

Individual Foreign-Earned Income and Foreign Tax Credit, 2006

by Scott Hollenbeck and Maureen Keenan Kahr

In 2006, about 335,000 U.S. taxpayers living abroad reported approximately \$36.7 billion in foreign-earned income, an increase in real percentage terms of 17.7 percent from 2001 (the last time this study was done). Nearly \$18.4 billion were claimed by U.S. taxpayers as a foreign-earned income exclusion on their tax returns. Between 2001 and 2006, the inflation-adjusted amount of the foreign-earned income exclusion increased by 14.6 percent, while the housing exclusion decreased by 38.7 percent, falling from approximately \$2.2 billion for 2001 to just over \$1.3 billion for 2006.

In contrast to the relatively moderate growth in the foreign-earned income exclusion, foreign-source gross income and foreign tax credits increased greatly since 2001. Between 2001 and 2006, inflation-adjusted foreign-source gross income reported on Form 1116 grew 86.6 percent, and real foreign tax credits claimed grew 53.9 percent. For 2006, U.S. taxpayers claimed foreign tax credits totaling nearly \$11.0 billion on 6.4 million returns; these credits were based on a reported \$120.0 billion in foreign-source gross income and \$13.9 billion in foreign taxes paid or accrued.

For 2006, the largest amount of total foreign-earned income from any continent was reported on returns from Asia, a change from 2001 when Europe was highest. These U.S. taxpayers reported \$14.7 billion of total foreign-earned income for 2006, a 29.1-percent increase in real growth from the \$11.4 billion reported for 2001. Some of this growth was attributable to returns with a tax home of Iraq with over \$1.8 billion reported in total foreign-earned income for 2006, after no returns were filed for Iraq in 2001. The growth in Asia was also driven by U.S. taxpayers in China reporting a real increase of 110.2 percent, to just over \$1.7 billion; and with taxpayers in the United Arab Emirates reporting an increase of 80.2 percent, to \$0.8 billion.

European-based U.S. taxpayers reported the second largest amount of foreign-earned income with over \$13.3 billion, which was a real increase of just 10.2 percent from 2001. The United Kingdom continued to lead all countries with over \$6.2 billion in foreign-earned income reported and accounted for nearly half of all European-based returns. The

amount reported for the United Kingdom was an actual decrease of 0.6 percent from the 2001 amount of \$6.3 billion, while the overall European-based growth was driven by increases from Switzerland (37.9 percent), Germany (22.8 percent), and France (11.8 percent).

Total foreign-earned income reported for North American-based taxpayers grew by 21.0 percent for 2006, and was driven by a 31.5-percent increase for Canada, to nearly \$2.7 billion. Over 57 percent of all taxpayers reporting foreign-earned income had no U.S. tax liability for 2006. As with foreign-earned income, among individual countries, the United Kingdom had the highest foreign-source gross income and foreign taxes paid, with \$11.9 billion and \$3.0 billion, respectively.

In contrast to their foreign-earned income, European countries, with \$24.8 billion in foreign-source gross income and \$5.4 billion in foreign taxes paid, continued to be the largest source of both of these measures. However, of all the regions, Europe had the lowest growth from 2001 (32.1 percent for foreign-source gross income and 13.4 percent for foreign taxes). In contrast, foreign-source gross income grew 186.6 percent in real percentage terms for Latin/South America, and taxes grew by 36.5 percent in real percentage terms for North America.

Overview of Foreign-Earned Income Provisions

In an effort to increase U.S. participation in foreign trade, a Federal income tax law was passed in 1926, which allowed for an exclusion of foreign-earned income from taxes. Under the 2006 version of the law, section 911 of the Internal Revenue Code, qualified U.S. citizens or resident aliens living and working abroad could elect to exclude a certain amount of foreign-earned income and an excess foreign housing cost. The election was made separately for each of the exclusions.

To qualify, an individual must have had a foreign tax home and satisfied either the bona fide residence or physical presence test. Only U.S. citizens could use the bona fide residence test. The bona fide residence test was generally satisfied if the individual had established and maintained residence in a foreign country for an uninterrupted period that included an entire taxable year. An individual would not be considered a resident if a statement was submitted to the

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taxing authorities of the foreign country indicating nonresidency and the foreign country did not subject the individual to foreign income taxation. Under the physical presence test, an individual had to be present in a foreign country during at least 330 full days during any period of 12 consecutive months.

In general, earned income was compensation received for personal services. Thus, wages, salaries, and professional fees qualified as earned income for purposes of the exclusion. Taxpayers engaged in a trade or business that used both capital and services to produce income could treat as earned income any reasonable amount that did not exceed 30 percent of the taxpayer's share of the net profits of the trade or business. Earned income also included employer-provided allowances or such reimbursements as cost-of-living allowances, overseas compensation differentials, quarters, education allowances, and the full rental value of property or facilities provided by the employer.

To qualify for the exclusions, the earned income had to be foreign-earned income. In general, it would be foreign-earned income if personal services were performed in a foreign country. The actual location of the employer and employee at the time compensation was received did not affect this determination. Not included in foreign-earned income were pensions, annuities, compensation by the U.S. Government, and income excluded by an employer to compensate for meals and lodging provided for the employer's convenience.

For 2006, the maximum amount of foreign-earned income that could be excluded was \$82,400, prorated on a daily basis for the qualifying period. (For 2001, the maximum amount of foreign-earned income that could be excluded was \$78,000.) If both the foreign-earned income and housing exclusion were elected, the foreign housing exclusion was calculated first. The foreign-earned income exclusion was then limited to the excess of foreign-earned income over the housing exclusion.

Qualified housing expenses were reasonable housing costs paid or incurred during the tax year.

In general, they included such expenses as utilities, insurance, and rent. The excess housing cost amount was equal to the individual's qualified housing expenses for the tax year over a base-level amount (\$13,184 for 2006) prorated on a daily basis.

To the extent these were employer-provided amounts, the excess housing cost amount was allowed as a foreign housing exclusion. Housing costs related to self-employment were allowed as a foreign housing deduction in computing adjusted gross income. The foreign housing deduction was limited to the excess of foreign-earned income over the sum of foreign-earned income and housing exclusions. Any excess housing amount that was not deductible could be carried over to the following tax year.

In addition to the exclusions (foreign-earned income and housing) and the housing deduction, individuals could also claim a foreign tax credit (discussed in more detail in the *Foreign Tax Credit Overview* section) for foreign income taxes paid or accrued on two types of foreign-source income: (1) foreign-earned income for which the foreign-earned income exclusion was not claimed, and (2) foreign-source income that did not qualify for the exclusions or deduction.

U.S. taxpayers filed Form 2555, *Foreign Earned Income*, with Form 1040, *U.S. Individual Income Tax Return*, to claim the exclusions and the housing deduction. For 2006, of the 138.4 million individual income tax returns filed with the Internal Revenue Service, an estimated 334,851 had a Form 2555 attached, slightly more than 0.2 percent of the total.¹ Tables 1 and 2 present statistics for individual income tax returns reporting the foreign-earned income exclusion, foreign housing exclusion, and foreign housing deduction.

Total Foreign-Earned Income

For 2006, the total amount of foreign-earned income reported by U.S. individuals was over \$36.7 billion, a real increase of 17.7 percent from the 2001 inflation-adjusted amount of \$31.2 billion. This represents a real annual growth rate of 3.3 percent from 2001.^{2,3}

¹ Data for all taxpayers who filed a Form 1040 for 2006 cited in this article are from *Statistics of Income, Individual Income Tax Returns 2006*, Publication 1304.

² Data in this article are compared to 2001 data because this is the last year for which comparable statistics are available.

³ For comparability, 2001 amounts presented in this article are adjusted for U.S. inflation to 2006 constant dollars. However, these adjustments do not necessarily adjust for country-specific inflation in the various foreign countries for which income was reported. The inflation-adjusted constant dollars are based on the Consumer Price Index (CPI-U) computed and reported by the U.S. Department of Labor, Bureau of Labor Statistics, Monthly Labor Review. The consumer price index represents annual averages of monthly indices and approximates buying patterns of typical urban consumers.

| Year | CPI-U |
|------|-------|
| 2006 | 201.6 |
| 2001 | 177.1 |

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This increase can be attributed to an increase in the number of returns filing for the exclusion, along with an increase in the average amount of foreign-earned income reported per return. From 2001 to 2006, approximately forty thousand more returns were filed by taxpayers for the exclusion, resulting in a 13.6-percent increase. Also, during this same period, the average amount of total foreign-earned income per return increased approximately 3.6 percent in real terms, from an average of \$105,890 for 2001 to \$109,716 for 2006.

Of the nearly 335,000 returns filed with a Form 2555 attached for 2006, returns with a tax home of Canada, the United Kingdom, Japan, Germany, and Iraq represented about 36.4 percent of the total number of returns filed. About 9.0 percent reported Canada; 8.5 percent, the United Kingdom; 7.0 percent, Japan; 6.4 percent, Germany; and 5.5 percent, Iraq as tax homes.

