	3,387	--	49,408	1,007	44,948	96
Honduras.....	604	--	22,151	86	20,776	--
Hong Kong.....	2,444	90	236,489	42,107	188,593	1,010
India.....	2,988	--	23,052	1,956	18,934	--
Indonesia.....	6,082	954	202,388	11,905	132,863	1,784
Israel.....	1,813	43	106,746	1,509	102,299	--
Italy.....	152	207	128,070	5,286	98,702	557
Japan.....	11,919	87	680,728	126,324	515,101	2,558
Kenya.....	6,957	--	27,967	985	26,600	--
Malaysia.....	1,042	--	33,443	2,227	29,035	--
Mexico.....	3,432	--	124,672	3,944	96,408	--
Netherlands.....	9,019	--	124,232	7,023	91,616	124
Nigeria.....	1,779	72	42,820	840	29,019	--
Norway.....	61	492	73,132	2,002	45,496	123
Pakistan.....	27	58	18,551	142	16,006	--
Panama.....	250	--	23,247	1,286	17,048	--
Peru.....	--	--	15,910	554	11,833	29
Philippines.....	2,218	265	87,636	3,764	79,200	110
Saudi Arabia.....	5,807	25,027	753,323	9,848	647,341	1,440
Singapore.....	1,558	--	130,374	16,559	111,303	734
South Africa.....	7,250	117	54,545	780	44,776	--
South Korea.....	3,907	584	137,192	9,810	114,323	460
Spain.....	3,509	--	80,015	4,764	58,686	413
Sweden.....	26	--	29,623	699	28,904	--
Switzerland.....	9,680	--	227,759	10,970	182,532	683
Taiwan.....	904	--	102,610	7,913	81,894	--
Thailand.....	1,648	--	54,185	3,014	39,422	--
Turkey.....	227	96	62,999	910	56,902	(¹)
United Arab Emirates.....	4,347	157	78,016	5,894	63,724	872
United Kingdom.....	37,819	2,080	1,044,426	61,483	703,337	3,115
Venezuela.....	1,758	9	72,030	939	63,709	--
West Germany.....	12,240	2,503	625,246	10,670	482,242	265

¹Less than \$500.

NOTE: Detail may not add to totals because of rounding. See text for additional information.

Individual Foreign-earned Income and Tax Credit, by Country, 1987

Table 2.--Returns with Foreign Tax Credit: Selected Income and Tax Items, by Selected Country

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Country	Number of returns	Foreign-source gross income	Total deductions	Foreign-source taxable income	Foreign taxes paid or accrued		
					Total	Taxes on dividends, rents, royalties and interest	Other foreign taxes
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
All countries, total.....	561,109 ¹	7,097,249	1,562,240	5,535,009	1,806,062	162,595	1,643,472
Argentina.....	200	9,110	2,100	7,010	2,999	7	2,992
Australia.....	30,877	196,460	35,941	160,518	54,968	5,318	49,650
Austria.....	122	3,377	1,254	2,123	2,386	1	2,385
Belgium.....	2,104	88,828	15,160	73,668	29,786	207	29,580
Bermuda.....	127	2,621	365	2,256	5,081	4,648	433
Brazil.....	719	47,728	8,343	39,385	20,092	519	19,573
Canada.....	131,928	1,290,937	450,841	840,096	267,928	37,226	230,715
Chile.....	115	7,790	1,010	6,780	3,743	--	3,743
China.....	580	32,944	4,250	28,694	9,989	24	9,966
Colombia.....	503	34,132	4,061	30,071	14,493	12	14,482
Denmark.....	1,900	59,664	11,577	48,087	13,226	219	13,007
Ecuador.....	622	12,062	1,252	10,810	5,643	--	5,643
Egypt.....	411	23,850	4,004	19,845	8,189	391	7,798
Finland.....	492	3,358	639	2,719	21	7	14
France.....	5,691	188,351	38,017	150,334	63,267	2,726	60,539
Greece.....	206	10,724	2,167	8,557	1,670	275	1,395
Hong Kong.....	2,984	97,223	24,591	72,633	20,238	56	20,182
India.....	536	6,545	832	5,713	2,572	5	2,566
Indonesia.....	1,590	150,452	41,302	109,150	60,379	5	60,374
Ireland.....	749	3,479	469	3,010	1,534	156	1,378
Israel.....	11,356	100,034	7,776	92,257	27,052	2,136	24,915
Italy.....	1,119	47,955	8,573	39,381	21,114	447	20,667
Japan.....	20,012	633,664	86,881	546,782	198,595	4,374	194,221
Luxembourg.....	149	3,773	530	3,243	1,947	32	1,915
Malaysia.....	386	15,512	1,428	14,084	8,311	17	8,294
Mexico.....	11,323	87,044	11,476	75,567	33,679	3,187	30,492
Netherlands.....	35,454	135,318	21,607	113,711	34,970	9,915	25,055
New Zealand.....	2,450	27,174	1,940	25,234	6,434	573	5,861
Nigeria.....	399	17,564	1,743	15,821	7,468	26	7,441
Norway.....	1,895	74,156	4,830	69,326	38,310	552	37,758
Panama.....	634	14,904	3,339	11,566	3,272	--	3,272
Peru.....	1,012	9,658	4,232	5,426	2,033	541	1,492
Philippines.....	794	13,398	3,948	9,449	2,729	114	2,615
Puerto Rico.....	17,049	453,793	57,909	395,884	80,349	2,582	77,767
Saudi Arabia.....	3,363	209,986	124,273	85,714	4,116	10	4,105
Singapore.....	1,972	35,296	4,648	30,648	11,236	161	11,075
South Africa.....	67,470	127,726	13,278	114,447	20,552	13,151	7,399
South Korea.....	1,124	26,297	5,188	21,109	11,728	64	11,665
Spain.....	3,055	54,990	4,320	50,670	17,916	478	17,437
Sweden.....	4,043	58,187	12,076	46,111	16,616	277	16,339
Switzerland.....	12,560	199,404	41,753	157,651	43,468	15,506	27,963
Taiwan.....	450	36,230	5,226	31,004	11,889	2,555	9,334
Thailand.....	230	20,626	2,657	17,969	11,652	--	11,652
Turkey.....	112	6,267	1,461	4,806	1,902	(²)	1,902
United Kingdom.....	58,712	860,068	169,370	690,698	299,044	20,704	278,339
Venezuela.....	501	25,815	8,426	17,388	5,653	314	5,339
Virgin Islands (U.S.).....	968	16,755	2,013	14,741	3,879	1,844	2,035
West Germany.....	7,929	429,504	106,064	323,440	141,464	9,313	132,153

¹ Includes 42,759 returns with a foreign tax credit for which supporting Form 1116 was not available. Therefore, information on foreign income and taxes (columns 2-7) and country for these returns is not included in the statistics. Also, number of returns is not additive because some taxpayers report income and taxes for more than one country.

² Less than \$500.

NOTE: Detail may not add to totals because of rounding.