

Individual Foreign-Earned Income and Foreign Tax Credit, 1991

by Lissa Redmiles

For 1991, U.S. taxpayers living abroad excluded nearly \$9.7 billion of foreign-earned income and employer-provided housing expenses from their U.S. adjusted gross income on approximately 220,000 U.S. individual income tax returns. U.S. taxpayers also increased their total statutory adjustment used to compute their adjusted gross income by about \$43.5 million using the housing deduction on about 3,000 returns. In addition, U.S. taxpayers claimed \$1.8 billion of the foreign taxes they paid as a credit to reduce their U.S. individual income tax on about 873,000 returns.

Foreign-Earned Income Exclusion

For 1991, U.S. citizens who lived in a foreign country for the entire tax year and U.S. citizens or resident aliens who maintained a tax home in a foreign country for 11 months out of a consecutive 12-month period could exclude up to \$70,000 of their foreign-earned income and a certain portion of their employer-provided foreign housing expenses (see *Explanation of Selected Terms*) from their adjusted gross income (see *Explanation of Selected Terms*). The purpose of the foreign-earned income exclusion, which was enacted by Congress in 1926, is to make the tax burden of U.S. citizens abroad more equitable with the tax burden of U.S. citizens at home.

The excludable portion of employer-provided housing expenses, the so-called housing exclusion, represented housing expenses in excess of an allowable housing cost (see *Explanation of Selected Terms*), subject to a limitation based on employer-provided housing expenses and total foreign-earned income [1]. Housing expenses which exceeded the limitation comprised the housing deduction, one of the statutory adjustments used in computing adjusted gross income.

To compute the exclusion, the taxpayer first subtracted the housing exclusion from the foreign-earned income. The taxpayer then added the housing exclusion to the lesser of this difference or \$70,000.

U.S. taxpayers filed Form 2555, *Foreign Earned Income*, with their Form 1040, *U.S. Individual Income Tax Return*, to claim the exclusion and housing deduction. For 1991, of the approximately 114,730,000 individual income tax returns filed with the Internal Revenue Service, there were 220,000 with a Form 2555 attached, only 0.2 percent of the total [2].

Foreign-Earned Income

Foreign-earned income includes salaries and wages, pro-

rata shares of foreign partnership income, certain business income and other forms of compensation, such as housing and meals. It does not include pensions, annuities, compensation by the U.S. Government, and income excluded by the employer to compensate for meals and lodging provided for the convenience of the employer. For 1991, U.S. taxpayers reported nearly \$14 billion of total foreign-earned income, an increase of 69 percent since 1987 (in current dollars) [3]. Over the same time period, worldwide income (see the *Explanation of Selected Terms*) for U.S. taxpayers increased 25 percent. The increase in foreign-earned income can be attributed to higher earnings received by U.S. taxpayers living abroad and to a greater number of U.S. taxpayers reporting the exclusion. The average foreign-earned income rose roughly 31 percent, from approximately \$48,000 in 1987 to about \$62,000 for 1991, while the number of U.S. individual income tax returns with Form 2555 increased 29 percent.

Of the approximately 220,000 individual income tax returns with a Form 2555 for 1991, about 11.5 percent reported Germany as the tax home; 10.4 percent reported the United Kingdom; 9.3 percent, Canada; 9.1 percent,

U.S. taxpayers excluded \$9.7 billion from "adjusted gross income" under the foreign-earned income provisions and reduced their U.S. income tax by \$1.8 billion in foreign tax credits.

Japan; and 5.9 percent, Saudi Arabia. The countries with the largest amounts of foreign-earned income were, in descending order, the United Kingdom (16.4 percent), Japan (9.5 percent), Canada (8.7 percent), Germany (7.3

percent), Saudi Arabia (6.3 percent), and France (4.8 percent). Other countries with large amounts of foreign-earned income included Hong Kong, Switzerland, Taiwan, Singapore, and Indonesia. Taxpayers who lived in the United Kingdom and Japan received a higher percentage of their income in the form of noncash items and allowances, reimbursements, or expenses paid by employers than taxpayers living in Canada, Germany, Saudi Arabia, or France (Figure A).

Salaries and wages comprised 71 percent of the total foreign-earned income for 1991, while allowances, reimbursements, or expenses paid by employers accounted for approximately 20 percent. Noncash, business, partnership, and other income comprised the remaining nine percent. The overall average for salaries and wages earned outside the United States by taxpayers claiming the exclusion was \$46,000. The average, however, varied greatly among countries. For example, the

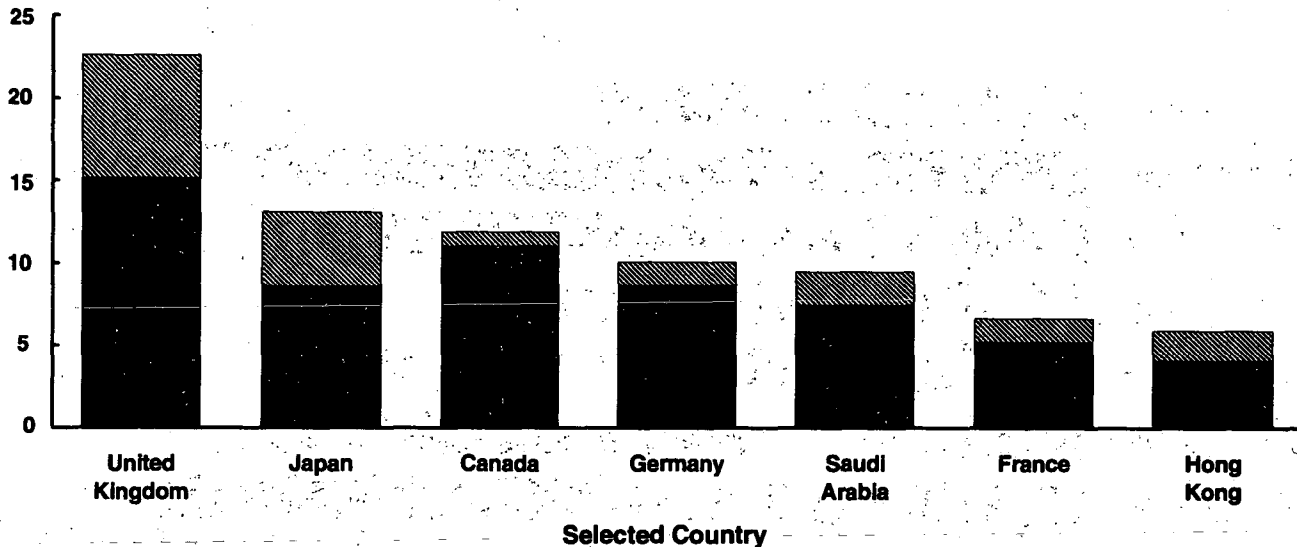
Lissa Redmiles is an economist with the Foreign Returns Analysis Section. This article was prepared under the direction of Chris Carson, Chief.