In 2006, slightly over twenty-four thousand taxpayers reported a tax home of Iraq or Afghanistan, compared to zero for 2001. For 2001, taxpayers were not allowed to declare Iraq as a tax home for the purpose of filing a Form 2555, as it was listed as one of the countries falling under travel restrictions.

The number of returns reporting China as a tax home increased by 143.6 percent from 2001. The introduction of returns with foreign-earned income from Iraq and Afghanistan plus this huge growth in China, along with more modest increases in the number of returns from other Asian tax homes, led to an overall increase in Asian-based returns of 41.6 percent (Figure A). Thus, for 2006, more returns with foreign-earned income were reported for Asia (about 139,000) than were for Europe (slightly less than 100,000). This represents a reversal from 2001 when most returns were from Europe.

Along with number of returns, the largest increases in total earned income were seen in Asian-based countries, which reported just under \$14.7 billion in foreign-earned income for 2006, an increase of 29.1 percent from 2001. Also showing significant real increases from 2001 to 2006 were income from North American-based countries, which grew by 21.0 percent, and income from European-based countries, which grew by 10.2 percent. The latter occurred de-

spite the number of returns from Europe declining by 5.5 percent from 2001. The only areas where total foreign-earned income decreased from 2001 to 2006 (by 16.7 percent) were Latin/South American-based countries. This is in sharp contrast to the 2001 data for Latin/South American-based countries, at which time foreign-earned income for these countries had grown by 18.3 percent from the 1996 study.⁴

Remarkable growth was seen in total foreign-earned income reported by China-based individuals for 2006, with the total amount of foreign-earned income growing by 110.2 percent in real terms, from approximately \$0.8 billion for 2001 to over \$1.7 billion for 2006. United Kingdom-based individuals still reported the largest amount of foreign-earned income in 2006, with just over \$6.2 billion claimed. The slight decrease of 0.6 percent in foreign-earned income reported by United Kingdom-based individuals, along with the rapid growth in several other countries, saw their percentage share of total foreign-earned income decrease from 20.1 percent for 2001 to 17.0 percent for 2006. The difference in total foreign-earned income reported between United Kingdom-based returns and returns with the second largest source of foreign-earned income, in this case Canada, was \$3.6 billion. For 2001, the gap in total foreign-earned income reported between the two tax homes reporting the largest source of foreign income (then United Kingdom-based returns and Japan-based returns) was approximately \$3.7 billion.

Figure B shows the countries with the largest amounts of foreign-earned income reported on individual tax returns for 2006. Approximately 52.0 percent of the total foreign-earned income reported on individual tax returns for 2006 was reported by individuals with tax homes in the United Kingdom (17.0 percent), Canada (7.3 percent), Japan (5.7 percent), Hong Kong (5.0 percent), Iraq (5.0 percent), Germany (4.7 percent), China (4.7 percent), and Switzerland (2.7 percent). Five of the eight countries shown in the figure were listed among the eight countries with the largest amounts of income for the 2001 study, with Iraq, China, and Switzerland replacing Singapore, Saudi Arabia, and France. As for the order of countries, the only movement among the top four countries was Canada moving ahead of Japan.

⁴ See Curry, Jeff, and Maureen Keenan Kahr, "Individual Foreign-Earned Income and Foreign Tax Credit, 2001," *Statistics of Income Bulletin*, Spring 2004, Volume 23, Number 4.

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Figure A

Foreign-Earned Income, Exclusion, and Housing Deduction, by Selected Country or Region, Tax Years 2001 [1] and 2006

[Money amounts are in thousands of dollars]

| Selected country or region | Number of returns [2] | | | Total foreign-earned income | | | Foreign-earned income exclusion before deductions | | |
|-----------------------------|-----------------------|----------------|-------------------|-----------------------------|-------------------|-------------------|---|-------------------|-------------------|
| | 2001 | 2006 | Percentage change | 2001 | 2006 | Percentage change | 2001 | 2006 | Percentage change |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
| All geographic areas | 294,763 | 334,851 | 13.6 | 31,212,403 | 36,738,574 | 17.7 | 16,020,249 | 18,357,200 | 14.6 |
| North America | 30,493 | 36,179 | 18.6 | 2,684,826 | 3,248,559 | 21.0 | 1,498,677 | 1,778,374 | 18.7 |
| Canada | 24,790 | 30,067 | 21.3 | 2,032,392 | 2,671,963 | 31.5 | 1,156,688 | 1,459,721 | 26.2 |
| Other North America | 5,703 | 6,112 | 7.2 | 652,435 | 576,596 | -11.6 | 341,990 | 318,653 | -6.8 |
| Asia | 98,037 | 138,795 | 41.6 | 11,362,109 | 14,672,274 | 29.1 | 5,796,812 | 7,922,615 | 36.7 |
| China | 5,103 | 12,430 | 143.6 | 814,666 | 1,712,601 | 110.2 | 317,672 | 742,633 | 133.8 |
| Hong Kong | 12,476 | 10,792 | -13.5 | 1,974,007 | 1,844,813 | -6.5 | 815,191 | 689,045 | -15.5 |
| Iraq | 0 | 18,325 | [3] | 0 | 1,827,813 | [3] | 0 | 1,187,886 | [3] |
| Israel | 8,491 | 8,986 | 5.8 | 589,960 | 506,127 | -14.2 | 459,810 | 401,871 | -12.6 |
| Japan | 24,578 | 23,529 | -4.3 | 2,605,814 | 2,106,707 | -19.2 | 1,254,999 | 1,115,473 | -11.1 |
| Saudi Arabia | 7,449 | 5,109 | -31.4 | 953,731 | 617,179 | -35.3 | 557,431 | 365,144 | -34.5 |
| Singapore | 4,624 | 3,636 | -21.4 | 973,843 | 747,901 | -23.2 | 373,045 | 261,410 | -29.9 |
| South Korea | 4,885 | 6,668 | 36.5 | 515,117 | 694,003 | 34.7 | 262,378 | 349,846 | 33.3 |
| UAE | 4,100 | 7,423 | 81.0 | 421,592 | 759,629 | 80.2 | 261,369 | 505,403 | 93.4 |
| Other Asia | 26,331 | 41,900 | 59.1 | 2,513,379 | 3,855,499 | 53.4 | 1,494,917 | 2,303,901 | 54.1 |
| Europe | 105,590 | 99,732 | -5.5 | 12,078,032 | 13,306,949 | 10.2 | 5,669,833 | 5,483,891 | -3.3 |
| France | 8,975 | 9,653 | 7.6 | 845,026 | 944,881 | 11.8 | 461,367 | 494,997 | 7.3 |
| Germany | 23,432 | 21,513 | -8.2 | 1,399,274 | 1,718,890 | 22.8 | 934,915 | 1,050,100 | 12.3 |
| Switzerland | 6,370 | 7,093 | 11.4 | 723,505 | 997,485 | 37.9 | 403,793 | 459,225 | 13.7 |
| United Kingdom | 33,344 | 28,409 | -14.8 | 6,279,710 | 6,238,909 | -0.6 | 2,122,894 | 1,725,794 | -18.7 |
| Other Europe | 33,469 | 33,067 | -1.2 | 2,830,518 | 3,406,783 | 20.4 | 1,746,864 | 1,753,774 | 0.4 |
| Latin/South America | 15,307 | 13,911 | -9.1 | 1,397,818 | 1,164,998 | -16.7 | 790,362 | 677,079 | -14.3 |
| Oceania | 11,521 | 9,724 | -15.6 | 847,406 | 851,543 | 0.5 | 563,327 | 536,464 | -4.8 |
| Australia | 7,864 | 6,420 | -18.4 | 671,787 | 661,928 | -1.5 | 400,726 | 387,338 | -3.3 |
| Other Oceania | 3,657 | 3,305 | -9.6 | 175,619 | 189,615 | 8.0 | 162,601 | 149,126 | -8.3 |
| Other | 33,815 | 36,510 | 8.0 | 2,842,212 | 3,494,251 | 22.9 | 1,701,238 | 1,958,777 | 15.1 |

