

# Allocation of Individual Income Tax to the Virgin Islands

Department of the Treasury  
Internal Revenue Service

▶ **Attach to Form 1040.**

## 1990

Attachment  
Sequence No. **85**

Calendar year 1990 or fiscal year ended \_\_\_\_\_, 19

Your first name and initial	Last name	Your social security number : : : :
If a joint return, spouse's first name and initial	Last name	Spouse's social security number : : : :
Present home address (number and street)	Apt. no.	City, town or post office, state, and ZIP code

### Part I Income From the Virgin Islands

1	Wages, salaries, tips, etc.	1		
2	Taxable interest income	2		
3	Dividend income	3		
4	Taxable refunds of local Virgin Islands taxes	4		
5	Alimony received	5		
6	Business income or (loss)	6		
7	Capital gain or (loss)	7		
8	Capital gain distributions not reported on line 7	8		
9	Other gains or (losses)	9		
10	IRA distributions received (taxable amount)	10		
11	Pensions and annuities received (taxable amount)	11		
12	Rents, royalties, partnerships, estates, trusts, etc.	12		
13	Farm income or (loss)	13		
14	Unemployment compensation (insurance)	14		
15	Social security benefits (taxable amount)	15		
16	Other income (list type and amount) ▶	16		
17	<b>Total income</b> (add lines 1 through 16)	17		

### Part II Adjustments to Income From the Virgin Islands

18a	Your IRA deduction	18a		
b	Spouse's IRA deduction	18b		
19	Deduction for self-employment tax	19		
20	Self-employed health insurance deduction	20		
21	Keogh retirement plan and self-employed SEP deduction	21		
22	Penalty on early withdrawal of savings	22		
23	<b>Total adjustments</b> (add lines 18a through 22)	23		
24	<b>Adjusted gross income</b> (subtract line 23 from line 17)	24		

### Part III Allocation of Tax to the Virgin Islands

25	Enter amount from Form 1040, line 54 (do not include any amount included in line 54 for uncollected employee social security and RRTA tax on tips or any golden parachute payments), less any amounts shown on lines 48, 51, and 57 and before any credit for taxes paid to the Virgin Islands	25		
26	Enter amount from Form 1040, line 32	26		
27	Decimal for allocation—carry to 3 places (divide line 24 by line 26)	27		x
28	Amount of tax allocated to the Virgin Islands (multiply line 25 by line 27). Enter the result. Also include this amount in the total on Form 1040, line 62. On the dotted line next to line 62, write "Form 8689" and show the amount	28		

### Part IV Payments of Income Tax to the Virgin Islands

29	Income tax withheld by the Virgin Islands	29		
30	1990 estimated tax payments and amount applied from 1989 return	30		
31	Amount paid with Form 4868 (extension request)	31		
32	<b>Total payments</b> (add lines 29 through 31)	32		
33	If line 32 is more than line 28, enter amount <b>OVERPAID</b> to the Virgin Islands	33		
34	Amount of line 33 to be <b>REFUNDED TO YOU</b>	34		
35	Amount of line 33 to be <b>APPLIED TO YOUR 1991 ESTIMATED TAX</b>	35		
36	If line 28 is more than line 32, enter <b>AMOUNT YOU OWE</b> to the Virgin Islands	36		

## Instructions

(Section references are to the Internal Revenue Code.)

**Paperwork Reduction Act Notice.**—We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us this information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

<b>Recordkeeping</b> . . . . .	33 min.
<b>Learning about the law or the form</b> . . . . .	18 min.
<b>Preparing the form</b> . . . . .	56 min.
<b>Copying, assembling, and sending the form to IRS</b> . . . . .	20 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to both IRS and the Office of Management and Budget at the addresses listed in the Instructions for Form 1040.

**Purpose of Form.** — Use Form 8689 to figure the amount of U.S. tax allocable to the Virgin Islands if you are an individual who is a citizen or resident of the U.S. (other than a bona fide resident of the Virgin Islands at the close of the taxable year).

To take the amount of U.S. tax allocable to the Virgin Islands as a credit, complete Form 8689 and attach it to Form 1040. You must have paid the tax to the Virgin Islands to claim the credit.

The Virgin Islands tax liability of a citizen or resident of the U.S. (other than a bona fide resident of the Virgin Islands at the close of the tax year) with income from the Virgin Islands is a fraction of the U.S. tax liability. This fraction is based on the ratio of adjusted gross income from Virgin Islands sources to worldwide adjusted gross income. Such an individual is required to file identical returns with the U.S. and the Virgin Islands. This should be done by filing the original return with the United States and a copy of the U.S. return (with a copy of all attachments, forms, and schedules, including Form 8689) with the Virgin Islands Bureau of Internal Revenue. The portion of the tax liability that is required to be paid to the Virgin Islands will be credited against the U.S. tax liability if the tax is paid to the Virgin Islands.

**Note:** You will not be allowed a credit for taxes paid to the Virgin Islands unless Form 8689 is attached to **Form 1040**.

