

Publication 570

Tax Guide for Individuals With Income From U.S. Territories

For use in preparing

2024 Returns

Volume 2 of 4



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Publication 570 (Rev 2024) Catalog Number 39303K
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Investment Income

This category includes such income as interest, dividends, rents, and royalties.

Interest income. The source of interest income is generally determined by the residence of the payer. Interest paid by corporations created or organized in a relevant territory (territory corporation) or by individuals who are bona fide residents of a relevant territory is considered income from sources within that territory.

However, there is an exception to this rule if you are a bona fide resident of a relevant territory, receive interest from a corporation created or organized in that territory, and are a shareholder of that corporation, and you own, directly or indirectly, at least 10% of the total voting stock of the corporation.

See Regulations section 1.937-2(i) for more information.

Dividends. Generally, dividends paid by a corporation created or organized in a relevant territory will be considered income from sources within that territory. There are additional rules for bona fide residents of a relevant territory who receive dividend income from territory corporations, and who own, directly or indirectly, at least 10% of the voting stock of the corporation. For more information, see Regulations section 1.937-2(g).

Rental income. Rents from property located in a relevant territory are treated as income from sources within that territory.

Royalties. Royalties from natural resources located in a relevant territory are considered income from sources within that territory.

Also considered territory source income are royalties received for the use of, or for the privilege of using,

in a relevant territory, patents, copyrights, secret processes and formulas, goodwill, trademarks, trade brands, franchises, and other like property.

Sales or Other Dispositions of Property

The source rules for sales or other dispositions of property are varied. The most common situations are discussed below.

Real property. Real property includes land and buildings, and generally anything built on, growing on, or attached to land. The location of the property generally determines the source of income from the sale. For example, if you are a bona fide resident of Guam and sell your home that is located in Guam, the gain on the sale is sourced in Guam. If, however, the home you sold was located in the United States, the gain is U.S. source income.

Personal property. The term “personal property” refers to property (such as machinery, equipment, or furniture) that is not real property. Generally, gain (or loss) from the sale or other disposition is sourced according to the seller's tax home. If personal property is sold by a bona fide resident of a relevant territory, the gain (or loss) from the sale is treated as sourced within that territory.

This rule does not apply to the sale of inventory, intangible property, depreciable personal property, or property sold through a foreign office or fixed place of business. The rules applying to sales of inventory are discussed below. For information on sales of the other types of property mentioned, see Internal Revenue Code section 865.

Inventory. Your inventory is personal property that is stock in trade or that is held primarily for sale to customers in the ordinary course of your trade or business.

The source of income from the sale of inventory depends on whether the inventory was purchased or produced.

Purchased. Income from the sale of inventory that you purchased is sourced where you sell the property. Generally, this is where title to the property passes to the buyer. However, income from the sale of inventory purchased within a U.S. territory and sold within the United States is sourced based on an allocation. For information on making the allocation, see Regulations section 1.863-3.

Produced. Income from the sale of inventory that you produced in a relevant territory and sold outside that territory (or vice versa) is sourced based on an allocation. For information on making the allocation, see Regulations section 1.863-3.

Special Rules for Gains From Dispositions of Certain Property

There are special rules for gains from dispositions of certain investment property (for example, stocks, bonds, debt instruments, diamonds, and gold) owned by a U.S. citizen or resident alien prior to becoming a bona fide resident of a territory. You are subject to these special rules if you meet both of the following conditions.

- For the tax year for which the source of the gain must be determined, you are a bona fide resident of the relevant territory.
- For any of the 10 years preceding that year, you were a citizen or resident alien of the United States (other than a bona fide resident of the relevant territory).

If you meet these conditions, gains from the disposition of this property will not be treated as income from sources within the relevant

territory for purposes of the Internal Revenue Code. Accordingly, bona fide residents of American Samoa and Puerto Rico, for example, may not exclude the gain on their U.S. tax return. (See chapter 3 for additional filing information.) With respect to the CNMI, Guam, and the USVI, the gain from the disposition of this property will not meet the requirements for certain tax rules that may allow bona fide residents of those territories to reduce or obtain a rebate of taxes on income from sources within the relevant territories.

For details, see Regulations section 1.937-2(f)(1) and Examples 1 and 2 of section 1.937-2(k).

Example 1. In 2018, you, a U.S. citizen, lived in the United States and paid \$1,000 for 100 shares of stock in the Rose Corporation, a U.S. corporation listed on the New York Stock Exchange.

On March 1, 2021, you moved to Puerto Rico and changed your tax home to Puerto Rico on the same date. You satisfied the presence test in 2021 and, under the year-of-move exception, you were considered a bona fide resident of Puerto Rico for the rest of 2021. On March 1, 2021, the closing value of your stock in the Rose Corporation was \$2,000. On January 5, 2024, while still a bona fide resident of Puerto Rico, you sold all your Rose Corporation stock for \$7,000. Under the special rules discussed earlier, none of your \$6,000 gain will be treated as income from sources within Puerto Rico.



The source rules discussed in the preceding paragraphs supplement, and may apply in conjunction with, an existing special rule. This existing special rule applies if you are a U.S. citizen or resident alien who becomes a bona fide resident of American Samoa, the CNMI, or Guam, and who has gain from the disposition of certain

U.S. assets during the 10-year period beginning when you became a bona fide resident. The gain is U.S. source income that is generally subject to U.S. tax if the property is either (1) located in the United States; (2) stock issued by a U.S. corporation or a debt obligation of a U.S. person or of the United States, a state (or political subdivision), or the District of Columbia; or (3) property that has a basis in whole or in part by reference to property described in (1) or (2). See chapter 3 for filing information.

Special election. You can choose to treat the part of gain (or loss) attributable to the time you held the property while a bona fide resident of the relevant territory (the territory holding period) as gain (or loss) from sources within that territory. Make the election by reporting the gain attributable to the territory holding period on your income tax return for the year of disposition.

This election overrides both of the special rules discussed earlier.

There are two methods for figuring the gain (or loss) for the territory holding period, one for marketable securities and another for other types of investment property.

Marketable securities. Marketable securities are those actively traded on an established financial market, such as stock in a publicly held corporation. Under the special election, allocate the gain (or loss) by figuring the appreciation separately for your territory and U.S. holding periods.

