

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

Data Release

**F**or 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.

ries of income [1]. Foreign taxes paid on income excluded under the foreign-earned income exclusion could not be credited.

## 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)  |
| <b>All countries, total.....</b> | <b>171,191</b>    | <b>5,846,912</b>                 | <b>296,866</b>                                  | <b>79,805</b>                      | <b>164,497</b>       | <b>1,578,824</b>                             |
| 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)                     |
| <b>All countries, total.....</b> | <b>223,310</b>                             | <b>42,873</b>                    | <b>8,147,355</b>          | <b>467,896</b>                   | <b>6,427,167</b>               | <b>16,761</b>            |
| 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                         | ( <sup>1</sup> )         |
| 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                      |

<sup>1</sup>Less 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)                 |
| <b>All countries, total.....</b> | <b>561,109</b> <sup>1</sup> | <b>7,097,249</b>            | <b>1,562,240</b> | <b>5,535,009</b>              | <b>1,806,062</b>              | <b>162,595</b>                                    | <b>1,643,472</b>    |
| 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                         | ( <sup>2</sup> )                                  | 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             |

<sup>1</sup> 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.

<sup>2</sup> Less than \$500.

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