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Figure A

Total Foreign-Earned Income, by Selected Country, Tax Year 1991

Billions of dollars



■ Noncash income, allowances, reimbursements or expenses paid, and other income
■ Salaries and wages, business, professional, and partnership income

average was about \$28,000 for Peru, but \$65,000 for Singapore. Among the seven countries with the highest frequencies of returns with Form 2555 attached, the average salaries and wages ranged from \$33,400 for Germany to \$65,500 for Hong Kong (Figure B).

Housing Exclusion, Housing Deduction, and Total Exclusion

Between 1987 and 1991, the exclusion for foreign-earned income and employer-provided housing expenses grew by 51 percent (in current dollars), from approximately \$6.4 billion for 1987 to almost \$9.7 billion [4]. The housing deduction also increased, from nearly \$17 million for 1987 to about \$44 million.

The allowable portion of employer-provided expenses, i.e., the housing exclusion, was about \$1 billion for 1991. The average housing exclusion for those taxpayers who reported it was approximately \$22,000. Thus, of the total housing exclusion, 21 percent was for Japan, 18 percent for the United Kingdom, and 11 percent for Hong Kong.

Taxpayers with foreign-earned income used the housing deduction to increase their total statutory adjustments (and thus reduce their adjusted gross income) from about \$106 million before the deduction to roughly \$149 million, a 41 percent increase. The average housing deduction for the taxpayers who claimed it was approximately \$14,400.

U.S. taxpayers claiming the exclusion for foreign-earned income and employer-provided housing expenses used it to reduce their worldwide income by approximately \$9.7 billion, or 52 percent. Most of the total exclusion, about 82 percent, was reported by taxpayers with an adjusted gross income after the exclusion of less than \$100,000. Forty-five percent of those claiming the exclusion had no U.S. income tax liability after taking the exclusion and any applicable tax credits.

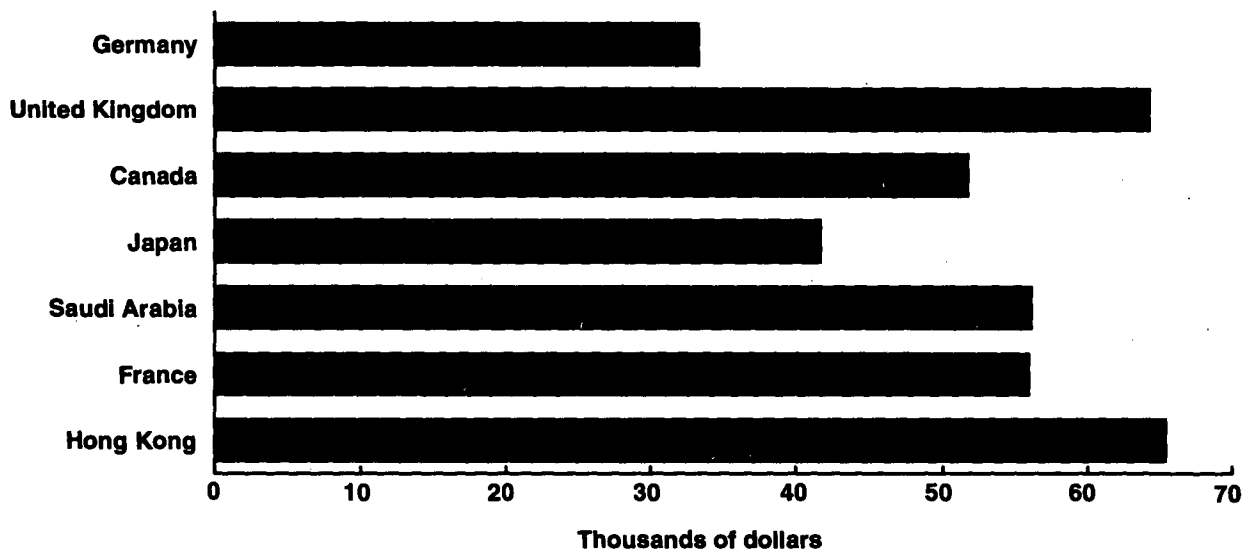
Foreign Tax Credit

For 1991, U.S. taxpayers with income from sources outside the United States, regardless of their residency, could claim a credit against their U.S. income tax liability for the foreign taxes they paid (except for taxes paid on income excluded under the foreign-earned income provisions). The purpose of the credit, originally created in 1918, is to prevent double taxation on foreign-source income, since the United States taxes its citizens and resident aliens based on their worldwide income. Creditable foreign taxes are subject to a limitation based on the taxpayer's total U.S. income tax liability. Taxpayers compute the limitation separately for different types of income. The allowable credits for each type of income are then added together. These limitations prevent taxpayers from using taxes paid in relatively high tax rate countries

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Figure B

Average Foreign Salaries and Wages Earned by U.S. Taxpayers Claiming the Foreign-Earned Income Exclusion by Selected Country, Tax Year 1991



to offset taxes paid on their U.S.- source income.