| Selected country or region | Housing exclusion | | | Housing deduction | | |
|-----------------------------|-------------------|------------------|-------------------|-------------------|---------------|-------------------|
| | 2001 | 2006 | Percentage change | 2001 | 2006 | Percentage change |
| | (10) | (11) | (12) | (13) | (14) | (15) |
| All geographic areas | 2,180,244 | 1,336,430 | -38.7 | 104,808 | 83,632 | -20.2 |
| North America | 71,389 | 27,640 | -61.3 | 379 | 475 | 25.3 |
| Canada | 18,364 | 11,865 | -35.4 | 165 | * 158 | -4.2 |
| Other North America | 53,024 | 15,775 | -70.2 | 214 | * 318 | 48.6 |
| Asia | 1,155,233 | 644,989 | -44.2 | 53,178 | 38,665 | -27.3 |
| China | 88,171 | 112,418 | 27.5 | 4,410 | 2,788 | -36.8 |
| Hong Kong | 338,752 | 194,828 | -42.5 | 18,607 | 13,395 | -28.0 |
| Iraq | 0 | * 2,290 | [3] | 0 | * 829 | [3] |
| Israel | 4,674 | 650 | -86.1 | 191 | 145 | -24.1 |
| Japan | 354,873 | 133,821 | -62.3 | 19,404 | 10,139 | -47.7 |
| Saudi Arabia | 16,872 | 6,352 | -62.4 | 484 | * 4 | -99.2 |
| Singapore | 148,097 | 52,724 | -64.4 | 3,077 | 683 | -77.8 |
| South Korea | 54,841 | 38,858 | -29.1 | * 466 | 2,976 | 539.2 |
| UAE | 34,755 | 27,230 | -21.7 | * 2,518 | 3,240 | 28.7 |
| Other Asia | 114,198 | 75,817 | -33.6 | 4,022 | 4,469 | 11.1 |
| Europe | 721,207 | 544,843 | -24.5 | 43,085 | 37,640 | -12.6 |
| France | 40,260 | 38,712 | -3.8 | 3,485 | 3,793 | 8.8 |
| Germany | 35,427 | 51,291 | 44.8 | 1,443 | 3,460 | 139.8 |
| Switzerland | 41,871 | 49,381 | 17.9 | 2,723 | 1,467 | -46.1 |
| United Kingdom | 482,708 | 296,566 | -38.6 | 27,260 | 22,323 | -18.1 |
| Other Europe | 120,940 | 108,894 | -10.0 | 8,173 | 6,598 | -19.3 |
| Latin/South America | 108,091 | 30,066 | -72.2 | 2,509 | 868 | -65.4 |
| Oceania | 27,101 | 11,943 | -55.9 | 370 | * 49 | -86.8 |
| Australia | 26,751 | 11,479 | -57.1 | 370 | * 48 | -87.0 |
| Other Oceania | 349 | * 465 | 33.2 | 0 | * 1 | [4] |
| Other | 97,224 | 76,949 | -20.9 | 5,287 | 5,934 | 12.2 |

* Estimate should be used with caution because of the small number of sample returns on which it is based.

[1] For comparability, 2001 amounts have been adjusted for inflation to 2006 constant dollars.

[2] Forms 2555.

[3] Percentage not computed.

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

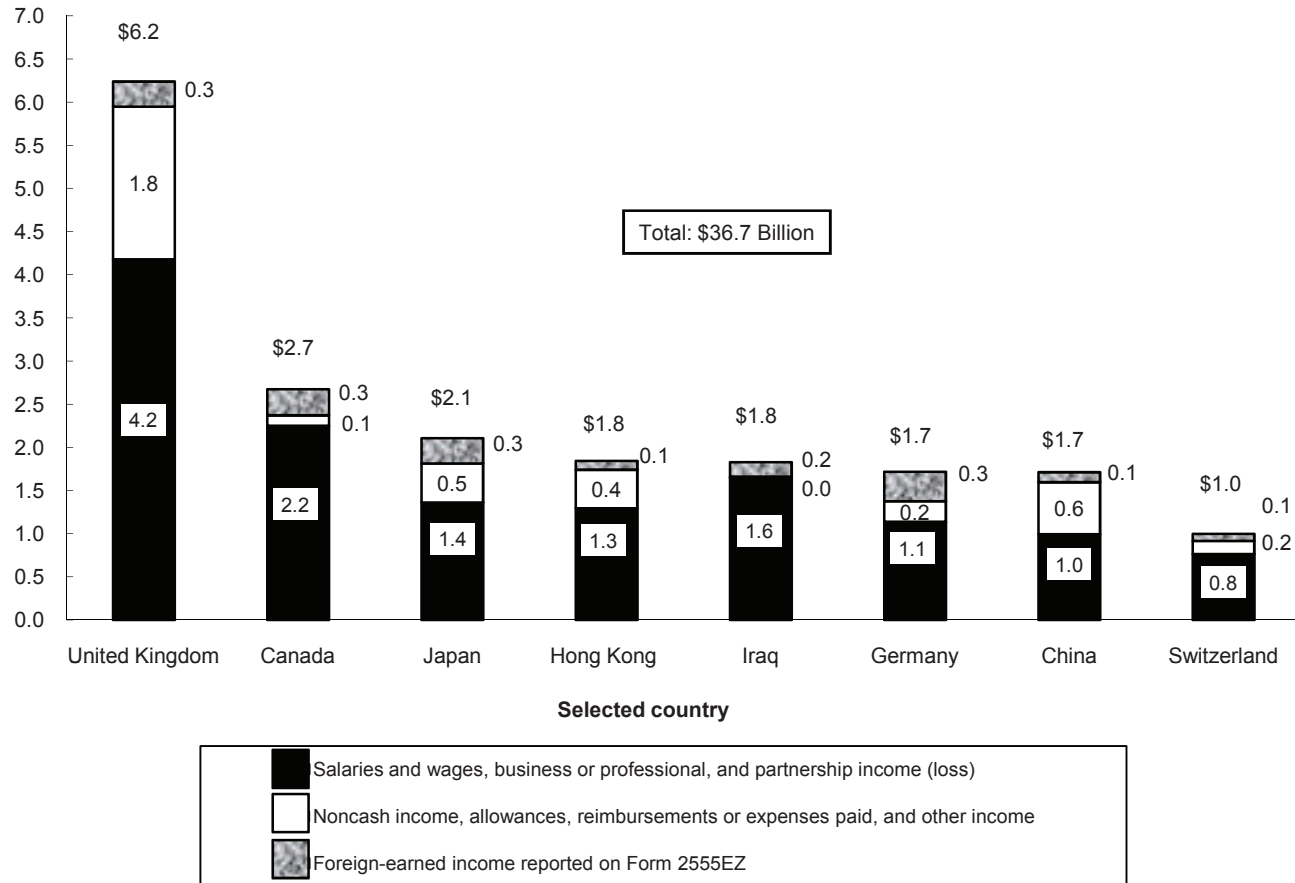
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Figure B

Foreign-Earned Income by Selected Country, Tax Year 2006

Billions of dollars



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

While foreign-earned income decreased in Japan (19.2 percent), Hong Kong (6.5 percent), and the United Kingdom (0.6 percent), it increased in all five other countries.

Composition of Foreign-Earned Income

For 2006, of the \$36.7 billion in foreign-earned income (cited above), over \$32.8 billion were reported on Form 2555. The remaining \$3.9 billion were reported on Form 2555-EZ. Data related to the composition of foreign-earned income are not available on Form 2555-EZ; therefore, the analysis in the ensuing discussion includes only those amounts reported on Form 2555.

Salaries and wages comprised 72.9 percent of the total foreign-earned income reported for 2006 (Table 1). Along with this, allowances, reimbursements, or expenses paid by employers made up 14.6 percent, and business or professional plus partnership, non-cash, and other income accounted for the remaining 12.5 percent. The average foreign-source salary for a taxpayer filing Form 2555 with wages was approximately \$103,938.

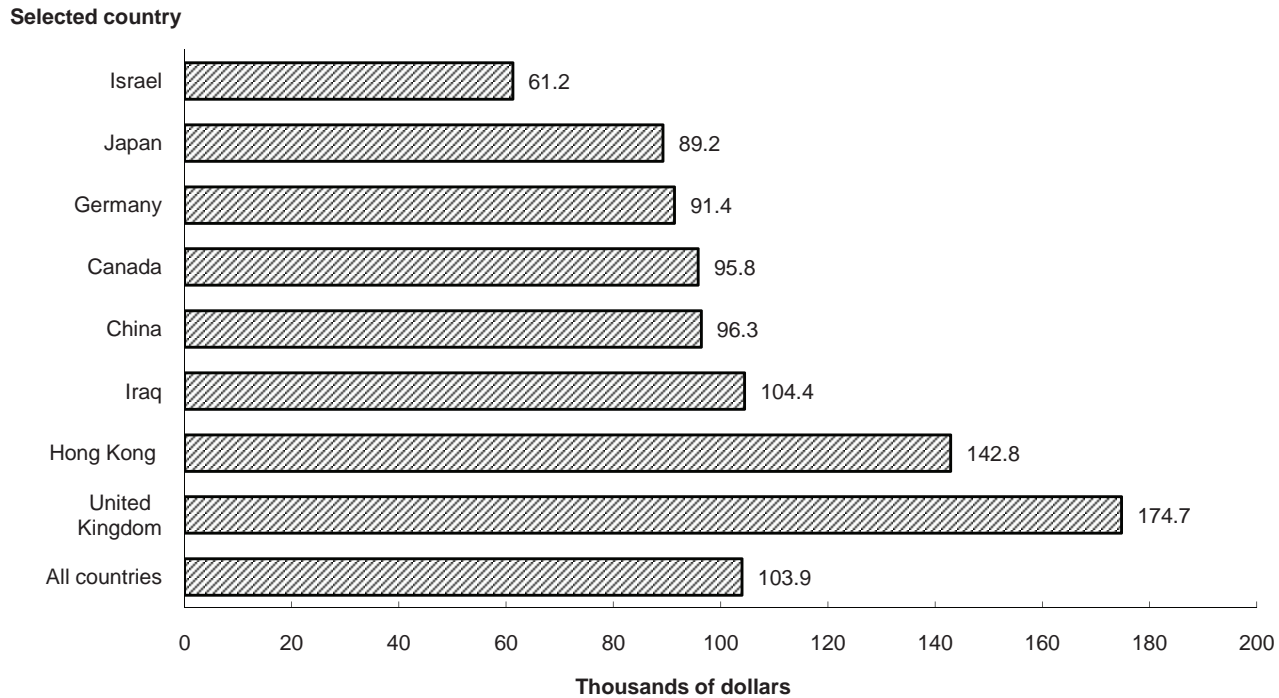
This average, however, varied greatly among the various countries. Figure C shows that, of the top eight countries (those with the largest number of Forms 2555 attached), returns from the United Kingdom reported the highest average salary at \$174,700,

