

Name(s) as shown on return

Identifying number

**Part I Elections and Other Information**

- 1 Check the box if you are electing under section 942(a)(3) to exclude a portion of your gross receipts from foreign trading gross receipts on line 15. Attach a schedule indicating which receipts are being excluded. ▶
- 2 Check the box if you are electing to have the extraterritorial income exclusion provisions apply to certain transactions in lieu of the FSC provisions. Attach a schedule listing the affected transactions (see instructions) ▶
- 3 Check the box if the taxpayer is a foreign corporation electing to be treated as a domestic corporation (see instructions) ▶
- 4a Are you excepted from the foreign economic process requirements because your foreign trading gross receipts are \$5 million or less? ▶  Yes  No
- b If "No," check the applicable box to indicate how you met the foreign economic process requirements:
  - (1)  You met the 50% foreign direct cost test (see instructions).
  - (2)  You met the alternative 85% foreign direct cost test (see instructions).
- 5 Complete lines 5a through 5c. For foreign sale and leasing income transactions, complete only lines 5a and 5c(1).
  - a Business activity code \_\_\_\_\_ b Product or product line \_\_\_\_\_
  - c Check the applicable box to indicate the basis of your reporting:
    - (1) Transaction-by-transaction:
      - (a)  Aggregate on Form 8873    (b)  Aggregate on tabular schedule    (c)  Tabular schedule of transactions
      - (2)  Group of transactions

**Part II Foreign Trade Income and Foreign Sale and Leasing Income**

**Caution:** If a related person is also eligible for an extraterritorial income exclusion, see **Excluded property** on page 2 of the instructions.

- 6 Sale, exchange, or other disposition of qualifying foreign trade property . . . . .
- 7 Enter the amount from line 6, column (a), attributable to the sale of property formerly leased or rented for use by the lessee outside the United States.
- 8 Lease or rental of qualifying foreign trade property for use by the lessee outside the United States. Enter the same amount in both columns. . . . .
- 9 Services related and subsidiary to the sale, exchange, or other disposition of qualifying foreign trade property . . . . .
- 10 Enter the amount from line 9, column (a), attributable to the sale of property formerly leased or rented for use by the lessee outside the United States
- 11 Services related and subsidiary to the lease of qualifying foreign trade property for use by the lessee outside the United States. Enter the same amount in both columns . . . . .
- 12 Engineering or architectural services for construction projects outside the United States
- 13 Managerial services provided to unrelated persons (see instructions) . . . . .
- 14 Enter the sum of the amounts from lines 6, 9, 12, and 13 of column (a) attributable to foreign economic processes. **Do not** include any amounts already included on lines 7, 8, 10, or 11 in column (b) . . . . .
- 15 **Foreign trading gross receipts.** Add lines 6 through 13 in column (a). . . . .
- 16 Add lines 7 through 14 in column (b) . . . . .
- 17 **Cost of goods sold:**
  - a Inventory at beginning of year . . . . .
  - b Purchases . . . . .
  - c Cost of labor . . . . .
  - d Additional section 263A costs (attach schedule) . . . . .
  - e Other costs (attach schedule) . . . . .
  - f Total. Add lines 17a through 17e . . . . .
  - g Inventory at end of year . . . . .
  - h Subtract line 17g from line 17f . . . . .
- 18 In column (a), subtract line 17h from line 15. In column (b), subtract line 17h from line 16 . . . . .
- 19 Deductions attributable to the amount reported on line 18 (attach schedule)
- 20 **Foreign trade income.** In column (a), subtract line 19 from line 18. If -0- or less, stop here. You do not qualify for the exclusion . . . . .
- 21 **Foreign sale and leasing income.** In column (b), subtract line 19 from line 18

	(a) Foreign Trade Income		(b) Foreign Sale and Leasing Income	
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17a				
17b				
17c				
17d				
17e				
17f				
17g				
17h				
18				
19				
20				
21				