Your territory holding period begins on the first day you do not have a tax home outside the relevant territory. The gain (or loss) attributable to the territory holding period is the difference in fair market value of the security at the close of the market on the first and last days of this holding period.

This is your gain (or loss) that is treated as being from sources within the relevant territory. If you were a bona fide resident of the relevant territory for more than one continuous period, combine the gains (or losses) from each territory holding period.

Example 2. Assume the same facts as in *Example 1*, except that you make the special election to allocate the gain between your U.S. and territory holding periods. Your territory holding period began March 1, 2021, the date your tax home changed to Puerto Rico. Therefore, the portion of the gain attributable to your territory holding period is \$5,000 (\$7,000 sale price – \$2,000 closing value on the first day of the territory holding period). By reporting \$5,000 of your \$6,000 gain as Puerto Rico source income on your 2024 Puerto Rico tax return (and the remainder as non-Puerto Rico source income), you elect to treat that amount as Puerto Rico source income.

Other personal property. For personal property other than marketable securities, use a time-based allocation. Figure the gain (or loss) attributable to the territory holding period by multiplying your total gain (or loss) by the following fraction.

Number of days in the
territory holding period

Total number of days
in your holding period

The result is your gain (or loss) that is treated as being from sources within the relevant territory.

Example 3. In addition to the stock in Rose Corporation, you acquired a 5% interest in the Alder Partnership on January 1, 2020. On March 1, 2021, when you established bona fide residency in Puerto Rico, your partnership interest was not considered a marketable security. On September 15, 2024, while still a bona fide resident of Puerto Rico,

you sold your interest in Alder Partnership for a \$100,000 gain. You had owned the interest for a total of 1,719 days. Your territory holding period (from March 1, 2021, through September 15, 2024) is 1,294 days. The

portion of your gain attributable to Puerto Rico is \$75,276 ($\$100,000 \times (1,294 \text{ Puerto Rico days} \div 1,719 \text{ total days})$). By reporting \$75,276 of your \$100,000 gain as Puerto Rico source income on your 2024 Puerto Rico tax return (and the remainder as non-Puerto Rico source income), you elect to treat \$75,276 as Puerto Rico source income.

Scholarships, Fellowships, Grants, Prizes, and Awards

The source of these types of income is generally the residence of the payer, regardless of who actually disburses the funds. Therefore, in order to be territory source income, the payer must be a resident of the relevant territory,

such as an individual who is a bona fide resident or a corporation created or organized in that territory.



These rules do not apply to amounts paid as salary or other compensation for services. See Compensation for Labor or Personal Services, earlier in this chapter, for the source rules that apply.

Effectively Connected Income

In limited circumstances, some kinds of income from sources outside the relevant territory must be treated as effectively connected with a trade or business in that territory. These circumstances are listed below.

- You have an office or other fixed place of business in the relevant territory to which the income can be attributed.
- That office or place of business is a material factor in producing the income.

- The income is produced in the ordinary course of the trade or business carried on through that office or other fixed place of business.

An office or other fixed place of business is a material factor if it significantly contributes to, and is an essential economic element in, the earning of the income.

The three kinds of income from sources outside the relevant territory to which these rules apply are the following.

1. Rents and royalties for the use of, or for the privilege of using, intangible personal property located outside the relevant territory or from any interest in such property. Included are rents or royalties for the use of, or for the privilege of using, outside the relevant territory, patents, copyrights, secret processes and formulas, goodwill, trademarks, trade brands, franchises, and similar properties if the rents or

royalties are from the active conduct of a trade or business in the relevant territory.

2. Dividends or interest from the active conduct of a banking, financing, or similar business in the relevant territory.
3. Income, gain, or loss from the sale or exchange outside the relevant territory, through the office or other fixed place of business in the relevant territory, of:
 - a. Stock in trade,
 - b. Property that would be included in inventory if on hand at the end of the tax year, or
 - c. Property held primarily for sale to customers in the ordinary course of business.

Item (3) above will not apply if you sold the property for use, consumption, or disposition outside the relevant territory and an office or other fixed place of business in a foreign country was a material factor in the sale.

Example. You are a bona fide resident of American Samoa. Your business, which you conduct from an office in American Samoa, is developing and selling specialized computer software. A software purchaser will frequently pay you an additional amount to install the software on the purchaser's operating system and to ensure that the software is functioning properly. You install the software at the purchaser's place of business, which may be in American Samoa, in the United States, or in another country. The income from selling the software is effectively connected with the conduct of your business in American Samoa, even though the product's destination may be outside the territory.

However, the compensation you receive for installing the software (personal services) outside of American Samoa is not effectively connected with the conduct of your business in the territory—the income is sourced where you perform the services.

3.

Filing Information for Individuals in Certain U.S. Territories

If you have income from American Samoa, the CNMI, Guam, Puerto Rico, or the USVI, you may have to file a tax return with the tax department of that territory. Or you may have to file two annual tax returns, one with the territory's tax department and the other with the IRS. This chapter covers the general rules for filing returns in the five territories.

You must first determine if you are a bona fide resident of the relevant territory. See [chapter 1](#) for a discussion of the requirements you must meet.

You should ask for forms and advice about the filing of territory tax returns from that territory's tax department,

not the IRS. Contact information is listed in this chapter under the heading for each territory.

Disaster tax relief. If you are required to file an income tax return with the IRS, you may be entitled to disaster tax relief. For more information about the tax relief that may be available, see chapter 4.

American Samoa

American Samoa has its own separate and independent tax system. Although its tax laws are modeled on the U.S. Internal Revenue Code, there are certain differences.

Where To Get Forms and Information



Requests for advice about matters connected with American Samoan taxation should be sent to:

American Samoa Government Tax Office
Executive Office Building
Pago Pago, AS 96799



The phone number is 684-633-4181.



You can access the American Samoa Government Tax Office at

www.americansamoa.gov/taxoffice.



The fax number is 684-633-1513.



The addresses and phone numbers listed above are subject to change.

Which Returns To File

Your residency status and your source of income with regard to American Samoa determine whether you file your return and pay your tax to American Samoa, to the United States, or to both.

In addition to the information below that is categorized by residency status, the *Special Rules for American Samoa* section,

later, contains important information for determining the correct forms to file.

Bona Fide Resident of American Samoa

Bona fide residents of American Samoa are generally exempt from U.S. tax on their American Samoa source income.