For 1991, taxpayers had to calculate a separate limitation for eight different types of income: passive, high withholding tax interest, financial services, shipping, dividends from Interest-Charge Domestic International Sales Corporations (IC-DISC's), distributions from Foreign Sales Corporations (FSC's), lump-sum distributions from certain retirement plans, and other (general limitation) income. (The separate limitation for dividends from non-controlled Internal Revenue Code section 902 corporations was eliminated beginning with Tax Year 1988; the lump-sum distributions category was first added for Tax Year 1990.)

Passive income generally includes dividends, interest, rents, royalties, and annuities. High withholding tax interest is interest income subject to a gross withholding tax of at least 5 percent. Financial services income includes income from active banking or financing and certain insurance income. Shipping income is income from foreign-based U.S. shipping companies. IC-DISC dividends represent the proportion of IC-DISC dividends which are from a foreign-source, while FSC distributions are derived from earnings and profits attributable to foreign trade income, or from qualified interest and carrying charges. Lump-sum distributions are distributions from a retirement plan which are subject to U.S. tax using income averaging. General limitation income is all

other income from sources outside the United States.

The limitation on creditable taxes for each different type of income is calculated by multiplying the total U.S. income tax liability before credits by the ratio of the foreign-source taxable income for that type of income to total U.S. taxable income. Foreign taxes paid in excess of the limitations can be carried back 2 years and then forward up to 5 years. Taxes carried to another year are added to the taxes available for credit for that year for the same limitation income. To claim the foreign tax credit, taxpayers filed Form 1116, *Individual Foreign Tax Credit*, with their Form 1040.

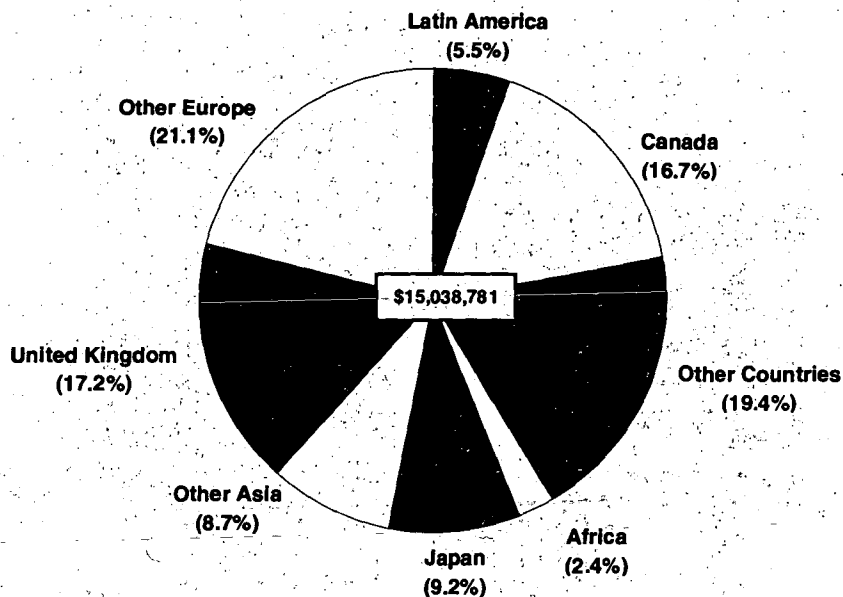
Gross Foreign-Source Income

Gross foreign-source income is all income earned outside of the United States, except for income used to claim the foreign-earned income exclusion. The approximately \$15 billion of gross foreign-source income reported for 1991 represents about 10.1 percent of the total worldwide income for those taxpayers who reported it, and 0.4 percent of the total worldwide income of all U.S. taxpayers. (These statistics include just the gross foreign-source income reported on Form 1116. Some taxpayers with foreign-source income do not file Form 1116 [5].) Of the total amount, 17.2 percent was earned in the United Kingdom, 16.7 percent in Canada, and 9.2 percent in Japan (Figure C). The average gross foreign-source income

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Figure C

Foreign-Source Gross Income, by Selected Country or Region, Tax Year 1991¹



¹Includes all income from sources outside the United States, except income excluded under the foreign-earned income provisions.

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

reported by U.S. taxpayers for these countries was approximately \$15,500, \$14,700, and \$50,500, respectively. The average gross foreign-source income overall was about \$16,600.

Foreign Taxes and Foreign Tax Credit

For 1991, U.S. taxpayers paid or accrued over \$3.3 billion in foreign taxes before carrybacks, carryovers, and reductions (see *Explanation of Selected Terms*). Almost half of these taxes were paid to three countries, the United Kingdom (22 percent), Canada (14 percent), and Japan (10 percent). Other countries with large amounts of foreign taxes paid or accrued included Germany (8 percent), Australia (4 percent), and Puerto Rico (3 percent) (Figure D). The total foreign taxes available for credit after carrybacks, carryovers, and reductions was over \$3.6 billion.

For 1991, the total foreign tax credit claimed, over \$1.8 billion, reduced the average U.S. income tax liability of those taxpayers who claimed it by 5.8 percent. The average foreign tax credit was approximately \$2,100. Eighty percent of the total foreign tax credit was claimed by taxpayers whose adjusted gross income was \$100,000 or more. Almost all (96 percent) of the taxpayers who reported the credit were still liable for U.S. taxes after

claiming the credit.