**Part III Marginal Costing** (Note: If you are **not** using Marginal Costing, skip Part III and go to Part IV.)

**Section A — Foreign Trade Income Using Marginal Costing Method**

22	Foreign trading gross receipts. Enter the amount from line 15 . . . . .				<b>22</b>		
23	Costs and expenses allocable to the amount reported on line 22:						
a	Cost of direct material attributable to property sold . . . . .	<b>23a</b>					
b	Cost of direct labor attributable to property sold . . . . .	<b>23b</b>					
c	Add lines 23a and 23b . . . . .				<b>23c</b>		
24	Subtract line 23c from line 22 . . . . .				<b>24</b>		
25	Worldwide gross receipts from sales of the product or product line . . . . .				<b>25</b>		
26	Costs and expenses allocable to the amount reported on line 25:						
a	Cost of goods sold attributable to property sold . . . . .	<b>26a</b>					
b	Expenses attributable to gross income . . . . .	<b>26b</b>					
c	Add lines 26a and 26b . . . . .				<b>26c</b>		
27	Subtract line 26c from line 25. (Note: If -0- or less, stop here. You may not use Part III to determine your qualifying foreign trade income. Go to line 37.) . . . . .				<b>27</b>		
28	Overall profit percentage. Divide line 27 by line 25. Carry the result to at least three decimal places . . . . .				<b>28</b>		
29	Overall profit percentage limitation. Multiply line 22 by line 28 . . . . .				<b>29</b>		
30	<b>Foreign trade income using marginal costing.</b> Enter the <b>smaller</b> of line 24 or line 29 . . . . .				<b>30</b>		

**Section B — 15% of Foreign Trade Income Method**

31	Multiply line 30 by 15% (.15) . . . . .				<b>31</b>		
32	<b>Foreign trade income using full costing.</b> Enter the amount from line 20 . . . . .				<b>32</b>		
33	Enter the <b>smaller</b> of line 31 or line 32 . . . . .				<b>33</b>		

**Section C — 1.2% of Foreign Trading Gross Receipts Method**

34	Multiply line 22 by 1.2% (.012) . . . . .				<b>34</b>		
35	Multiply line 30 by 30% (.30) . . . . .				<b>35</b>		
36	Enter the <b>smallest</b> of lines 32, 34, or 35 . . . . .				<b>36</b>		

**Part IV Extraterritorial Income Exclusion (Net of Disallowed Deductions)**

37	Enter your foreign trade income from line 20 . . . . .				<b>37</b>		
38	Multiply line 37 by 15% (.15) . . . . .				<b>38</b>		
39	Enter your foreign trading gross receipts from line 15 . . . . .	<b>39</b>					
40	Multiply line 39 by 1.2% (.012) . . . . .	<b>40</b>					
41	Multiply line 38 by 2.0 . . . . .	<b>41</b>					
42	Enter the <b>smaller</b> of line 40 or line 41 . . . . .				<b>42</b>		
43	Enter your foreign sale and leasing income from line 21 . . . . .				<b>43</b>		
44	Multiply line 43 by 30% (.30) . . . . .				<b>44</b>		
45	Enter the <b>greatest</b> of lines 33, 36, 38, 42, or 44. If you are using the alternative computation, see instructions for the amount to enter . . . . .				<b>45</b>		
46	Divide the amount on line 45 by the amount on line 37. Carry the result to at least three decimal places. If the result is 1.0 or more, enter 1.0 . . . . .	<b>46</b>					
47	If line 44 equals line 45, enter the amount from line 19, column (b). Otherwise, enter the amount from line 19, column (a). . . . .	<b>47</b>					
48	Multiply line 46 by line 47 . . . . .				<b>48</b>		
49	Add lines 45 and 48 . . . . .				<b>49</b>		
50	Reduction for international boycott operations, illegal bribes, kickbacks, etc. (see instructions) . . . . .				<b>50</b>		
51	<b>Qualifying foreign trade income.</b> Subtract line 50 from line 49. If -0- or less, stop here. You do not qualify for the exclusion . . . . .				<b>51</b>		
52	Enter the amount from line 18, column (a) . . . . .	<b>52</b>					
53	Divide line 51 by line 52. Carry the result to at least three decimal places . . . . .	<b>53</b>					
54	Multiply line 47 by line 53 . . . . .				<b>54</b>		
55	<b>Extraterritorial income exclusion (net of disallowed deductions).</b> Subtract line 54 from line 51. Enter the result here and on the "Other deductions" or "Other Expenses" line of your return (see instructions) . . . . .				<b>55</b>		