U.S. citizen or resident alien. If you are a U.S. citizen (or national) or resident alien and a bona fide resident of American Samoa during the tax year, you must generally file the following returns.

- An American Samoa tax return reporting your gross income from worldwide sources. If you report non-American Samoa source income on your American Samoa tax return, you can claim a credit against your American Samoa tax liability for income taxes paid on that income to the United States, a foreign country, or another territory.

- A U.S. tax return reporting income from worldwide sources, but excluding income from sources within American Samoa. However, amounts received for services performed as an employee of the United States or any of its agencies cannot be excluded (see U.S. Government employees under *Special Rules for American Samoa*, later).

To exclude American Samoa source income, attach a completed Form 4563 to your U.S. tax return (see Form 4563, later, for more information). If you are excluding American Samoa source income on your U.S. tax return, you will not be allowed any deductions from gross income or credits against tax that are directly or indirectly allocable to the excluded income. For more information, see Special Rules for Completing Your U.S. Tax Return in chapter 4.

If all of your income is from American Samoa sources, you are not required to file a U.S. tax return. However, if you have self-employment income, see *Self-employment tax*, later.

Nonresident alien. If you are a bona fide resident of American Samoa during the tax year, but a nonresident alien of the United States, you must generally file the following returns.

- An American Samoa tax return reporting worldwide income.
- A U.S. tax return (Form 1040 or 1040-SR) reporting income from worldwide sources, but excluding American Samoa source income other than amounts for services performed as an employee of the United States or any of its agencies. For more information, see *U.S. Government employees* under *Special Rules for American Samoa*, later. To exclude income from sources within American

Samoa, attach a completed Form 4563 to your U.S. tax return (see Form 4563, later, for more information).

For all other tax purposes, however, you will be treated as a nonresident alien individual.

For example, you are not allowed the standard deduction, you cannot file a joint return, and you are not allowed a deduction for a dependent unless that person is a citizen or national of the United States.

There are also limitations on what deductions and credits are allowed. See Pub. 519 for more information.

Form 4563. If you must file a U.S. income tax return and you qualify to exclude any of your income from American Samoa, claim the exclusion by completing Form 4563 and attaching it to your Form 1040 or 1040-SR. Form 4563 cannot be filed by itself.

Where to file. If you are a bona fide resident of American Samoa during the tax year and you are not including a check or money order,

send your U.S. tax return and all attachments (including Form 4563) to:

Department of the Treasury
Internal Revenue Service
Austin, TX 73301-0215
USA

If you are including a check or money order, send your U.S. tax return and all attachments (including Form 4563) to:

Internal Revenue Service
P.O. Box 1303
Charlotte, NC 28201-1303
USA

Send your American Samoa tax return and all attachments to the address given under *Where To Get Forms and Information*, earlier.

Self-employment tax. If you are not required to file a U.S. tax return but have income that is effectively connected with a trade or business in American Samoa, you must file Form 1040-SS with the United

States. On this form, you will report your self-employment income to the United States, and, if necessary, pay self-employment tax on that income. For more information, see *Self-Employment Tax* in chapter 4.

Additional Medicare Tax. You may be required to pay Additional Medicare Tax. Also, you may need to report Additional Medicare Tax withheld by your employer. For more information, see *Additional Medicare Tax* under *Special Rules for Completing Your U.S. Tax Return* in chapter 4.

Net Investment Income Tax (NIIT). The NIIT is 3.8% of the lesser of an individual's net investment income or the excess of the individual's modified adjusted gross income over a specified threshold amount. The NIIT will apply to a bona fide resident of American Samoa if a taxpayer has modified adjusted gross income from sources outside of American Samoa that exceeds a specified threshold amount, for example,

\$200,000 for single filers. The NIIT does not apply to any individual who is a nonresident alien with respect to the United States. See Form 8960 and its instructions for more information on the NIIT.

Estimated tax payments. To see if you are required to make payments of estimated income tax, self-employment tax, Additional Medicare Tax, and/or NIIT to the IRS, get Form 1040-ES.

To pay by check or money order, send your payment with the Form 1040-ES payment voucher to:

Internal Revenue Service
P.O. Box 1303
Charlotte, NC 28201-1303
USA

To get information on paying electronically (by credit or debit card, or through the Electronic Federal Tax Payment System (EFTPS)), go to [IRS.gov/Payments](https://www.irs.gov/Payments).

For information on making estimated income tax payments to American Samoa, see *Where To Get Forms and Information*, earlier.

Not a Bona Fide Resident of American Samoa

An individual who is not a bona fide resident of American Samoa for the tax year but has income sourced in American Samoa generally files both U.S. and American Samoa tax returns, and claims a foreign tax credit on the U.S. return for taxes paid to American Samoa.

U.S. citizen or resident alien. If you are a U.S. citizen or resident alien but not a bona fide resident of American Samoa during the tax year, you must generally file the following returns.

- An American Samoa tax return reporting only your income from sources within American Samoa. Wages for services performed in American Samoa,

whether for a private employer, the U.S. Government, or otherwise, are income from sources within American Samoa.

- A U.S. tax return reporting your income from worldwide sources. You can take a credit against your U.S. tax liability if you paid income taxes to American Samoa (or other territory or foreign country) and reported income from those sources on your U.S. tax return.

De minimis exception to determining source of income. In certain situations, you will not have income from a territory. See *De minimis exception* under *Compensation for Labor or Personal Services* in chapter 2.

Nonresident alien. If you are a nonresident alien of the United States who does not qualify as a bona fide resident of American Samoa for the tax year, you must generally file the following returns.

- An American Samoa tax return reporting only your income from sources within American Samoa. In this situation, wages for services performed in American Samoa, whether for a private employer, the U.S. Government, or otherwise, is income from sources within American Samoa.
- A U.S. tax return (Form 1040-NR) reporting U.S. source income according to the rules for a nonresident alien. See the Instructions for Form 1040-NR.

Where to file. If you are not a bona fide resident of American Samoa during the tax year, and you are not including a check or money order, send your U.S. tax return and all attachments to:

Department of the Treasury
Internal Revenue Service
Austin, TX 73301-0215
USA

If you are including a check or money order, send your U.S. tax return and all attachments to:

Internal Revenue Service
P.O. Box 1303
Charlotte, NC 28201-1303
USA

Send your American Samoa tax return and all attachments to the address given under *Where To Get Forms and Information*, earlier.