**Where To File.**—Attach this form to your return and file with the Internal Revenue Service Center, Philadelphia, PA 19255.

You are also required to file an identical return (including all schedules and attachments) with the Virgin Islands Bureau of Internal Revenue, Lockharts Garden No. 1A, Charlotte Amalie, St. Thomas, U.S. Virgin Islands 00802. The Virgin Islands Bureau of Internal Revenue will accept a copy of your U.S. return and will process it as an original return.

**Additional Information.**—**Pub. 570**, Tax Guide for Individuals With Income From U.S. Possessions, contains an example of how to complete Form 8689. You can get it from an IRS Forms Distribution Center.

### Part I.—Income From the Virgin Islands

**Source of Income.**—Source rules are discussed in detail in sections 861 through 865. Some general rules are:

- The source of wages, salaries, or tips is generally where the services are performed. If you worked both in and outside the Virgin Islands, you should include on line 1 only wages, salaries, or tips earned while you were in the Virgin Islands.
- The source of interest income is generally the location of the payer. For example, interest from a certificate of deposit issued by a Virgin Islands bank or a Virgin Islands branch of a U.S. bank is Virgin Islands source income.
- Generally, dividends are sourced where the paying corporation is incorporated.
- Taxable refunds of local Virgin Islands income taxes only include nonmirror code income taxes.
- Alimony received from a person who is a bona fide resident of the Virgin Islands is Virgin Islands source income.
- Income from the sale of nondepreciable personal property is sourced in the country of the seller's residence. There is a special rule, however, for U.S. citizens and resident aliens who sell personal property while maintaining a tax home abroad. Any gain from such sales may be treated as foreign source only if a tax of at least 10% of the gain is paid to a foreign country. Income from the sale of inventory is generally sourced where the title to the property passes.

The portion of gain from the sale of depreciable personal property used in a trade or business that reflects allowable depreciation deductions and gain (to the extent of amortization deductions) from the sale of intangible property, such as a patent, copyright, trademark, franchise, or similar property, is sourced where the original deductions of the property were sourced. For depreciable personal property, gain in excess of these depreciation deductions is sourced as if the property were inventory. For intangible property, gain in excess of amortization deductions is sourced under the general residence of the seller rule if the payments **are not** contingent on productivity, use, or disposition of the intangible property, and under the place of use rule for royalties if the payments **are** contingent. See section 865 for more information.

- See section 863(c) for rules on the source of income attributable to transportation services that begin or end in the United States or a U.S. possession. See section 863(d) for rules on income from space or ocean activities.

Part of the following types of income derived from a U.S. owned foreign corporation that has income from U.S. sources may be required to be treated as U.S. source income:

- Foreign personal holding company income included in gross income.
- Subpart F income included in gross income.
- Interest.
- Dividends.

### Part II.—Adjustments to Income From the Virgin Islands

**Lines 18a and 18b.**—Enter the amount of your IRA deduction attributable to compensation or earned income (as defined in section 219(f)(1)) derived from the Virgin Islands. You can figure this amount by dividing the total amount of Virgin Islands compensation or earned income by the total amount of your compensation or earned income and multiplying that amount by the amount of your IRA contribution. Use the same method to figure the amount of your spouse's IRA deduction.

**Line 19.**—Enter the amount of self-employment tax deduction attributable to self-employment income earned in the Virgin Islands. To figure this amount, first divide the amount of Virgin Islands-source self-employment income used to figure the deduction by the total self-employment income used to figure the deduction. Then multiply the result by the amount of your self-employment tax deduction.

**Line 20.**—Enter the amount of self-employed health insurance deduction attributable to self-employment income earned in the Virgin Islands. To figure this amount, first divide the amount of Virgin Islands-source self-employment income used to figure the deduction by the total self-employment income used to figure the deduction. Then multiply the result by the amount of your self-employed health insurance deduction.

**Line 21.**—Enter the amount of your Keogh retirement plan and self-employed SEP deduction attributable to self-employment income earned in the Virgin Islands. To figure this amount, first divide the amount of Virgin Islands-source self-employment income by the total amount of your self-employment income. Then multiply the result by the total amount of your Keogh retirement plan and self-employed SEP deduction.

**Line 22.**—Enter the amount of penalties on early withdrawal of savings from accounts in Virgin Islands banks or Virgin Islands branches of U.S. banks. The Form 1099-INT or, if applicable, Form 1099-OID given to you by your bank or savings and loan association will show the amount of any penalty you were charged because you withdrew funds from your time savings deposit before its maturity.

### Part IV.—Payments of Income Tax to the Virgin Islands

**Note:** Amounts overpaid to the U.S. will not be applied to the amount due to the Virgin Islands. Similarly, amounts overpaid to the Virgin Islands will not be applied toward the amount due to the U.S.

#### Penalty for Failure To Furnish

**Information.**—Failure to furnish this information subjects you to a penalty of \$100 for each failure, unless you can show your failure was due to reasonable cause and not willful neglect. This penalty is in addition to any criminal penalty provided by law.