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Figure C

Average Foreign Salaries and Wages Earned by U.S. Taxpayers Reporting Wages on Form 2555, by Selected Country, Tax Year 2006



while Israel reported the lowest with an average salary of \$61,189. The average salary reported for United Kingdom returns increased by nearly \$29,000 (in real dollars) from 2001. Also, for 2006, the difference in average salary between the United Kingdom and Hong Kong (which had the second highest average salary) was just under \$32,000. The United Kingdom and Hong Kong were also the top two countries based on average salary for the 2001 study, where the difference was just over \$29,500.

Foreign-Earned Income Exclusion, Housing Exclusion, and Housing Deduction

For 2006, the amount of exclusion for foreign-earned income grew from 2001 by 14.6 percent (in real terms), to \$18.4 billion. This growth in the foreign-earned income exclusion occurred while the amount of foreign-earned income that could be excluded per taxpayer increased from \$78,000 to \$82,400 during this same period.

The amount of housing exclusion reported fell by approximately 38.7 percent, from an inflation-adjusted \$2.2 billion for 2001 to \$1.3 billion for 2006. The housing deduction also declined in real terms (20.2 percent), to a total of \$83.6 million reported for 2006.

A portion of the declines in both the housing exclusion and housing deduction can be attributed to new limits placed on the amount of housing expenses that were eligible for the exclusion or deduction, beginning in Tax Year 2006. In general a limit of \$24,720 was placed on eligible housing expenses. However, taxpayers could take a higher expense amount if they resided in specific countries or cities which were listed by the IRS in the instructions for Form 2555, *Foreign Earned Income*.

For 2006, individuals with a tax home of the United Kingdom reported the highest amount of exclusions for foreign-earned income at over \$1.7 billion. However, this was a decline of 18.7 percent

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from the inflation-adjusted \$2.1 billion excluded in 2001 (Figure A). Canada-based taxpayers reported the second largest amount at nearly \$1.5 billion in exclusions for foreign-earned income, up 26.2 percent from 2001.

The tax home with the third highest amount reported was Iraq, with nearly \$1.2 billion, after having no exclusions reported in 2001. Iraq was one of three countries listed by the U.S. as falling under travel restrictions in 2001.⁵ Income earned in any country on the list was not considered foreign-earned income. Housing expenses were not considered qualified if they were incurred while in one of the listed countries. The restriction on income and housing expenses for Iraq lasted from August 1990 until July 2004, with exceptions starting in 2003. Much of the overall growth in Asia-based countries, 36.7 percent, can be attributed to the 133.8-percent growth in China to \$0.7 billion, along with the previously mentioned new reporting from Iraq and Afghanistan.

As cited above, approximately \$1.3 billion in housing exclusions were reported by individual taxpayers for 2006, down about 38.7 percent from the \$2.2 billion reported for 2001. Of this \$1.3 billion reported for 2006, 22.2 percent was reported by individuals with a tax home of United Kingdom; 14.6 percent, Hong Kong; 10.0 percent, Japan; and 8.4 percent, China. Of all the countries represented in Figure A, only Germany (44.8 percent), China (27.5 percent), and Switzerland (17.9 percent) showed increases in the amount of housing exclusion claimed for 2006.

The housing deduction is used by taxpayers with foreign-earned income to increase their total statutory adjustments, thus decreasing adjusted gross income. For 2006, just over \$83.6 million were reported by all taxpayers for the housing deduction, down from the inflation-adjusted \$104.8 million claimed for 2001, a decrease of 20.2 percent. The average housing deduction for those taxpayers claiming the deduction was \$21,178 for 2006.

Individual taxpayers claiming both the foreign-earned income and housing exclusions, along with the housing deduction, reported worldwide income of over \$57.0 billion for 2006. These taxpayers used the aforementioned exclusions and deduction to reduce their worldwide incomes by nearly \$19.8

billion, or almost 35 percent. Approximately 57.4 percent of all taxpayers with foreign-earned income, after claiming the foreign-earned income and housing exclusion, housing deduction, and any foreign tax credit to which they were entitled, had no U.S. income tax liability. This is up from 54.6 percent for 2001.

Starting in 2006, individual taxpayers reporting foreign-earned income on their tax returns were instructed to use a new foreign-earned income tax worksheet to figure out their tax. This worksheet calculated tax on nonexcluded income using tax rates that would have applied had they not claimed the exclusion. The change in the calculation affected nearly 139,000 returns and resulted in an additional \$806 million in tax.

Overview of Foreign Tax Credit Provisions

For 2006, U.S. taxpayers with income from sources outside the United States, regardless of their residency, could claim a credit against their U.S. income tax liabilities for most foreign taxes they paid or accrued (except for taxes paid on income excluded under the foreign-earned income provisions). The purpose of the credit, originally created in 1918, is to avoid double taxation on foreign-source income, since the United States taxes its citizens and resident aliens based on their worldwide incomes.

The foreign tax credit is subject to a limitation based on the taxpayer's total U.S. income tax liability. These limitations prevent taxpayers from using foreign taxes paid in relatively high tax rate countries to offset taxes paid on their U.S.-source incomes. The limitation is computed separately for the following categories of foreign-source income: passive income, high withholding tax interest, financial services income, shipping income, dividends from an Interest-Charge Domestic International Sales Corporation (IC-DISC), distributions from a Foreign Sales Corporation (FSC), lump-sum distributions from certain retirement plans, Section 901(j) income, certain income resourced by a treaty, and other (general limitation) income.⁶ The allowable credits for each type of foreign-source income are then added together.

Passive income generally includes dividends, interest, rents, royalties, and annuities. High withholding tax interest is foreign interest income that

⁵ Cuba and Libya were also listed.

⁶ Foreign income reported in the IC-DISC (Interest-Charge Domestic International Sales Corporation) category may include dividends from a former DISC (Domestic International Sales Corporation). The IC-DISC entity was created by the Deficit Reduction Act of 1984 and replaced the DISC.

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is subject to a gross withholding tax of at least 5 percent. Financial services income includes income derived by a financial service entity engaged in banking, financing, or insurance. Shipping income is income from the use of any aircraft or vessel in foreign commerce or income derived from space and ocean activities. IC-DISC dividends are dividend income from domestic international sales corporations dealing with exports, to the extent these dividends are treated as foreign. FSC distributions are derived from earnings and profits attributable to foreign trade income. Lump-sum distributions are distributions from a retirement plan that are subject to U.S. tax using income averaging. Section 901(j) income is income earned from activities conducted in a sanctioned country; no credit is allowed for taxes paid or accrued to sanctioned countries.⁷ Certain income re-sourced by treaty allows specific types of income to be treated as foreign-source income if there is a tax treaty that treats it as such and the treaty is applied. General limitation income is all other foreign income from sources outside the United States.

In general, for taxpayers who file Form 1116, *Foreign Tax Credit*, with Form 1040, the limitation on the foreign tax credit for each type of income is calculated by multiplying the total U.S. income tax liability before credits by the ratio of the foreign-source taxable income for that type of income to total U.S. taxable income.⁸ However, not all taxpayers who claim the foreign tax credit file Form 1116 (see Data Sources and Limitations). Foreign taxes paid in excess of the limitation can be carried back 1 year and then forward up to 10 years. Taxes carried to another year are added to taxes available for credit for that year for the same limitation income. Tables 3 through 5 present statistics on the foreign tax credit and related foreign-source income reported on individual income tax returns.