Special Rules for American Samoa

In addition to the general rules given earlier for filing U.S. and American Samoa tax returns, there are some special rules that apply to certain individuals and types of income.

U.S. Government employees. U.S. Government wages, including for services performed in American Samoa,

must be included in U.S. gross income and reported on both your U.S. and American Samoa income tax returns.

Regardless of whether you are a bona fide resident of American Samoa, you may have to file an income tax return with both the United States and American Samoa.

- You must generally report all income on your U.S. income tax return, regardless of source. Although a bona fide resident of American Samoa may generally exclude American Samoa source income from their U.S. income tax return, pay from the U.S. Government for services performed in American Samoa must be included on your U.S. income tax return regardless of whether you are a bona fide resident of American Samoa. You can claim a withholding credit on your U.S. income tax return for federal income taxes withheld from your federal wages (as well as a

foreign tax credit for income tax paid to American Samoa on the same income).

- On your American Samoa income tax return, you must report all income from American Samoa sources (and from all other sources if you are a bona fide resident of American Samoa), including your wages from the U.S. Government for services performed in American Samoa. For further information about your American Samoa income tax obligations, contact the American Samoa Government Tax Office at the address and phone number indicated in chapter 3.

Active duty member of the U.S. Armed Forces. If you are an active duty member of the U.S. Armed Forces whose state of legal residence is American Samoa, your military income is American Samoa-source income. In this case, you will follow the tax rules for U.S. Government employee wages above, regardless of where you are stationed.

If you are an active duty member of the U.S. Armed Forces whose state of legal residence is not American Samoa, the source of your military wages is generally the same as your state of legal residence (that is, not sourced in American Samoa). In that case, you will follow the tax rules for U.S. Government employee wages for your state of legal residence, regardless of where you are stationed.

Civilian spouse of active duty member of the U.S. Armed Forces. If you are a civilian spouse of an active duty member of the U.S. Armed Forces, see *Special rule for civilian spouse of active duty member of the U.S. Armed Forces* in chapter 1 for more information.

The spouse of the service member may elect to use the same residence for tax purposes as the service member regardless of the date on which the marriage of the spouse and service member occurred.

Federal retiree pension income. Federal retirees who are bona fide residents of American Samoa must file an income tax return with American Samoa to report all income from all sources, including federal pension income. The retiree may also have an income tax filing requirement with the United States, depending upon the source of the retiree's pension income. Pension income can have multiple sources. See *Pensions* and other source of income rules in chapter 2 for more information. If any part of the pension income is sourced in the United States, the retiree must also file an income tax return with the United States.

Disaster and coronavirus-related tax relief. If you are required to file a U.S. federal income tax return, you may be entitled to some special disaster and coronavirus-related rules regarding the use of retirement funds. For more information, see Form 8915-F and its instructions.

Moving expense deduction. The deduction for moving expenses is suspended unless you are a member of the U.S. Armed Forces who moves pursuant to a military order and incident to a permanent change of station. For more information, see Pub. 3.

Double Taxation

A mutual agreement procedure exists to settle cases of double taxation between the United States and American Samoa. See *Double Taxation* in chapter 4.

The Commonwealth of Puerto Rico

The Commonwealth of Puerto Rico has its own separate and independent tax system. Although it is modeled after the U.S. system, there are differences in law and tax rates.

Where To Get Forms and Information



Requests for information about the filing of Puerto Rico tax returns should be addressed to:

Departamento de Hacienda
Área de Política Contributiva
P.O. Box 9024140
San Juan, Puerto Rico 00902-4140



The phone numbers are 787-622-0123 and 787-620-2323.



You can access the Hacienda website at www.hacienda.pr.gov.



The addresses and phone numbers listed above are subject to change.

Which Returns To File

Generally, you will file returns with both Puerto Rico and the United States.

The income reported on each return depends on your residency status in Puerto Rico. To determine if you are a bona fide resident of Puerto Rico and have income sourced within and outside Puerto Rico, see the information in chapter 1.

Bona Fide Resident of Puerto Rico

Bona fide residents of Puerto Rico will generally pay tax to Puerto Rico on their worldwide income.

U.S. citizen or resident alien. If you are a U.S. citizen or resident alien and also a bona fide resident of Puerto Rico during the tax year, you must generally file the following returns.

- A Puerto Rico tax return reporting income from worldwide sources. If you report U.S. source income on your Puerto Rico tax return, you can claim a credit against your Puerto Rico tax, up to the amount allowable, for income taxes paid to the

United States. A U.S. tax return reporting income from worldwide sources, but excluding Puerto Rico source income. However, see *U.S. Government employees* under *Special Rules for Puerto Rico*, later, for an exception.

If you are excluding Puerto Rico income on your U.S. tax return, you will not be allowed any deductions or credits that are directly or indirectly allocable to exempt income. For more information, see *Special Rules for Completing Your U.S. Tax Return* in chapter 4.

If all of your income is from Puerto Rico sources, you are not required to file a U.S. tax return. However, if you have self-employment income, see *Self-employment tax*, later.

U.S. citizen only. If you are a U.S. citizen, you may also qualify under these rules if you have been a bona fide resident of Puerto Rico for at least 2 years before moving from

Puerto Rico. In this case, you can exclude your income derived from sources within Puerto Rico (but not wages and salaries received as an employee of the U.S. Government or its agencies) that you earned before the date you changed your residence. For more information, see *Puerto Rico* under *Year of Moving From a Territory* in chapter 1.

Nonresident alien. If you are a bona fide resident of Puerto Rico during the tax year, but a nonresident alien of the United States, you must generally file the following returns.

- A Puerto Rico tax return reporting income from worldwide sources. If you report U.S. source income on your Puerto Rico tax return, you can claim a credit against your Puerto Rico tax, up to the amount allowable, for income taxes paid to the United States.
- A U.S. tax return (Form 1040 or 1040-SR) reporting income from worldwide sources, but excluding Puerto Rico source income

(other than amounts for services performed as an employee of the United States or any of its agencies). For tax purposes other than reporting income, however, you will be treated as a nonresident alien individual. For example, you are not allowed the standard deduction, you cannot file a joint return, and you are not allowed a deduction for a dependent unless that person is a citizen or national of the United States. There are also limitations on what deductions and credits are allowed. See Pub. 519 for more information.