Between 1987 and 1991, the total foreign tax credit (Figure E) climbed by roughly 76 percent (in current dollars). The foreign-source gross income of those taxpayers who claimed a foreign tax credit and filed a Form 1116 rose from roughly \$7 billion for 1987 to over \$14 billion for 1991 [6]. Most of the foreign tax credit before adjustments (see *Explanation of Selected Terms*), 84 percent, was reported for general limitation income. Credit for passive income comprised an additional 14 percent of the total. Credit for the newest income category, lump-sum distributions, accounted for only 0.07 percent of the total foreign tax credit before adjustments.

Summary

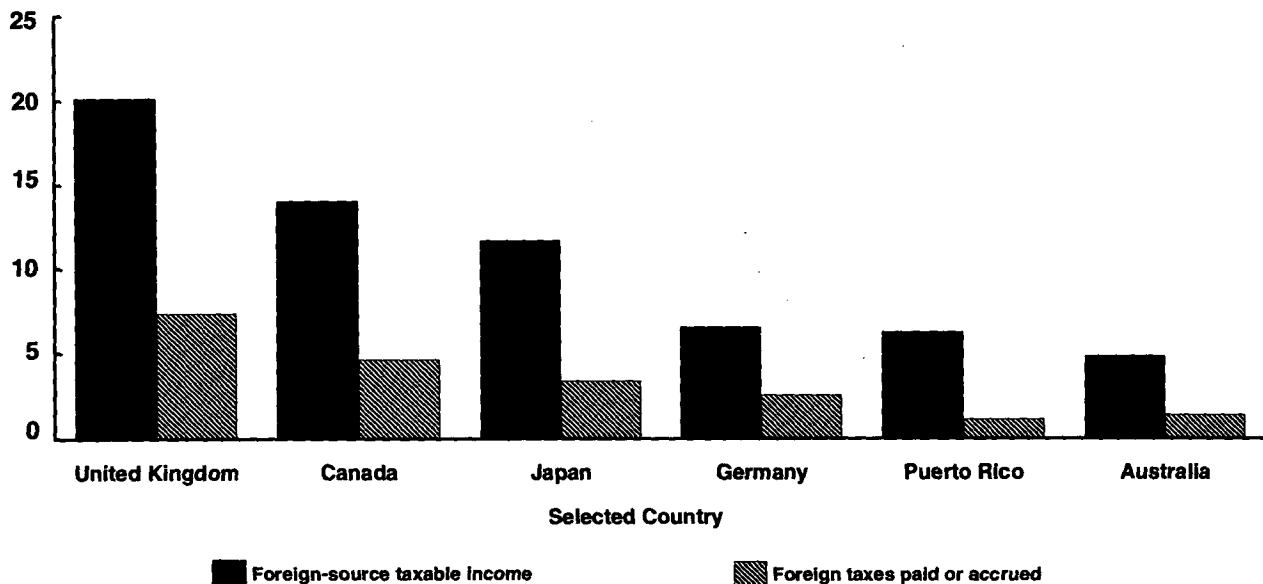
For 1991, about 220,000 U.S. taxpayers excluded more than \$9.7 billion of foreign-earned income and employer-provided housing expenses from their U.S. adjusted gross income and about 873,000 credited \$1.8 billion of foreign taxes against their U.S. tax liability. The total foreign-earned income exclusion increased 51 percent between Tax Years 1987 and 1991, from \$6.4 billion to almost \$9.7 billion while the total foreign tax credit grew by 76 percent, from about \$1.0 billion to over \$1.8 billion (in current dollars). The countries with the largest amounts of

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Figure D

Total Foreign-Source Taxable Income and Taxes, by Selected Country, Tax Year 1991

Billions of dollars



NOTE: Foreign-source taxable income includes all taxable income from sources outside the United States, except income excluded under the foreign-earned income provisions.

Figure E

Selected Income and Tax Items, Tax Years 1987 and 1991

(Money amounts are in thousands of dollars)

Item	1987	1991	Percentage increase
	(1)	(2)	(3)
Worldwide income.....	2,810,367,693	3,508,940,336	25
Form 2555			
Foreign-earned income.....	8,147,355	13,748,634	69
Foreign-earned income exclusion.....	6,427,167	9,697,339	51
Housing exclusion.....	467,896	1,002,847	114
Housing deduction.....	16,791	43,510	159
Form 1116			
Foreign-source gross income.....	7,097,249	15,038,781	(¹)
Foreign-source taxable income.....	5,535,009	11,134,817	(¹)
Foreign tax credit.....	1,036,270	1,819,442	76

¹See footnote 6 at the end of this article.

foreign-earned income and gross foreign-source income were the United Kingdom, Canada, and Japan. The average foreign salaries and wages of U.S. taxpayers claiming the exclusion was about \$46,000. Those U.S. taxpayers living in Hong Kong had the highest average salaries, about \$65,500. The overall average gross foreign-source income (from Form 1116) was approximately \$16,600.

Data Sources and Limitations

The 1991 data presented in this article are based on a sample of individual income tax returns, Forms 1040, processed during Calendar Year 1992, with either a foreign tax credit, an attached Form 1116, a foreign-earned income exclusion or deduction, or an attached Form 2555. Foreign-source income and taxes are under-reported in this article to the extent that these amounts were not adequately reported on Form 1116 to support the foreign tax credit claimed on Form 1040. About 4.7 percent of Forms 1040 (as originally filed) with a foreign tax credit did not include the supporting Form 1116. Foreign-source income and losses are also underreported to the extent that taxpayers who were not eligible for a credit did not file Form 1116. Taxpayers who had foreign-source income but paid no taxes or had no U.S. tax liability before credits could not claim a foreign tax credit.

About 5.6 percent of the sampled returns with a foreign tax credit or an attached Form 1116 and 12.2 percent of the sampled returns with an attached Form 2555 were for tax years prior to 1991, reported on delinquent returns processed during the current year filing period. These prior-year returns were included as a representation of 1991 returns filed after December 31, 1992. The sampled returns used for the statistics do not reflect adjustments

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made during audit examination which determines the acceptability of the reported foreign income and taxes.

