



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

OFFICE OF
CHIEF COUNSEL

July 01, 2003

Number: **INFO 2003-0218**

Release Date: 9/30/2003

CC:INTL:BR1: [REDACTED]
GENIN-135123-03
UIL # 933.00-00

[REDACTED]

Dear [REDACTED]:

This letter is in response to your request for information, dated April 25, 2003.

In your letter you state that you are a United States citizen who has been living in Florida for fourteen years. You receive income including interest, rent and a pension, from Puerto Rico. You have previously reported all of your Puerto Rican income on your United States income tax return. You would like to know whether income that is exempt from tax in Puerto Rico is also exempt from tax in the United States. Please keep in mind that this is a general information letter. It is advisory only and has no binding effect on the Internal Revenue Service.

United States citizens must report their worldwide income, regardless of where they reside. Treas. Reg. §1.1-1(b). However, income from Puerto Rico is exempt from U.S. taxation if received by a bona fide resident of Puerto Rico. 26 U.S.C. §933(1). An individual U.S. citizen who has been a bona fide resident of Puerto Rico for at least 2 years prior to moving from Puerto Rico may exclude income from Puerto Rico attributable to the period prior to the date of such move. 26 U.S.C. §933(2).

United States citizens who are not bona fide residents of Puerto Rico must report their Puerto Rican income on their U.S. income tax returns. An exemption from Puerto Rican taxes provided by the Puerto Rican government does not affect the taxability of such income in the United States. Rather, the general rules of U.S. taxation would apply to that income. However, individuals who are not bona fide residents of Puerto Rico may claim a foreign tax credit for income taxes paid to Puerto Rico. We have included a copy of Form 1116 (Foreign Tax Credit), along with its instructions, for your information.

GENIN-135123-03

If you require a definitive determination of the law applicable to your particular facts, you may submit a request for a private letter ruling along with the applicable user fee, according to the rules set forth in section 8 of Revenue Procedure 2003-1, 2003-1 I.R.B. 1 (January 6, 2003). If you have any questions, please feel free to contact [REDACTED] of my staff at [REDACTED] (not a toll-free call).

Sincerely,

W. Edward Williams
Senior Technical Reviewer
CC:INTL:BR1

Enclosure.