Foreign-Source Gross Income

Foreign-source gross income is all income earned outside the United States, except for income used to

claim the foreign-earned income exclusion. Taxpayers reported \$120.0 billion in foreign-source gross income for 2006. This represents approximately 10.1 percent of total worldwide income for those taxpayers who reported foreign-source gross income and about 1.5 percent of total worldwide income for all U.S. taxpayers. These statistics include only foreign-source gross income reported on Form 1116, because some taxpayers with foreign-source gross income do not file Form 1116.⁹ Between 2001 and 2006, foreign-source gross income grew 86.6 percent

Figure D

Selected Income, Exclusion, Deduction, and Credit Items, Tax Years 2001 and 2006

[Money amounts are in thousands of dollars]

| Item | 2001 [1] | 2006 | Percentage change |
|---|----------------------|----------------------|-------------------|
| | (1) | (2) | (3) |
| Worldwide income [2] | 7,111,026,545 | 8,164,179,385 | 14.8 |
| Form 2555 | | | |
| Total foreign-earned income | 31,212,403 | 36,738,574 | 17.7 |
| Foreign-earned income exclusion before deductions | 16,020,249 | 18,357,200 | 14.6 |
| Housing exclusion | 2,180,244 | 1,336,430 | -38.7 |
| Housing deduction | 104,808 | 83,632 | -20.2 |
| Form 1116 | | | |
| Foreign-source gross income | 64,272,272 | 119,963,255 | 86.6 |
| Foreign tax credit | 7,119,589 | 10,958,470 | 53.9 |

[1] For comparability, 2001 amounts have been adjusted for inflation to 2006 constant dollars.

[2] Worldwide income is total income or loss reported on Form 1040 before the foreign-earned income and housing exclusions have been taken.

in real percentage terms, whereas worldwide income reported on all individual U.S. tax returns grew only 14.8 percent during that period (Figure D).

Of the \$120.0 billion in foreign-source gross income, nearly \$63.1 billion, representing 52.6 percent, were reported without a specific country being stated, while \$56.9 billion were reported for a specific country.¹⁰ The top five countries with the most in

⁷ A foreign tax credit is not allowed for foreign taxes paid or accrued to countries sanctioned by the U.S. Government. Nevertheless, a foreign tax credit limitation is computed for each sanctioned country. For 2006, the countries are Cuba, Iran, North Korea, Sudan, and Syria.

⁸ For income from the certain income re-sourced by treaty category, a separate foreign tax credit limitation has to be computed for each amount resourced from a treaty country.

⁹ Taxpayers with \$300 (\$600 if married filing a joint return) or less in creditable foreign taxes that also met certain other conditions, mainly that the foreign-source gross income was from the passive income category and all of the income and any foreign taxes paid on it were reported on a qualified payee statement, did not have to file Form 1116 to claim the foreign tax credit on Form 1040. Also, some taxpayers deduct their foreign taxes on Schedule A rather than taking a credit by filing Form 1116. Therefore, foreign-source income for these taxpayers would not be reported.

¹⁰ The \$63.1 billion of total foreign-source gross income reported without a specific country being stated include \$62.5 billion where the country is not stated, as well as \$0.4 billion for IC-DISC dividends and slightly over \$0.1 billion for FSC dividends.

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foreign-source gross income are the United Kingdom with \$11.9 billion, followed by Canada with \$10.0 billion, Germany with \$3.7 billion, Colombia with \$3.2 billion, and Japan with \$2.6 billion. Together, these five countries accounted for 55.3 percent of total foreign-source gross income with a stated country. Separately, 21.0 percent was earned in the United Kingdom, 17.5 percent in Canada, 6.6 percent in Germany, 5.6 percent in Colombia, and 4.6 percent in Japan (Figure E).

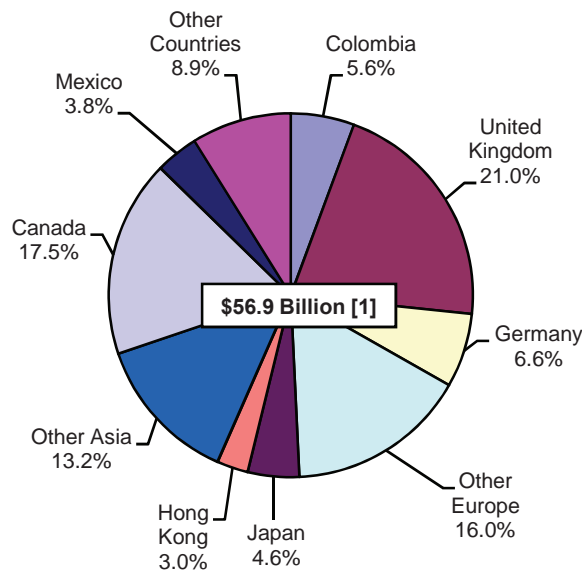
Colombia, while the total number of returns with income from Colombia was a little over 1,200. In contrast, over 125,000 returns reported foreign-source gross income from the United Kingdom.

Among the geographic regions with the most significant foreign-source gross income (see Figure F), the region with the highest growth between 2001 and 2006 was Latin/South America. Foreign-source gross income reported for Latin/South American countries grew 186.6 percent for that period, rising to just over \$4.3 billion for 2006 from an inflation-adjusted \$1.5 billion for 2001. Much of this increase is due to the growth in foreign-source gross income earned in Colombia. Foreign-source gross income reported for Colombia grew 405.1 percent from 2001 to 2006, from \$0.6 billion to \$3.2 billion, and, for 2006, Colombia accounted for 74.2 percent of total foreign-source gross income earned in Latin/South American countries.

Despite the large growth for Latin/South American countries, the amount of foreign-source gross income (\$4.3 billion) for this region was still much smaller than for other regions. Europe had the largest foreign-source gross income at \$24.8 billion (more than double the amount of the next largest region), representing 43.6 percent of all income with a stated country. North America followed with \$12.1 billion and Asia with \$11.7 billion. For additional data on foreign-source gross income by region or country, see Table 4.

Figure E

Foreign-Source Gross Income, by Selected Country or Region, Tax Year 2006



[1] Foreign-source gross income reported on the Form 1116 with stated country or region. Total foreign-source income (including that reported without a country or region) was \$120.0 billion.
NOTE: Percentages may not add to 100 due to rounding.

The overall average foreign-source gross income reported by U.S. taxpayers on Form 1116 was \$40,777. For the top five leading countries mentioned above, the average foreign-source gross income reported was \$93,596, \$41,493, \$88,157, \$2,583,418, and \$53,790, respectively. The high average foreign-source gross income of \$2,583,418 for Colombia was largely the result of a few returns reporting a sizeable foreign-source gross income from

Foreign Taxes and Foreign Tax Credit

For 2006, U.S. taxpayers paid (or accrued) nearly \$13.9 billion in foreign taxes as reported on Form 1116. This was before carrybacks, carryovers, and reductions. Of the top five countries in terms of foreign taxes paid or accrued, the first four, the United Kingdom, Canada, Germany, and Japan, were also the top four countries in both 1996 and 2001.^{11, 12} However, the fifth country for 2006 was China, with nearly \$0.5 billion in foreign taxes paid, while the fifth country for 2001 was Australia. Combined, foreign taxes paid or accrued to the top five countries for 2006 accounted for 48.3 percent of the total.

As with foreign-source gross income, the United Kingdom accounted for more of the foreign taxes

¹¹ See Curry, Jeff and Maureen Keenan Kahr, "Individual Foreign-Earned Income and Foreign Tax Credit, 2001," *Statistics of Income Bulletin*, Spring 2004, Volume 23, Number 4.

¹² See Curry, Jeff; and Maureen Keenan Kahr; and Sarah E. Nutter, "Individual Foreign-Earned Income and Foreign Tax Credit, 1996," *Statistics of Income Bulletin*, Summer 1999, Volume 19, Number 1.

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Figure F

Foreign-Source Gross Income and Foreign Taxes, by Selected Country or Region, Tax Years 2001 and 2006