The sample was stratified based on the size of total income or loss and the size of business plus farm receipts, and the presence or absence of: Form 2555; Form 1116; foreign tax credit reported on Form 1040; Form 1040, Schedule C, *Profit (or Loss) from a Business or Profession*; and Form 1040, Schedule F, *Farm Income and Expenses*. For a general description of the sampling procedures and data limitations of Statistics of Income tabulations, see *Statistics of Income-1991, Individual Income Tax Returns* and the Appendix to this report.

Explanation of Selected Terms

Adjusted Gross Income.--This is the sum of total income or loss less total statutory adjustments. These adjustments include individual retirement account deductions, one-half of self-employment tax, self-employed health insurance deduction, Keogh retirement plan and self-employed SEP deduction, penalty on early withdrawal of savings, alimony paid, other adjustments and the foreign housing deduction.

Allowable Housing Cost.--This amount was 16 percent of the daily salary of a U.S. Government employee paid at the grade GS-14, step 1 level, multiplied by the number of days of the applicable tax year that the taxpayer lived in the foreign country. For 1991, the GS-14 daily rate (annual salary divided by 365 days) was \$137.94, so the daily rate used to calculate allowable housing cost was \$22.07.

Employer-Provided Foreign Housing Expenses.--This is the amount of housing expenses paid directly or indirectly by the employer. Where the total amount of foreign compensation received by the employee exceeded the cost of housing, the entire housing cost became the employer-provided housing expenses.

Foreign Tax Credit Adjustments.--These include reductions for participation in unsanctioned international boycotts and increases permitted by tax treaties between the United States and certain foreign countries.

Foreign Tax Reductions.--These reductions are for taxes paid on income excluded under the foreign-earned income provisions, taxes specifically attributable to unsanctioned international boycott participation, taxes paid on foreign mineral income when the taxpayer claimed a deduction for percentage depletion for any part of the mineral income, and any penalties for filing Form 1116 past the due date. (In addition to the general penalties applied for filing late, taxpayers filing Form 1116 past the due date had to reduce their total foreign taxes by 10 percent.)

Taxable Foreign-Source Income.--This is foreign-source gross income less deductions. The deductions included any expenses directly related to foreign-source

income plus a prorated share of the taxpayer's itemized or standard deductions. Taxable foreign-source income does not include any income excluded under the foreign-earned income provisions.

Worldwide Income.--This is the total income or loss reported on Forms 1040 before the foreign-earned income exclusion has been taken. It includes salaries and wages; taxable interest; dividends; taxable refunds of state and local government income tax; alimony received; business income or loss; capital gains or losses; taxable distributions from an individual retirement arrangements; taxable pensions and annuities; income or loss from rents, royalties, partnerships, and estates and trusts; farm income or loss; unemployment compensation; taxable social security benefits; and other income or losses.

Notes and References

- [1] To calculate the limitation on the excludable portion of housing expenses, taxpayers multiplied the excludable portion by the ratio of employer-provided expenses to foreign-earned income. The allowable portion of housing expenses was the lesser of this product or the employer-provided housing expenses.
- [2] Data for all taxpayers who filed a Form 1040 for 1991 cited in this article are from *Statistics of Income-1991, Individual Income Tax Returns*.
- [3] Data in this article are compared to 1987 because this is the last prior year for which comparable statistics are available.
- [4] The data for this article differ slightly from the data reported in *Statistics of Income-1991, Individual Income Tax Returns*, primarily because the sample used for the statistics presented in this article did not include the small number of returns filed in 1992 for tax years prior to 1987 (these returns were excluded to facilitate processing), and because the foreign tax credit frequency and amount reported in the latter publication include reductions in U.S. taxes for taxes paid to the Virgin Islands. (The rules and form used to determine the reduction allowed for Virgin Island taxes differ from those which specify the allowable foreign tax credit for all other countries.)
- [5] Some taxpayers with a foreign tax credit fail to file a Form 1116 with their return as originally filed. Others file a Form 1116 even though they are not eligible for a credit to report a foreign tax carryover from a prior year, to provide the basis for reporting a carryover the following year, or simply because they claimed a credit in another year and wish to maintain

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consistency in their reporting of foreign-source income and losses.

- [6] For 1991, gross foreign-source income and taxable foreign-source income were based on all returns with a Form 1116 attached regardless of whether a foreign

tax credit was actually claimed, while for 1987, these amounts were based on those returns with both a foreign tax credit claimed on Form 1040 and a Form 1116 attached. Thus, the 1991 statistics for foreign-source income are more complete than the 1987 statistics.

Individual Foreign-Earned Income and Foreign Tax Credit, 1991

Table 1.—Individual Income Tax Returns With A Foreign Tax Credit or an Attached Form 1116: Sources of Foreign Income, Deductions, Taxes, and Foreign Tax Credit, by Size of Adjusted Gross Income