Self-employment tax. If you have no U.S. filing requirement but have income that is effectively connected with a trade or business in Puerto Rico, you must file Form 1040-SS with the United States to report your self-employment income and, if necessary, pay self-employment tax. For more information, see *Self-Employment Tax* in chapter 4.

Additional Medicare Tax. You may be required to pay Additional Medicare Tax. Also, you may need to report Additional Medicare Tax withheld by your employer. For more information, see *Additional Medicare Tax* under *Special Rules for Completing Your U.S. Tax Return* in chapter 4.

Net Investment Income Tax (NIIT). The NIIT is 3.8% of the lesser of an individual's net investment income or the excess of the individual's modified adjusted gross income over a specified threshold amount. The NIIT will apply to a bona fide resident of Puerto Rico if a taxpayer has modified adjusted gross income from sources outside of Puerto Rico that exceeds a specified threshold amount, for example, \$200,000 for single filers. The NIIT does not apply to any individual who is a nonresident alien with respect to the United States. See Form 8960 and its instructions for more information on the NIIT.

Estimated tax payments. To see if you are required to make payments of estimated income tax, self-employment tax, Additional Medicare Tax, and/or NIIT to the IRS, get Form 1040-ES.

To pay by check or money order, send your payment with the Form 1040-ES payment voucher to:

Internal Revenue Service
P.O. Box 1303
Charlotte, NC 28201-1303
USA

To get information on paying electronically (by credit or debit card, or through the Electronic Federal Tax Payment System (EFTPS)), go to [IRS.gov/Payments](https://www.irs.gov/payments).

For information on making estimated income tax payments to Hacienda, see *Where To Get Forms and Information*, earlier.

Not a Bona Fide Resident of Puerto Rico

An individual who is not a bona fide resident of Puerto Rico for the tax year may have to file tax returns with both Puerto Rico and the United States.

U.S. citizen or resident alien. If you are a U.S. citizen or resident alien but not a bona fide resident of Puerto Rico during the tax year, you must generally file the following returns.

- A Puerto Rico tax return reporting only your income from Puerto Rico sources. Wages for services performed in Puerto Rico, whether for a private employer, the U.S. Government, or otherwise, are income from Puerto Rico sources.
- A U.S. tax return reporting income from worldwide sources. Generally, you can claim a foreign tax credit for income taxes paid to Puerto Rico on the Puerto Rico

income that is subject to Puerto Rico taxes and not exempt from U.S. taxes (see chapter 4 for more information).

Nonresident alien. If you are a nonresident alien of the United States who does not qualify as a bona fide resident of Puerto Rico for the tax year, you must generally file the following returns.

- A Puerto Rico tax return reporting only your income from Puerto Rico sources. Wages for services performed in Puerto Rico, whether for a private employer, the U.S. Government, or otherwise, is income from Puerto Rico sources.
- A U.S. tax return (Form 1040-NR) according to the rules for a nonresident alien. See the Instructions for Form 1040-NR.

De minimis exception to determining source of income. In certain situations, you will not have income from a territory.

See *De minimis exception* under *Compensation for Labor or Personal Services* in chapter 2.

Where to file. Use the addresses listed below to file your U.S. and Puerto Rico income tax returns.

If you are not including a check or money order, send your U.S. tax return and all attachments to:

Department of the Treasury
Internal Revenue Service
Austin, TX 73301-0215
USA

If you are including a check or money order, send your U.S. tax return and all attachments to:

Internal Revenue Service
P.O. Box 1303
Charlotte, NC 28201-1303
USA

If you request a refund on your Puerto Rico return, send your Puerto Rico tax return and all attachments to:

Departamento de Hacienda
P.O. Box 9024140
San Juan, PR 00902-6272

Send all other Puerto Rico tax returns, with all attachments, to:

Departamento de Hacienda
P.O. Box 9024140
San Juan, PR 00902-2501

Special Rules for Puerto Rico

In addition to the general rules given earlier for filing U.S. and Puerto Rico tax returns, there are some special rules that apply to certain individuals and types of income.

U.S. Government employees. Wages and cost-of-living allowances paid by the U.S. Government (or one of its agencies) for working in Puerto Rico are Puerto Rico source

income and thus subject to Puerto Rico tax. However, the cost-of-living allowances are excluded from Puerto Rico gross income up to the amount exempt from U.S. tax. In order to claim this exclusion, you must:

- Include with your Puerto Rico tax return evidence to show the amount received during the year, and
- Be in full compliance with your Puerto Rico tax responsibilities.

Although bona fide residents of Puerto Rico may generally exclude Puerto Rico source income from their U.S. tax return, these wages are also subject to U.S. tax because U.S. Government wages do not qualify for the exclusion. However, the cost-of-living allowances are excludable from U.S. gross income. A foreign tax credit is available in order to avoid double taxation.

Active duty member of the U.S. Armed

Forces. If you are an active duty member of the U.S. Armed Forces whose state of legal residence is Puerto Rico, your military income is Puerto Rico-source income. In this case, you will follow the tax rules for U.S.

Government employee wages above, regardless of where you are stationed. If you are an active duty member of the U.S. Armed Forces whose state of legal residence is not Puerto Rico, the source of your military wages is generally the same as your state of legal residence (that is, not sourced in Puerto Rico). In that case, you will follow the tax rules for U.S. Government employee wages for your state of legal residence, regardless of where you are stationed.

Civilian spouse of active duty member of

the U.S. Armed Forces. If, under the rule discussed at the beginning of chapter 1 (see *Special rule for civilian spouse of active duty member of the U.S. Armed Forces*),

your tax residence is Puerto Rico, follow the guidance in the section for bona fide residents under *Which Returns To File*, earlier.

However, if your tax residence is one of the 50 states or the District of Columbia and your only income from Puerto Rico is from wages, salaries, tips, or self-employment, you will be taxed on your worldwide income and file only a U.S. tax return (Form 1040 or 1040-SR) and a state and/or local tax return, if required. If you have income from Puerto Rico other than wages, salaries, tips, or self-employment that is considered to be sourced in that territory (see Table 2-1), contact the Hacienda for guidance.

The spouse of the service member may elect to use the same residence for tax purposes as the service member regardless of the date on which the marriage of the spouse and service member occurred.