[Money amounts are in thousands of dollars]

| Item, selected country or region | 2001 [1] | 2006 | Percentage change |
|---|-------------------|--------------------|-------------------|
| | (1) | (2) | (3) |
| Foreign-source gross income, total | 64,272,272 | 119,963,255 | 86.6 |
| North America | 8,166,125 | 12,133,130 | 48.6 |
| Canada | 6,559,127 | 9,966,174 | 51.9 |
| Other North America [2] | 1,606,999 | 2,166,955 | 34.8 |
| Asia | 8,513,439 | 11,696,581 | 37.4 |
| China | 471,295 | 1,578,847 | 235.0 |
| Hong Kong | 1,418,253 | 1,583,595 | 11.7 |
| Japan | 3,263,158 | 2,596,680 | -20.4 |
| Other Asia | 3,360,733 | 5,937,459 | 76.7 |
| Europe | 18,786,658 | 24,809,573 | 32.1 |
| Germany | 3,372,626 | 3,742,259 | 11.0 |
| United Kingdom | 9,762,470 | 11,940,245 | 22.3 |
| Other Europe | 5,651,562 | 9,127,069 | 61.5 |
| Latin/South America | 1,510,838 | 4,330,765 | 186.6 |
| Colombia | 636,321 | 3,213,772 | 405.1 |
| Other Latin/South America | 874,517 | 1,116,993 | 27.7 |
| Oceania | 1,224,879 | 1,196,689 | -2.3 |
| Australia | 1,126,147 | 1,004,632 | -10.8 |
| Other Oceania | 98,731 | 192,056 | 94.5 |
| Other | 26,070,333 | 65,796,517 | 152.4 |
| Foreign taxes paid or accrued, total | 10,418,903 | 13,885,215 | 33.3 |
| North America | 1,490,616 | 2,034,525 | 36.5 |
| Canada | 1,169,267 | 1,773,465 | 51.7 |
| Other North America [2] | 321,349 | 261,060 | -18.8 |
| Asia | 2,055,097 | 2,348,346 | 14.3 |
| China | 138,629 | 469,638 | 238.8 |
| Hong Kong | 225,409 | 270,900 | 20.2 |
| Japan | 789,618 | 658,674 | -16.6 |
| Other Asia | 901,441 | 949,134 | 5.3 |
| Europe | 4,784,855 | 5,424,521 | 13.4 |
| Germany | 568,211 | 760,185 | 33.8 |
| United Kingdom | 2,970,532 | 3,046,948 | 2.6 |
| Other Europe | 1,246,113 | 1,617,388 | 29.8 |
| Latin/South America | 220,999 | 286,178 | 29.5 |
| Colombia | 21,281 | 82,923 | 289.7 |
| Other Latin/South America | 199,718 | 203,255 | 1.8 |
| Oceania | 372,184 | 255,492 | -31.4 |
| Australia | 356,334 | 232,008 | -34.9 |
| Other Oceania | 15,851 | 23,483 | 48.1 |
| Other | 1,495,152 | 3,536,153 | 136.5 |

[1] For comparability, 2001 amounts have been adjusted for inflation to 2006 constant dollars.

[2] For 2001, all the data for Other North America are from Mexico.

NOTES: Detail may not add to totals because of rounding. Data are from Forms 1116.

paid than any other country. Just over \$3.0 billion in foreign taxes were paid or accrued to the United Kingdom (Figure G). This represents 28.5 percent of total foreign taxes paid (excluding foreign taxes paid not attributable to any country). The next largest recipient of foreign taxes paid or accrued was

Canada with \$1.8 billion (16.6 percent), followed by Germany with \$0.8 billion (7.1 percent), and Japan with \$0.7 billion (6.2 percent). Of the \$13.9 billion in foreign taxes paid or accrued, nearly \$3.2 billion, representing approximately 22.9 percent of the total amount, were reported without a stated country.¹³

¹³ The \$3.2 billion of total foreign taxes paid or accrued without a specific country being stated include amounts from the IC-DISC dividends and FSC dividends income categories.

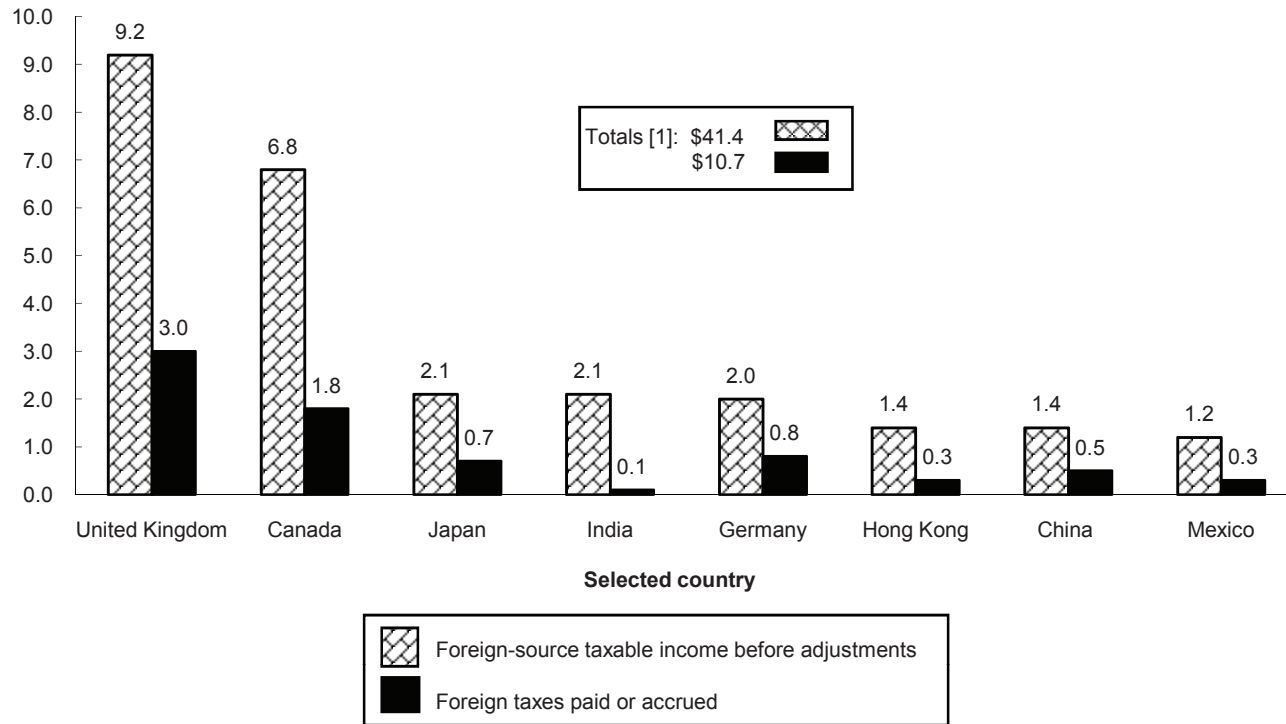
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Figure G

Foreign-Source Taxable Income and Foreign Taxes, by Selected Country, Tax Year 2006

Billions of dollars



[1] Totals represent amounts reported on Form 1116 with stated country or region.
NOTE: Detail may not add to totals because of rounding. Data are from Forms 1116.

As shown in Figure F, total foreign taxes paid or accrued grew 33.3 percent between 2001 and 2006. Among the most significant regions, North America had the highest growth, 36.5 percent. This was primarily due to the 51.7-percent real growth in foreign taxes paid or accrued to Canada.

Latin/South America showed the next highest growth, 29.5 percent. As for countries in this region, there was substantial growth, 289.7 percent, in foreign taxes paid or accrued to Colombia. However, the amount of foreign taxes paid or accrued to Latin/South American countries, just \$0.3 billion, was still small in comparison to other regions.

As for Asia and Europe, the growth in these areas was more modest. Asia grew 14.3 percent, while Europe grew 13.4 percent. Even with the modest growth, European countries were the largest recipient of foreign taxes paid or accrued at \$5.4 billion. As

the United Kingdom continues to maintain its position as the largest country in terms of foreign taxes paid, the growth has slowed. From 1996 to 2001, foreign taxes paid or accrued to the United Kingdom grew 85.4 percent, but the growth from 2001 to 2006 was only 2.6 percent.

The income type for which most of the nearly \$13.9 billion in foreign taxes reported on Form 1116 were paid or accrued was general limitation income. Slightly over \$11.3 billion in foreign taxes, representing 81.5 percent of the total, were reported for general limitation income. Passive income was the next largest income type, with just over \$2.3 billion (16.7 percent of the total) in foreign taxes. Total foreign taxes available for credit after carrybacks, carryover, and reductions were \$18.1 billion, and the foreign tax credit before adjustments was approximately \$10.7 billion. (See Explanation of Selected

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Terms.) Table 5 presents additional data on foreign taxes, by income type.

For 2006, a foreign tax credit was reported on 6.4 million individual tax returns, an increase of 62.8 percent from the 3.9 million returns for 2001. The foreign tax credit grew in real terms by 53.9 percent between 2001 and 2006, and reached an all-time high of \$11.0 billion for 2006, up \$3.9 billion from the inflation-adjusted \$7.1 billion reported for 2001 (Figure D).

Though the foreign tax credit grew between 2001 and 2006, it did not grow for each of the years in between. For 2002 and 2003, total inflation-adjusted foreign tax credits claimed fell, 6.6 percent and 4.3 percent, respectively, and then increased for the remaining years. The growth for 2004 was 13.4 percent, followed by 34.0-percent growth for 2005, and 13.4-percent growth for 2006 (Figure H). The average foreign tax credit for 2006 was \$1,707, down slightly from \$1,806 (in 2006 constant dollars) for 2001.