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

Size of adjusted gross income	Number of returns	Adjusted gross income (less deficit)				Taxable income	Foreign tax credit	Total income tax	Foreign income, taxes, and credit reported on Form 1116 Foreign-source gross income (less deficit)
		Total	Salaries and wages	Less: foreign-earned income exclusion	Less: housing deduction				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
All returns, total.....	949,234	148,328,247	64,950,392	4,384,565	27,752	121,089,827	1,819,442	31,971,798	15,038,781
Adjusted gross deficit.....	9,326	-2,757,992	312,038	71,184	78		249	17,311	94,820
Zero.....	639		27,576	27,710			402		14,213
\$1 under \$10,000.....	50,188	241,787	386,093	339,966	355	62,637	1,327	11,695	132,764
\$10,000 under \$25,000.....	113,843	1,946,565	1,231,084	512,111	2,503	850,021	19,256	120,038	503,774
\$25,000 under \$50,000.....	194,084	7,324,414	3,755,871	710,233	3,020	4,939,595	119,595	804,471	1,436,154
\$50,000 under \$70,000.....	131,171	7,734,348	4,668,579	476,755	1,265	5,622,664	80,199	1,073,560	666,886
\$70,000 under \$100,000.....	135,748	11,547,142	6,975,177	571,114	3,988	8,649,405	141,144	1,864,861	1,196,961
\$100,000 under \$200,000.....	173,179	23,927,937	12,858,046	935,025	5,587	18,563,236	351,446	4,548,215	2,792,626
\$200,000 under \$500,000.....	98,159	29,845,547	15,110,726	588,863	7,051	24,991,925	496,096	6,799,634	2,995,277
\$500,000 under \$1,000,000.....	26,523	18,080,058	7,654,783	94,585	2,747	15,605,180	179,984	4,515,279	1,164,787
\$1,000,000 or more.....	16,374	48,438,441	11,970,419	37,020	1,158	41,805,163	429,745	12,216,734	4,040,519

Size of adjusted gross income	Foreign-source deductions	Taxable income (less loss) from foreign-sources before adjustments ¹	Foreign income, taxes, and credit reported on Form 1116—continued						Foreign tax credit
			Total	Total foreign taxes	Foreign taxes available for credit		Reduction for certain taxes	Foreign tax from prior years	
					Dividends, rents, royalties, and interest	Other income			
(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	
All returns, total.....	3,903,994	11,051,208	3,823,645	3,314,421	331,372	2,982,910	901,867	1,211,088	1,811,087
Adjusted gross deficit.....	62,030	22,519	30,854	17,446	3,883	13,563	8,390	21,798	249
Zero.....	1,049	-13,164	2,386	4,857		4,857	2,489	17	402
\$1 under \$10,000.....	59,378	72,797	30,618	62,518	2,497	59,947	44,600	12,694	1,310
\$10,000 under \$25,000.....	143,284	358,212	68,705	136,728	8,797	127,921	87,679	19,656	18,970
\$25,000 under \$50,000.....	280,867	1,143,392	397,704	394,102	30,664	363,435	127,408	131,010	119,233
\$50,000 under \$70,000.....	122,843	540,281	163,923	210,457	12,089	198,366	87,080	40,545	79,932
\$70,000 under \$100,000.....	197,264	996,185	354,165	333,697	51,510	282,187	110,143	130,612	140,696
\$100,000 under \$200,000.....	884,218	1,898,937	699,767	685,272	54,440	630,792	222,392	236,888	349,784
\$200,000 under \$500,000.....	634,005	2,349,893	904,699	742,241	42,560	699,679	167,835	330,294	494,908
\$500,000 under \$1,000,000.....	249,914	908,892	335,614	243,279	28,826	214,447	26,466	118,902	178,017
\$1,000,000 or more.....	1,269,140	2,746,937	635,210	483,824	96,106	387,716	17,386	168,772	427,587

¹Adjustments include allocation of foreign losses, recharacterization of income, and recapture of prior-year losses.
NOTE: Detail may not add to totals because of rounding and taxpayer reporting variations.

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Table 2.—Individual Income Tax Returns With Form 1116: Foreign-Source Income, Deductions, and Taxes, by Country

(All figures are estimates based on samples—money amounts are in thousands of dollars)

