Form **4563** (Formerly Form 1040E)
Department of the Treasury
Internal Revenue Service

Exclusion of Income from Sources in United States Possessions

► If you use this form, attach it to Form 1040

1969

For calendar year 1969 or other taxable year beginning ...., 1969, and ending ...., 19.........

Name and address as shown on Form 1040

Social security number

Statement of Gross Income for Applicable Period

Year	Name of Possession	Periods in Which Income Was Derived From Sources Within Possessions of United States (Dates are inclusive)		Gross Income During Periods Shown in Columns (3) and (4)			
				Gross Income From Sources Within Possessions of United States		Gross Income From Sources Outside United States and Possessions of United States *	Gross Income From Sources Within United States
		From—	To—	Gross income from salary, wages, or active conduct of a trade or business	Other gross income		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1967				$	$	$	$
1968							
1969							
Totals				$	$	$	$

Total of columns 5, 6, 7, and 8 . . . . $

Source of Gross Income from Salary, Wages, or Active Conduct of a Trade or Business (Column 5, above)

Year	Name and Address of Employer (If self-employed, so state)	Nature of Business
1967		
1968		
1969		

INSTRUCTIONS (References are to the Internal Revenue Code)

A. Exclusion.—In general, foreign source income received outside the United States, actually or constructively, and all types of income from sources in a possession of the United States and not received in the United States, including earned income, investment income, and capital gains, qualify for exemption from United States tax.

B. Who is Entitled to Benefits of Section 931.—A United States citizen is entitled to the benefits of section 931 if, for the 3 years ending with the close of this tax year at least:

(1) 80% or more of his gross income (computed without the benefit of this section) was derived from sources within a possession of the United States, and

(2) 50% or more of his gross income (computed without the benefit of this section) was derived from the active conduct of a trade or business within a possession of the United States either on his own account or as an employee or an agent of another.

If you did not conduct a trade or business or were not employed in a possession for the entire 3 years, you are required to meet the test only for that part of the 3 year period during which you were engaged in business or were employed in the possession in order to obtain the benefits of section 931. The computation period begins when you have possession source income.

C. Where to File.—Attach Form 4563 to your Form 1040 and file with the Director of International Operations, Internal Revenue Service, Washington, D.C. 20225.

D. The United States and Possessions of the United States.—For purposes of section 931, the term "United States" means only the United States and the District of Columbia. Examples of possessions are the Panama Canal Zone, Guam, American Samoa, Wake, Johnston Island, and the Midway Islands. The Virgin Islands and Puerto Rico are in different categories and are not "possessions".

E. Income to be Reported.—If you meet the requirements of paragraph B, above and therefore are permitted to exclude your possession and foreign source income, you must nevertheless report the following income on Form 1040:

(1) all income received from United States sources,

(2) all amounts received in the United States (whether by you or your agent) with respect to income derived from possessions or other foreign sources, and

(3) amounts received for services performed as an employee of the United States or any agency thereof regardless of where the services were performed.

F. Deductions.—If you are entitled to the benefits of section 931 you may claim deductions only if and to the extent they are connected with income from sources within the United States. The proper apportionment and allocation of the deductions with respect to income from sources within and without the United States shall be determined as provided in the Regulations.

Exceptions.—The following deductions shall be allowed whether or not they are connected with United States source income:

1. One personal exemption of $600.
2. Losses allowed by section 165(c)(2) which are not connected with a trade or business, if these losses were incurred in transactions entered into for profit, but only if the profit, if such transaction had resulted in a profit, would be taxable.
3. Losses allowed by section 165(c)(3) of property not connected with a trade or business if arising from certain casualties or theft, but only if the loss is of property within the United States.
4. Contributions and gifts to qualified charitable organizations allowed by section 170.

If you claim the benefits of section 931, you may not:

1. Use the 10% standard deduction or the minimum standard deduction.
2. Use the Tax Tables to compute your tax.
3. Claim exemptions for your spouse or dependents.
4. Use the income averaging provisions of sections 1301, 1302, 1303, 1304 and 1305.
5. Claim a credit for income taxes paid to a foreign country or to a possession of the United States.

* Salary earned by you in a United States possession and deposited by your employer to your bank account in the United States is considered as received in the United States.

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