Income from sources outside Puerto Rico and the United States. If you are a U.S. citizen and bona fide resident of Puerto Rico and you have income from sources outside both Puerto Rico and the United States, that income is treated as foreign source income under both tax systems. In addition to your Puerto Rico and U.S. tax returns, you may also have to file a return with the country or territory from which your outside income was derived. To avoid double taxation, a foreign tax credit is generally available for either the U.S. or Puerto Rico return.

Example. You are a bona fide resident of Puerto Rico and a U.S. citizen. You traveled to the Dominican Republic and worked in the construction industry for 1 month. Your wages were \$20,000. Because the wages were earned outside Puerto Rico and outside the United States, you must file a tax return with Puerto Rico and the United States.

You may also have to file a tax return with the Dominican Republic.

Moving expense deduction. The deduction for moving expenses is suspended unless you are a member of the U.S. Armed Forces who moves pursuant to a military order and incident to a permanent change of station. For more information, see Pub. 3.

Additional child tax credit (ACTC). If you are not required to file a U.S. income tax return, this credit is available only if you meet all three of the following conditions.

- You were a bona fide resident of Puerto Rico during the entire tax year.
- Social security and Medicare taxes were withheld from your wages or you paid self-employment tax.
- You had one or more qualifying children. (For the definition of a qualifying child, see the Instructions for Form 1040-SS.)

If your income exceeds certain levels, you may be disqualified from receiving this credit. Use Form 1040-SS to claim the ACTC.

Double Taxation

A mutual agreement procedure exists to settle cases of double taxation between the United States and the Commonwealth of Puerto Rico. See *Double Taxation* in chapter 4.

The Commonwealth of the Northern Mariana Islands

The CNMI has its own tax system based partly on the same tax laws and tax rates that apply to the United States and partly on local taxes imposed by the CNMI government.

Where To Get Forms and Information



Requests for advice about CNMI residency and tax matters should be addressed to:

Commonwealth of the Northern
Mariana Islands
Division of Revenue and Taxation
P.O. Box 5234 CHRB
Dandan Commercial Center
Saipan, MP 96950



You can order forms and publications by calling 670-664-1000.



You can order forms and publications through fax at 670-664-1015.



You can access the CNMI website at www.finance.gov.mp/forms.php.



The addresses and phone numbers listed above are subject to change.

Which Return To File

In general, all individuals with income from the CNMI will file only one return, either to the CNMI or to the United States. Your residency status with regard to the CNMI determines which return you will file. Be sure to check the *Special Rules for the Commonwealth of the Northern Mariana Islands*, later, for additional information about filing your tax return.

Bona Fide Resident of the Commonwealth of the Northern Mariana Islands

If you are a U.S. citizen, resident alien, or nonresident alien and a bona fide resident of the CNMI during the tax year, file your income tax return with the CNMI.

- Include income from worldwide sources on your CNMI return. In determining your total tax payments, include all income tax withheld and paid to either the CNMI or the United States, any credit for an overpayment of income tax to either the CNMI or the United States, and any payments of estimated tax to either the CNMI or the United States. Pay any balance of tax due with your tax return.
- Generally, if you properly file your return with, and fully pay your income tax to, the CNMI, then you are not liable for filing an income tax return with, or for paying tax to, the United States for the tax year. However, if you were self-employed in 2024, see Self-employment tax, later.

Example. You were a bona fide resident of the CNMI for 2024. You received wages of \$30,000 paid by a private employer in the CNMI and dividends of \$4,000 from U.S. corporations that carry on business mainly in

the United States. You must file a 2024 income tax return with the CNMI Division of Revenue and Taxation. You report your total income of \$34,000 on the CNMI return.

Where to file. If you are a bona fide resident of the CNMI for the tax year, send your return and all attachments to the Division of Revenue and Taxation at the address given earlier.

U.S. Citizen or Resident Alien (Other Than a Bona Fide Resident of the Commonwealth of the Northern Mariana Islands)

If you have income from sources within the CNMI and are a U.S. citizen or resident alien, but you are not a bona fide resident of the CNMI during the tax year, file your income tax return with the United States.

- Include income from worldwide sources on your U.S. return. In determining your total tax payments, include all income tax

withheld and paid to either the United States or the CNMI, any credit for an overpayment of income tax to either the United States or the CNMI, and any payments of estimated tax to either the CNMI or the United States. Pay any balance of tax due with your tax return.

Note. You may also need to complete Form 5074.

- You are not liable for filing an income tax return with, or for paying tax to, the CNMI for the tax year.

Form 5074. If you file a U.S. income tax return, attach a completed Form 5074 if you (and your spouse if filing a joint return) have:

- Adjusted gross income of \$50,000 or more for the tax year, and
- Gross income of \$5,000 or more from sources within the CNMI.

The United States and the CNMI use this form to divide your income taxes.

De minimis exception to determining source of income. In certain situations, you will not have income from a territory. See *De minimis exception* under *Compensation for Labor or Personal Services* in chapter 2.

Citizen or resident alien of the United States but not a bona fide resident of the Commonwealth of the Northern Mariana Islands. If you are a citizen or resident alien of the United States but not a bona fide resident of the CNMI during the tax year and you are not including a check or money order, send your return and all attachments to:

Department of the Treasury
Internal Revenue Service
Austin, TX 73301-0215
USA

If you are including a check or money order, send your U.S. tax return and all attachments to:

Internal Revenue Service
P.O. Box 1303
Charlotte, NC 28201-1303
USA

Nonresident Alien (Other Than a Bona Fide Resident of the Commonwealth of the Northern Mariana Islands)

If you are a nonresident alien of the United States who does not qualify as a bona fide resident of the CNMI for the tax year, you must generally file the following returns.

- A CNMI tax return reporting only your income from sources within the CNMI. In this situation, wages for services performed in the CNMI, whether for a private employer, the U.S. Government, or otherwise, are income from sources within the CNMI.

- A U.S. tax return (Form 1040-NR) reporting U.S. source income according to the rules for a nonresident alien. See the Instructions for Form 1040-NR.