Selected country	Number of returns	Foreign-source gross income (less loss)	Foreign-source deductions	Taxable income (less loss) from foreign-sources before adjustments ¹	Total foreign taxes paid or accrued	Foreign taxes paid or accrued on—			
						Dividends	Rents and royalties	Interest	Other income
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
All geographic areas, total.....	908,579	15,038,781	3,903,994	11,134,817	3,314,421	240,069	45,366	45,937	2,982,910
Canada.....	175,256	2,504,772	1,097,198	1,407,574	464,291	39,986	16,703	19,498	388,104
Latin America, total.....	14,703	827,841	218,896	608,945	154,414	2,279	1,117	436	150,583
Argentina.....	1,037	37,236	16,763	20,473	5,203	5	103	14	5,081
Bahamas.....	196	14,471	1,569	12,902	(²)	(²)	-	-	-
Bermuda.....	406	12,618	1,944	10,675	30	3	-	-	27
Brazil.....	1,113	81,132	15,287	65,845	22,294	22	69	10	22,194
Cayman Islands.....	78	66,294	8,852	57,441	(²)	(²)	-	(²)	(²)
Chile.....	605	16,550	3,329	13,221	4,908	73	1	-	4,634
Colombia.....	1,241	133,758	2,032	131,726	9,621	-	20	8	9,592
Costa Rica.....	205	2,353	577	1,776	253	1	3	-	249
Guatemala.....	461	3,233	268	2,965	800	(²)	-	-	800
Mexico.....	9,164	201,174	46,135	155,039	68,632	1,129	667	380	66,456
Panama.....	696	20,015	4,152	15,863	2,549	1,024	237	17	1,271
Peru.....	177	5,091	583	4,508	1,967	1	-	-	1,967
Venezuela.....	1,362	135,741	107,808	27,933	14,154	(²)	(²)	3	14,150
Other Latin American countries.....	2,165	98,175	9,597	88,578	24,003	21	17	3	23,963
Other Western Hemisphere.....	1,062	25,918	9,266	16,652	3,814	15	18	49	3,731
Europe, total.....	255,482	5,756,966	1,281,156	4,475,810	1,577,918	120,040	17,207	17,286	1,423,387
Austria.....	3,093	40,218	8,859	31,359	15,884	621	49	47	15,166
Belgium.....	4,604	208,648	39,471	169,178	67,223	477	503	196	66,048
Denmark.....	1,075	29,518	8,959	20,559	5,380	178	-	-	5,201
Finland.....	278	7,233	3,083	4,150	377	8	(²)	(²)	369
France.....	8,725	457,132	131,938	325,194	112,974	7,515	1,023	532	103,904
Germany.....	17,913	821,491	167,922	653,569	254,856	11,020	5,319	4,731	233,787
Greece.....	192	11,766	630	11,136	3,389	(²)	12	18	3,359
Ireland.....	1,945	13,884	3,644	10,240	4,011	97	13	14	3,056
Italy.....	5,012	208,952	38,547	170,404	59,965	240	367	597	58,762
Luxembourg.....	267	8,726	2,445	6,280	1,165	2	-	30	1,133
Netherlands.....	37,479	282,658	79,378	203,280	59,587	14,708	2,653	77	42,150
Norway.....	2,591	130,398	21,467	108,931	48,293	803	-	8	47,482
Portugal.....	809	5,905	704	5,201	4,460	51	8	1	4,399
Spain.....	16,065	175,993	28,965	147,028	53,480	2,573	510	72	50,325
Sweden.....	3,241	43,336	12,481	30,856	6,120	148	(²)	645	5,326
Switzerland.....	14,993	449,759	92,678	357,081	104,110	41,231	241	4,747	57,891
Turkey.....	340	11,229	3,496	7,733	2,890	-	-	-	2,890
United Kingdom.....	169,009	2,589,775	577,462	2,012,313	733,332	39,117	6,277	4,989	682,948
Other European countries.....	10,483	260,344	59,028	201,316	40,425	421	231	582	39,190
Africa, total.....	41,765	355,626	148,240	207,386	69,110	3,440	12	20	65,639
Egypt.....	499	18,776	1,831	16,945	8,500	(²)	-	-	8,500
Nigeria.....	241	44,259	15,891	28,367	10,139	1,156	-	-	8,983
South Africa.....	37,645	80,232	12,531	67,701	5,391	2,200	12	20	3,158
Other African countries.....	3,776	212,359	117,987	94,373	45,081	83	-	-	44,998
Asia, total.....	59,444	2,679,716	478,291	2,201,425	674,515	15,346	6,337	3,664	649,169
China.....	1,102	46,839	7,518	39,320	10,786	9	(²)	3	10,774
Hong Kong.....	5,920	278,648	50,289	228,358	46,946	471	69	4	46,402
India.....	615	41,205	874	40,331	3,450	2	8	2	3,438
Indonesia.....	2,351	230,981	47,739	183,243	94,969	17	-	6	94,945
Israel.....	13,044	88,859	8,459	80,400	24,803	614	405	503	23,282
Japan.....	27,829	1,378,060	206,634	1,171,426	336,327	7,256	5,027	2,751	321,293
Malaysia.....	1,267	28,195	3,807	24,389	12,662	64	-	-	12,598
Philippines.....	1,024	25,895	12,976	12,919	6,759	36	9	4	6,709
Saudi Arabia.....	876	58,333	27,578	30,756	4,791	12	-	28	4,752
Singapore.....	4,179	150,925	29,074	121,852	43,456	152	(²)	48	43,256
South Korea.....	1,355	50,928	9,703	41,226	14,319	308	99	8	13,904
Taiwan.....	2,211	184,605	39,655	144,950	41,774	6,187	710	302	34,577
Thailand.....	1,705	64,859	13,385	51,473	26,610	93	7	2	26,508
Other Asian countries.....	3,978	51,383	20,601	30,782	6,863	127	4	1	6,731
Oceania, total.....	46,981	623,742	83,144	540,598	157,905	3,636	1,547	2,542	150,199
Australia.....	44,084	547,755	67,834	479,922	139,510	3,397	1,099	2,147	132,885
New Zealand.....	3,694	57,362	5,236	52,127	15,509	212	448	395	14,454
Other Oceania countries.....	219	18,625	10,075	8,549	2,887	27	-	(²)	2,860
Puerto Rico.....	29,806	787,335	163,622	623,713	111,440	11,733	-	892	98,815
Dividends from an IC-DISC and distributions from a FSC^{3,4}.....	41,981	124,088	7,199	116,890	8,966	8,488	-	13	465
All other countries.....	338,387	1,352,744	416,952	935,792	91,896	35,105	2,425	1,537	52,818

¹ Includes allocation of foreign losses, recharacterization of income, and recapture of prior-year losses.

² Less than \$500.

³ IC-DISC's are Interest-Charge Domestic International Sales Corporations. IC-DISC's are defined in footnote 5, Table 13, of the historical section of the Bulletin.

⁴ FSC's are Foreign Sales Corporations. FSC's are defined in footnote 6, Table 13, of the historical section of the Bulletin.

NOTE: Detail may not add to totals because of rounding and taxpayer reporting variations.

Individual Foreign-Earned Income and Foreign Tax Credit, 1991

Table 3.—Individual Income Tax Returns With Form 1116: Foreign-Source Income, Deductions, and Taxes, by Type of Income
 [All figures are estimates based on samples—money amounts are in thousands of dollars]

Type of income	Number of returns	Foreign-source gross income (less loss)	Foreign-source deductions	Taxable income (less loss) from foreign sources before adjustments ¹	Total foreign taxes paid or accrued	Foreign taxes paid or accrued on—				Foreign taxes available for credit	Foreign tax credit before adjustments ²
						Dividends	Rents and royalties	Interest	Other income		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
All returns, total.....	958,828	15,038,781	3,903,994	11,134,817	3,314,421	240,089	45,368	45,937	2,982,910	3,623,645	1,811,810
Passive income.....	469,740	2,892,538	791,582	2,100,956	338,811	157,831	20,263	25,389	135,415	485,257	256,341
High withholding tax interest.....	30,124	126,592	22,798	103,791	19,848	1,580	183	11,264	6,810	25,600	15,272
Financial services income.....	24,200	466,775	80,061	386,715	19,220	5,394	12	209	13,605	19,814	16,893
Shipping income.....	428	3,185	3,885	-700	99	34	-	5	61	99	78
Dividends from an IC-DISC ³	39,068	87,486	6,980	80,504	3,779	3,299	-	13	465	3,824	3,009
Distributions from a FSC.....	2,813	36,803	224	36,579	5,189	5,189	-	-	-	5,189	5,189
Lump-sum distributions.....	150	7,037	999	6,038	1,756	8	-	28	1,719	1,949	1,295
General limitation income.....	392,205	11,418,565	2,997,465	8,421,100	2,925,619	66,733	24,897	9,029	2,824,834	3,081,913	1,513,728

¹Includes allocation of foreign losses, recharacterization of income, and recapture of prior-year losses.