Summary

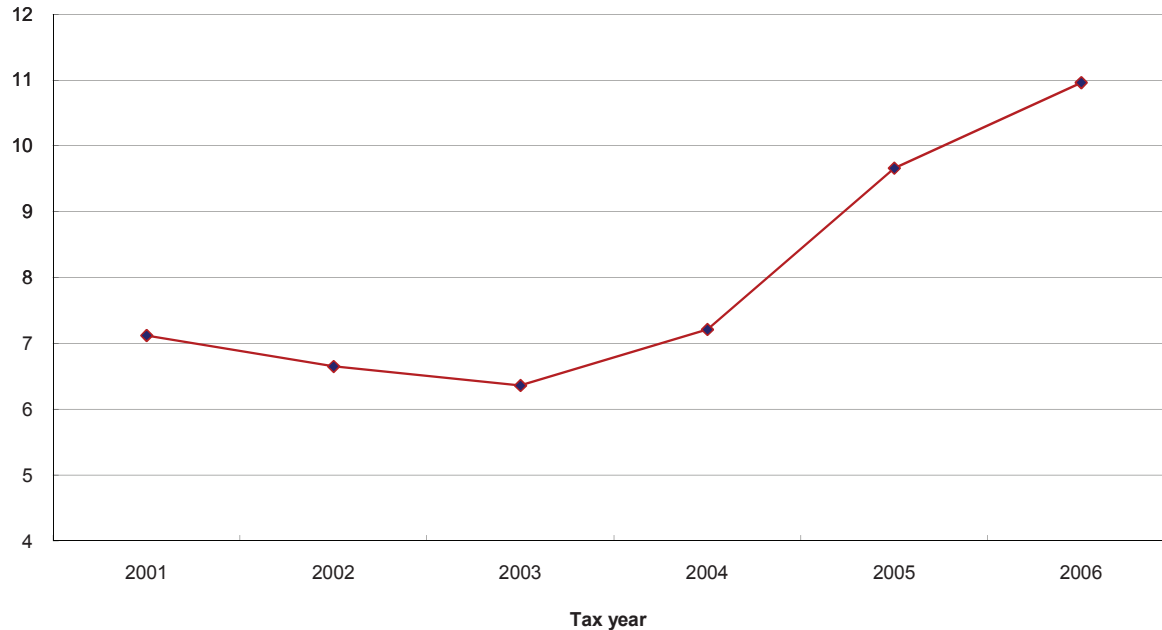
For 2006, the total amount of foreign-earned income reported by U.S. taxpayers grew in real terms by 17.7 percent, to over \$36.7 billion. The largest percentage increase was realized by returns from Asian-based countries, which grew by 29.1 percent, while North American-based countries (21.0 percent) and European-based countries (10.2 percent) grew substantially as well. Latin/South American-based countries saw a decline of 16.7 percent, after showing an increase of 18.3 percent during the 2001 study.

Taxpayers with a tax home in the United Kingdom reported, by far, the most foreign earned income at just over \$6.2 billion. The largest overall growth by an individual country was from China-based taxpayers, which increased 110.2 percent to just over \$1.7 billion. Also showing substantial growth were Switzerland (37.9 percent), South Korea (34.7 percent), Canada (31.5 percent), and Germany (22.8 percent).

Figure H

Foreign Tax Credit, Tax Years 2001-2006

Billions of dollars



NOTE: For comparability, all amounts have been adjusted for inflation to 2006 constant dollars.

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Iraq-based taxpayers reported the fifth highest amount of foreign-earned income, with more than \$1.8 billion, after having no returns in the 2001 study. In contrast with the growth of foreign-earned income for 2006, the total amount of housing exclusion claimed declined by 38.7 percent, from \$2.2 billion reported for 2001 to \$1.3 billion for 2006. The housing deduction also declined in 2006, by 20.2 percent to \$83.6 million.

Foreign-source gross income reported by U.S. taxpayers reached nearly \$120.0 billion for 2006, and the total foreign tax credit claimed was \$11.0 billion for the same period. These amounts represented notable growth in foreign-source gross income and the foreign tax credit from 2001, the last time a study was prepared on these data. For 2006, foreign-source gross income grew, in real terms, 86.6 percent, and the foreign tax credit grew 53.9 percent. As the source of \$24.8 billion in foreign-source gross income and the recipient of \$5.4 billion in foreign taxes paid, European countries were the largest component of these measures. Additionally, a foreign tax credit was claimed on 6.4 million returns, an increase of 62.8 percent from 2001, while the size of the credit grew in real terms by 53.9 percent over this period.

Data Sources and Limitations

The 2006 data presented in this article are based on a sample of individual income tax returns, Forms 1040, processed during Calendar Year 2007, that have one or more of the following: a foreign tax credit, an attached Form 1116, a foreign-earned income exclusion, housing exclusion or housing deduction, or an attached Form 2555 or Form 2555-EZ. Foreign-source income and taxes are understated in this article to the extent that they either were not nor did not have to be reported on Form 1116 to support the foreign tax credit claimed on Form 1040. Taxpayers with \$300 (\$600 if married filing a joint return) or less in creditable foreign taxes who also met certain other conditions were not required to file Form 1116 to claim the foreign tax credit. Therefore, about 61.7 percent of Forms 1040 (as originally filed) with a foreign tax credit did not include the supporting Form 1116. The average foreign tax credit reported on these returns was \$70. Foreign-source income and losses are also understated to the extent that taxpayers who were not eligible for a credit did not

file Form 1116. Taxpayers who had foreign-source income but paid no taxes or had no U.S. tax liability before credits could not claim a foreign tax credit.

About 1.7 percent of the sampled returns with a foreign tax credit or an attached Form 1116 and 13.2 percent of the sampled returns with an attached Form 2555 or Form 2555-EZ were for tax years prior to 2006, reported on delinquent returns processed during the 2006 filing period. These prior-year returns were included as a representation of 2006 returns filed after December 31, 2007. The sampled returns used for the statistics do not reflect adjustments made during audit examination, which determines the acceptability of the reported data.

The sample was stratified based on: (1) the presence or absence of Form 2555, *Foreign Earned Income*, Form 2555-EZ, *Foreign Earned Income Exclusion*, and Form 1116, *Foreign Tax Credit*; (2) presence or absence of other specific forms or schedules; (3) the larger of positive income or negative income; (4) the size of business and farm receipts; and (5) the usefulness of returns for tax policy modeling purposes. The data from Form 2555, *Foreign Earned Income*, and Form 1116, *Foreign Tax Credit*, for 2006 are based on a sample of 104,849 returns and a population of 7,129,627 returns. For a general description of the sampling procedures and data limitations of Statistics of Income tabulations, see *Statistics of Income, Individual Income Tax Returns 2006* and SOI Sampling Methodology and Data Limitations in the back of this issue.

Explanation of Selected Terms

Foreign tax credit adjustments—These include reductions for participation in unsanctioned international boycotts and increases permitted by tax treaties between the United States and certain foreign countries.

Statutory adjustments—Certain adjustments to total income were allowed as deductions in the calculation of adjusted gross income. These mainly included Archer MSA deductions, educator expenses, certain business expenses of certain reservists, performing artists, and fee-based government officials, health savings account deduction, moving expenses, the deduction for one-half of self-employment tax, payments to a self-employed Keogh retirement plan or a simplified employee pension (SEP), the self-em-

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ployed health insurance deduction, forfeited interest penalty, alimony paid, payments to an IRA, student loan interest deductions, jury duty pay given to an employer, deduction for certain domestic production activities, tuition and fees deductions, and the foreign housing deduction.

Foreign-source taxable income—This is foreign-source gross income less deductions and losses. The deductions include any expenses directly related to foreign-source income, a prorated share of the taxpayer's itemized or standard deductions, and a prorated share of interest expenses.

Worldwide income—This is the total income or loss reported on Form 1040 before the foreign-earned income and foreign housing exclusions have been taken. It includes salaries and wages; taxable interest; dividends; taxable refunds of State and local income taxes; alimony received; business income or loss; capital gains or losses, and taxable distributions from an IRA; taxable pensions and annuities; income or loss from rents, royalties, partnerships, S corporations, and estates and trusts; farm income or loss; unemployment compensation; taxable Social Security benefits; and other income or losses.