If you are not a bona fide resident of the CNMI during the tax year and you are not including a check or money order, send your U.S. tax return and all attachments to:

Department of the Treasury
Internal Revenue Service
Austin, TX 73301-0215
USA

If you are including a check or money order, send your U.S. tax return and all attachments to:

Internal Revenue Service
P.O. Box 1303
Charlotte, NC 28201-1303
USA

Send your CNMI tax return and all attachments to:

Department of Finance
Division of Revenue and Taxation
Commonwealth of the Northern
Mariana Islands
P.O. Box 5234 CHRB
Saipan, MP 96950

**Citizen of the Commonwealth of the
Northern Mariana Islands**

If you are a citizen of the CNMI (meaning that you were born or naturalized in the CNMI) but not otherwise a U.S. citizen or a U.S. resident alien during the tax year, file your income tax return with the CNMI. Include income from worldwide sources on your CNMI return. Take into account tax withheld by both jurisdictions in determining if there is tax overdue or an overpayment. Pay any balance of tax due with your tax return. Send your return and all attachments to:

Department of Finance
Division of Revenue and Taxation
Commonwealth of the Northern
Mariana Islands
P.O. Box 5234 CHRB
Saipan, MP 96950

Special Rules for the Commonwealth of the Northern Mariana Islands

Special rules apply to certain types of income, employment, and filing status.

Joint return. If you file a joint return, file your return (and pay the tax) with the jurisdiction where the spouse who has the greater adjusted gross income (AGI) would have to file if you were filing separately. If the spouse with the greater AGI is a bona fide resident of the CNMI during the tax year, file the joint return with the CNMI.

If the spouse with the greater AGI is a U.S. citizen or resident alien but not a bona fide resident of the CNMI during the tax year, file your joint return with the United States.

For this purpose, income is determined without regard to community property laws.

Example. You, a U.S. citizen, were a resident of the United States, and your spouse, a citizen of both the CNMI and the United States, was a bona fide resident of the CNMI during the tax year. You earned \$65,000 as a computer programmer in the United States. Your spouse earned \$20,000 as an artist in the CNMI. You and your spouse will file a joint return. Because you have the greater AGI, you and your spouse must file your return with the United States and report the entire \$85,000 on that return.

U.S. Armed Forces. If you are a member of the U.S. Armed Forces on active duty who qualified as a bona fide resident of the CNMI in a prior tax year,

your absence from the CNMI solely in compliance with military orders will not change your bona fide residency. If you did not qualify as a bona fide resident of the CNMI in a prior tax year, your presence in the CNMI solely in compliance with military orders will not qualify you as a bona fide resident of the CNMI.

Civilian spouse of active duty member of the U.S. Armed Forces. If, under the rule discussed at the beginning of chapter 1 (see *Special rule for civilian spouse of active duty member of the U.S. Armed Forces*), your tax residence is the CNMI, follow the guidance in the section for bona fide residents under *Which Return To File*, earlier. However, if your tax residence is one of the 50 states or the District of Columbia and your only income from the CNMI is from wages, salaries, tips, or self-employment,

you will be taxed on your worldwide income and file only a U.S. tax return (Form 1040 or 1040-SR) and a state and/or local tax return, if required.

If you have income from the CNMI other than wages, salaries, tips, or self-employment that is considered to be sourced in that territory (see Table 2-1), you may need to file Form 5074 with your U.S. tax return.

The spouse of the service member may elect to use the same residence for tax purposes as the service member regardless of the date on which the marriage of the spouse and service member occurred.

Moving expense deduction. The deduction for moving expenses is suspended unless you are a member of the U.S. Armed Forces who moves pursuant to a military order and incident to a permanent change of station. For more information, see Pub. 3. If you meet these requirements, see the discussion below.

If you are a bona fide resident in the tax year of your move, enter your deductible expenses on your CNMI tax return.

If you are not a bona fide resident, enter your deductible expenses on Form 3903, and enter the deductible amount on Schedule 1 (Form 1040), line 14, and on Form 5074, line 20.

Self-employment tax. If you have no U.S. filing requirement, but have income that is effectively connected with a trade or business in the CNMI, you must file Form 1040-SS with the United States to report your self-employment income and, if necessary, pay self-employment tax.

Additional Medicare Tax. You may be required to pay Additional Medicare Tax. Also, you may need to report Additional Medicare Tax withheld by your employer. For more information, see *Additional Medicare Tax* under *Special Rules for Completing Your U.S. Tax Return* in chapter 4.

Estimated tax payments. To see if you are required to make payments of estimated income tax, self-employment tax, and/or Additional Medicare Tax to the IRS, get Form 1040-ES.

Payment of estimated tax. If you must pay estimated tax, make your payment to the jurisdiction where you would file your income tax return if your tax year were to end on the date your first estimated tax payment is due. Generally, you should make the rest of your quarterly payments of estimated tax to the jurisdiction where you made your first payment of estimated tax. However, estimated tax payments to either jurisdiction will be treated as payments to the jurisdiction with which you file the tax return.

If you make a joint payment of estimated tax, make your payment to the jurisdiction where the spouse who has the greater estimated AGI would have to pay (if a separate payment were made).

For this purpose, income is determined without regard to community property laws.

Early payment. If you make your first payment of estimated tax early, follow the rules given earlier to determine where to send it. If you send it to the wrong jurisdiction, make all later payments to the jurisdiction to which the first payment should have been sent.

To pay by check or money order, send your payment with the Form 1040-ES payment voucher to:

Internal Revenue Service
P.O. Box 1303
Charlotte, NC 28201-1303
USA

To get information on paying electronically (by credit or debit card, or through the Electronic Federal Tax Payment System (EFTPS)), go to [IRS.gov/Payments](https://www.irs.gov/payments).

For information on making estimated income tax payments to the CNMI, see *Where To Get Forms and Information*, earlier.

Double Taxation

A mutual agreement procedure exists to settle cases of double taxation between the United States and the Commonwealth of the Northern Mariana Islands. See *Double Taxation* in chapter 4.

Guam

Guam has its own tax system based on the same tax laws and tax rates that apply in the United States.

Where To Get Forms and Information



Requests for advice about Guam residency and tax matters should be addressed to:

Department of Revenue and Taxation
Taxpayer Services Division
P.O. Box 23607
GMF, Guam 96921



You can order forms and publications by calling 671-635-1840 or 671-635-1841.



You can order forms and publications through fax at 671-633-2643.



You can get forms and publications at www.guamtax.com.



The addresses and phone numbers listed above are subject to change.

Which Return To File

Bona fide residents of Guam are subject to special U.S. tax rules. In general, all individuals with income from Guam will file only one return—either to Guam or the United States.

Bona Fide Resident of Guam

If you are a bona fide resident of Guam during the tax year, file your return with Guam.