²Includes reductions for participation in unsanctioned international boycotts and increases permitted by tax treaties between the United States and certain foreign countries.

³IC-DISC's are Interest-Charge Domestic International Sales Corporations. IC-DISC's are defined in footnote 5, Table 13, of the historical section of the Bulletin.

⁴FSC's are Foreign Sales Corporations. FSC's are defined in footnote 6, Table 13, of the historical section of the Bulletin.

NOTE: Detail may not add to totals because of rounding and taxpayer reporting variations.

Table 4.—Individual Income Tax Returns With Form 2555 Exclusion or Housing Deduction: Sources of Income, Deductions, Tax Items, and Foreign-Earned Income and Exclusions, by Size of Adjusted Gross Income
 [All figures are estimates based on samples—money amounts are in thousands of dollars]

Size of adjusted gross income	Number of returns	Adjusted gross income (less deficit)				Taxable income	Foreign tax credit	Total income tax	Foreign-earned income reported on Form 2555	
		Total	Salaries and wages	Less: foreign-earned income exclusion	Less: housing deduction				Total	Salaries and wages
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
All returns, total.....	220,165	8,684,328	15,990,177	9,699,638	43,519	6,753,714	839,367	933,453	13,748,634	9,784,24
Adjusted gross deficit.....	12,922	-128,891	419,970	491,179	258	-	-	14,397	513,662	411,44
Zero.....	24,217	-	746,631	760,814	-	-	402	241	781,965	734,18
\$1 under \$10,000.....	71,245	217,255	2,515,023	2,531,770	2,863	10,211	153	21,418	2,578,406	2,303,26
\$10,000 under \$25,000.....	38,288	639,379	1,782,011	1,392,328	5,132	220,272	-5,085	39,438	1,532,359	1,283,15
\$25,000 under \$50,000.....	28,637	1,042,107	2,087,673	1,340,923	6,747	843,580	24,487	87,845	1,705,370	1,309,22
\$50,000 under \$70,000.....	12,058	714,546	1,226,118	682,426	2,374	518,121	34,115	69,487	1,001,035	687,38
\$70,000 under \$100,000.....	11,162	938,655	1,456,883	719,353	5,652	715,636	67,569	84,840	1,187,547	746,08
\$100,000 under \$200,000.....	13,690	1,882,945	2,612,048	-1,035,493	7,781	1,556,111	219,678	184,782	2,078,195	1,082,11
\$200,000 under \$500,000.....	6,525	1,880,507	2,131,689	606,744	7,614	1,682,800	295,577	190,540	1,876,578	834,68
\$500,000 under \$1,000,000.....	1,020	682,670	557,664	99,135	3,282	632,351	101,985	87,462	416,786	215,40
\$1,000,000 or more.....	402	815,154	452,466	39,673	-1,836	774,852	90,315	143,203	296,731	177,30

Size of adjusted gross income	Foreign-earned income reported on Form 2555—continued							Foreign-earned income exclusion	Housing exclusion	Housing deduction
	Business or professional income (less loss)	Partnership income (less loss)	Noncash income ¹	Allowances, reimbursements, or expenses paid by employers ²	Meals and lodging excluded	Other foreign-earned income (less loss)	Foreign-earned income exclusion			
	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	
All returns, total.....	450,779	161,151	228,484	2,748,628	54,801	430,280	8,697,339	1,002,847	43,51	
Adjusted gross deficit.....	51,658	1,808	11,859	35,083	4,194	6,023	491,178	13,336	25	
Zero.....	9,051	1,749	7,069	7,959	2,636	4,603	780,612	3,973	-	
\$1 under \$10,000.....	86,311	4,887	41,349	136,444	17,937	24,064	2,531,783	56,942	2,86	
\$10,000 under \$25,000.....	46,684	9,342	27,608	161,861	10,062	13,768	1,382,337	71,687	5,13	
\$25,000 under \$50,000.....	52,509	12,529	29,648	283,547	9,320	27,231	1,340,574	116,394	6,74	
\$50,000 under \$70,000.....	36,066	2,560	18,198	236,620	5,509	26,886	682,426	96,215	2,37	
\$70,000 under \$100,000.....	36,902	8,029	18,527	337,993	3,147	43,157	719,354	132,049	5,66	
\$100,000 under \$200,000.....	46,006	21,242	31,453	790,656	1,438	108,164	1,033,868	281,914	7,78	
\$200,000 under \$500,000.....	42,300	48,559	30,086	595,108	424	126,268	806,462	201,788	7,60	
\$500,000 under \$1,000,000.....	25,035	37,799	5,707	100,913	133	32,061	98,873	33,381	3,28	
\$1,000,000 or more.....	19,255	12,645	6,990	62,332	-	18,206	39,873	15,158	1,82	

¹Includes lodging, meals, and cars provided by employers, as well as other forms of noncash compensation.

²Includes allowances, reimbursements or expenses paid by employers for cost of living and overseas differentials, home leave, housing, education, and other purposes.

NOTE: Detail may not add to totals because of rounding and taxpayer reporting variations.