This applies to all bona fide residents who are citizens, resident aliens, or nonresident aliens of the United States.

- Include income from worldwide sources on your Guam return. In determining your total tax payments, include all income tax withheld and paid to either Guam or the United States, any credit for an overpayment of income tax to either Guam or the United States, and any payments of estimated tax to either Guam or the United States. Pay any balance of tax due with your tax return.
- Generally, if you properly file your return with, and fully pay your income tax to, Guam, then you are not liable for filing an income tax return with, or for paying tax to, the United States. However, if you were self-employed in 2024, see Self-employment tax, later.

Example. You were a bona fide resident of Guam for 2024. You received wages of \$25,000 paid by a private employer in Guam and dividends of \$2,000 from U.S. corporations that carry on business mainly in the United States. You must file a 2024 income tax return with the government of Guam. You report your total income of \$27,000 on the Guam return.

If you are a bona fide resident of Guam for the tax year, send your return and all attachments to:

Department of Revenue and Taxation
Taxpayer Services Division
P.O. Box 23607
GMF, Guam 96921

U.S. Citizen or Resident Alien (Other Than a Bona Fide Resident of Guam)

If you have income from sources within Guam and are a U.S. citizen or resident alien, but you are not a bona fide resident of Guam

during the tax year, file your income tax return with the United States.

- Include income from worldwide sources on your U.S. return. In determining your total tax payments, include all income tax withheld and paid to either the United States or Guam, any credit for an overpayment of income tax to either the United States or Guam, and any payments of estimated tax to either Guam or the United States. Pay any balance of tax due with your tax return. You may also need to complete Form 5074.
- You are not liable for filing an income tax return with, or for paying tax to, Guam for the tax year.

Form 5074. If you file a U.S. income tax return, attach a completed Form 5074 if you (and your spouse if filing a joint return) have:

- Adjusted gross income of \$50,000 or more for the tax year, and

- Gross income of \$5,000 or more from sources within Guam.

The United States and Guam use this form to divide your income taxes.

De minimis exception to determining source of income. In certain situations, you will not have income from a territory. See *De minimis exception* under *Compensation for Labor or Personal Services* in chapter 2.

If you are a citizen or resident alien of the United States but not a bona fide resident of Guam during the tax year and you are not including a check or money order, send your U.S. tax return and all attachments (including Form 5074) to:

Department of the Treasury
Internal Revenue Service
Austin, TX 73301-0215
USA

If you are including a check or money order, send your U.S. tax return and all attachments (including Form 5074) to:

Internal Revenue Service
P.O. Box 1303
Charlotte, NC 28201-1303
USA

Nonresident Alien (Other Than a Bona Fide Resident of Guam), Where To File

If you are a nonresident alien of the United States who does not qualify as a bona fide resident of Guam for the tax year, you must generally file the following returns.

- A Guam tax return reporting only your income from sources within Guam. In this situation, wages for services performed in Guam, whether for a private employer, the U.S. Government, or otherwise, are income from sources within Guam.

- A U.S. tax return (Form 1040-NR) reporting U.S. source income according to the rules for a nonresident alien. See the Instructions for Form 1040-NR.

If you are not a bona fide resident of Guam during the tax year and you are not including a check or money order, send your U.S. tax return and all attachments to:

Department of the Treasury
Internal Revenue Service
Austin, TX 73301-0215
USA

If you are including a check or money order, send your U.S. tax return and all attachments to:

Internal Revenue Service
P.O. Box 1303
Charlotte, NC 28201-1303
USA

Send your Guam tax return and all attachments to:

Department of Revenue and Taxation
Taxpayer Services Division
P.O. Box 23607 GMF, Guam 96921

Citizen of Guam

If you are a citizen of Guam (meaning that you were born or naturalized in Guam) but not otherwise a U.S. citizen or a U.S. resident alien during the tax year, file your income tax return with Guam. Include income from worldwide sources on your Guam return. Take into account tax withheld by both jurisdictions in determining if there is tax overdue or an overpayment. Pay any balance of tax due with your tax return.

If you are a citizen of Guam, send your return and all attachments to:

Department of Revenue and Taxation
Taxpayer Services Division
P.O. Box 23607
GMF, Guam 96921

Special Rules for Guam

Special rules apply to certain types of income, employment, and filing status.

Joint return. If you file a joint return, you should file your return (and pay the tax) with the jurisdiction where the spouse who has the greater adjusted gross income (AGI) would have to file if you were filing separately. If the spouse with the greater AGI is a bona fide resident of Guam during the tax year, file the joint return with Guam. If the spouse with the greater AGI is a U.S. citizen or resident alien but not a bona fide resident of Guam during the tax year, file the joint return with the United States. For this purpose, income is determined without regard to community property laws.

Example. You, a U.S. citizen, were a resident of the United States, and your spouse, a citizen of both Guam and the United States,

was a bona fide resident of Guam during the tax year. You earned \$45,000 as an engineer in the United States. Your spouse earned \$15,000 as a teacher in Guam. You and your spouse will file a joint return. Because you have the greater AGI, you and your spouse must file your return with the United States and report the entire \$60,000 on that return.

U.S. Armed Forces. If you are a member of the U.S. Armed Forces on active duty who qualified as a bona fide resident of Guam in a prior tax year, your absence from Guam solely in compliance with military orders will not change your bona fide residency. If you did not qualify as a bona fide resident of Guam in a prior tax year, your presence in Guam solely in compliance with military orders will not qualify you as a bona fide resident of Guam.

Civilian spouse of active duty member of the U.S. Armed Forces. If, under the rule discussed at the beginning of chapter 1

(see Special rule for civilian spouse of active duty member of the U.S. Armed Forces), your tax residence is Guam, follow the guidance in the section for bona fide residents under *Which Return To File*, earlier. However, if your tax residence is one of the 50 states or the District of Columbia and your only income from Guam is from wages, salaries, tips, or self-employment, you will be taxed on your worldwide income and file only a U.S. tax return (Form 1040 or 1040-SR) and a state and/or local tax return, if required. If you have income from Guam other than wages, salaries, tips, or self-employment that is considered to be sourced in that territory (see Table 2-1), you may need to file Form 5074 with your U.S. tax return.

The spouse of the service member may elect to use the same residence for tax purposes as the service member regardless of the date on which the marriage of the spouse and service member occurred.