Individual Foreign-Earned Income and Foreign Tax Credit, 2006

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Table 1. Individual Income Tax Returns With Form 2555: Source of Income, Deduction, Tax Items, and Foreign-Earned Income and Exclusions, by Size of Adjusted Gross Income, Tax Year 2006

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

| Size of adjusted gross income | Total number of returns [1] | Selected income, exclusion, deduction, and credit items reported on Form 1040 | | | | | |
|--------------------------------|-----------------------------|---|----------------------|--------------------|-------------------|-------------------------------------|-------------------|
| | | Adjusted gross income or deficit | Worldwide income [2] | Salaries and wages | | Foreign-earned income exclusion [3] | |
| | | | | Number of returns | Amount | Number of returns | Amount |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| All returns | 334,851 | 37,033,327 | 57,022,480 | 318,987 | 43,989,267 | 329,264 | 18,154,653 |
| No adjusted gross income | 69,986 | -279,210 | 2,789,969 | 65,201 | 2,927,578 | 68,781 | 3,002,210 |
| \$1 under \$10,000 | 76,680 | 254,629 | 3,802,492 | 73,193 | 3,494,941 | 75,005 | 3,484,089 |
| \$10,000 under \$25,000 | 41,416 | 703,336 | 3,043,184 | 39,501 | 2,663,830 | 40,162 | 2,253,692 |
| \$25,000 under \$50,000 | 39,348 | 1,435,074 | 3,791,781 | 37,924 | 3,198,543 | 38,859 | 2,229,633 |
| \$50,000 under \$75,000 | 24,327 | 1,503,491 | 3,070,108 | 23,187 | 2,542,719 | 24,226 | 1,443,808 |
| \$75,000 under \$100,000 | 16,150 | 1,404,428 | 2,534,860 | 15,562 | 2,159,071 | 16,089 | 1,034,390 |
| \$100,000 under \$200,000 | 30,702 | 4,316,245 | 6,700,650 | 29,864 | 5,676,931 | 30,530 | 2,056,528 |
| \$200,000 under \$500,000 | 24,326 | 7,423,446 | 9,656,697 | 23,436 | 8,110,280 | 24,006 | 1,755,019 |
| \$500,000 under \$1,000,000 | 7,180 | 4,932,644 | 5,710,809 | 6,805 | 4,471,017 | 6,975 | 540,579 |
| \$1,000,000 under \$1,500,000 | 2,034 | 2,480,648 | 2,721,199 | 1,831 | 1,921,420 | 2,005 | 153,207 |
| \$1,500,000 under \$2,000,000 | 843 | 1,448,715 | 1,545,672 | 774 | 1,115,838 | 824 | 61,706 |
| \$2,000,000 under \$5,000,000 | 1,341 | 3,949,063 | 4,120,596 | 1,224 | 2,633,610 | 1,308 | 101,266 |
| \$5,000,000 under \$10,000,000 | 309 | 2,095,008 | 2,137,653 | 293 | 1,258,473 | 293 | 22,930 |
| \$10,000,000 or more | 209 | 5,365,809 | 5,396,809 | 192 | 1,815,016 | 200 | 15,598 |

Footnotes at end of table.

Individual Foreign-Earned Income and Foreign Tax Credit, 2006

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Table 1. Individual Income Tax Returns With Form 2555: Source of Income, Deduction, Tax Items, and Foreign-Earned Income and Exclusions, by Size of Adjusted Gross Income, Tax Year 2006—Continued

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

| Size of adjusted gross income | Selected income, exclusion, deduction, and credit items reported on Form 1040 | | | | | | | | | |
|--------------------------------|---|----------------|-------------------|-------------------|--------------------|------------------|-------------------|------------------|--|--|
| | Total adjustments | | Taxable income | | Foreign tax credit | | Total income tax | | Number of Forms 2555 filed by primary taxpayer | Number of Forms 2555 filed by secondary taxpayer |
| | Number of returns | Amount | Number of returns | Amount | Number of returns | Amount | Number of returns | Amount | | |
| (8) | (9) | (10) | (11) | (12) | (13) | (14) | (15) | (16) | (17) | |
| All returns | 76,339 | 498,071 | 168,292 | 32,622,379 | 90,242 | 4,907,376 | 142,524 | 4,269,286 | 328,981 | 37,097 |
| No adjusted gross income | 12,221 | 39,390 | 0 | 0 | * 10 | * 5 | ** | ** | 69,757 | 5,098 |
| \$1 under \$10,000 | 14,409 | 37,711 | 2,643 | 2,658 | 588 | 94 | ** 1,331 | ** 246 | 76,439 | 6,898 |
| \$10,000 under \$25,000 | 10,844 | 34,323 | 21,792 | 148,881 | 5,297 | 6,174 | 17,069 | 21,262 | 40,899 | 4,461 |
| \$25,000 under \$50,000 | 11,413 | 48,801 | 36,837 | 702,969 | 12,100 | 30,559 | 27,929 | 97,531 | 37,057 | 6,626 |
| \$50,000 under \$75,000 | 7,651 | 41,856 | 24,033 | 974,282 | 10,448 | 64,777 | 20,646 | 136,614 | 23,260 | 3,443 |
| \$75,000 under \$100,000 | 4,332 | 26,216 | 16,097 | 1,038,630 | 7,875 | 80,022 | 14,327 | 161,971 | 15,480 | 2,108 |
| \$100,000 under \$200,000 | 7,363 | 65,111 | 30,653 | 3,510,980 | 21,329 | 406,441 | 27,499 | 484,765 | 30,060 | 3,934 |
| \$200,000 under \$500,000 | 5,104 | 75,536 | 24,324 | 6,743,197 | 21,253 | 1,131,148 | 22,456 | 808,816 | 24,165 | 3,116 |
| \$500,000 under \$1,000,000 | 1,706 | 56,845 | 7,176 | 4,686,360 | 6,795 | 880,053 | 6,770 | 573,289 | 7,146 | 945 |
| \$1,000,000 under \$1,500,000 | 518 | 29,867 | 2,034 | 2,382,233 | 1,928 | 444,618 | 1,923 | 305,299 | 2,024 | 192 |
| \$1,500,000 under \$2,000,000 | 200 | 9,505 | 843 | 1,399,856 | 823 | 255,714 | 791 | 183,944 | 843 | 74 |
| \$2,000,000 under \$5,000,000 | 406 | 21,561 | 1,340 | 3,793,493 | 1,294 | 657,451 | 1,291 | 515,259 | 1,334 | 146 |
| \$5,000,000 under \$10,000,000 | 99 | 6,039 | 309 | 2,029,870 | 301 | 339,177 | 294 | 265,340 | 307 | 34 |
| \$10,000,000 or more | 71 | 5,311 | 209 | 5,208,969 | 201 | 611,143 | 197 | 714,948 | 209 | 20 |

Footnotes at end of table.

Individual Foreign-Earned Income and Foreign Tax Credit, 2006

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Table 1. Individual Income Tax Returns With Form 2555: Source of Income, Deduction, Tax Items, and Foreign-Earned Income and Exclusions, by Size of Adjusted Gross Income, Tax Year 2006—Continued

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

| Size of adjusted gross income | Selected income, exclusions, and deductions reported on Form 2555 | | | | | | | |
|--------------------------------|---|-------------------|--|-------------------|--------------------|-------------------|---|------------------|
| | Total foreign-earned income | | Foreign-earned income reported on Form 2555 only | | Salaries and wages | | Business or professional income (less loss) | |
| | Number of returns | Amount | Number of returns | Amount | Number of returns | Amount | Number of returns | Amount |
| | (18) | (19) | (20) | (21) | (22) | (23) | (24) | (25) |
| All returns | 333,944 | 36,738,574 | 246,558 | 32,835,529 | 230,363 | 23,943,539 | 20,660 | 1,323,788 |
| No adjusted gross income | 70,021 | 3,165,545 | 34,829 | 1,654,137 | 31,554 | 1,444,343 | 4,054 | 139,271 |
| \$1 under \$10,000 | 76,647 | 3,640,862 | 44,877 | 2,272,889 | 41,573 | 2,014,224 | 4,653 | 159,466 |
| \$10,000 under \$25,000 | 40,400 | 2,628,379 | 32,645 | 2,220,237 | 30,561 | 2,043,428 | 2,608 | 83,370 |
| \$25,000 under \$50,000 | 39,493 | 2,971,763 | 32,077 | 2,629,479 | 30,414 | 2,365,456 | 2,434 | 132,111 |
| \$50,000 under \$75,000 | 24,338 | 2,253,217 | 21,581 | 2,121,070 | 20,452 | 1,843,055 | 1,765 | 97,394 |
| \$75,000 under \$100,000 | 16,104 | 1,889,616 | 15,124 | 1,842,837 | 14,365 | 1,574,850 | 1,168 | 90,218 |
| \$100,000 under \$200,000 | 30,786 | 4,777,242 | 29,649 | 4,710,327 | 27,969 | 3,614,137 | 2,119 | 188,949 |
| \$200,000 under \$500,000 | 24,222 | 6,438,466 | 23,959 | 6,420,417 | 22,733 | 4,040,131 | 1,229 | 213,844 |
| \$500,000 under \$1,000,000 | 7,210 | 3,386,055 | 7,134 | 3,378,947 | 6,613 | 1,962,453 | 360 | 77,914 |
| \$1,000,000 under \$1,500,000 | 2,037 | 1,386,376 | 2,019 | 1,385,299 | 1,755 | 710,245 | 109 | 29,213 |
| \$1,500,000 under \$2,000,000 | 843 | 704,479 | 836 | 704,159 | 747 | 423,559 | 39 | 14,414 |
| \$2,000,000 under \$5,000,000 | 1,336 | 1,624,397 | 1,329 | 1,624,029 | 1,172 | 904,338 | 92 | 59,575 |
| \$5,000,000 under \$10,000,000 | 304 | 653,510 | 302 | 653,386 | 277 | 339,431 | 18 | 18,437 |
| \$10,000,000 or more | 204 | 1,218,667 | 199 | 1,218,315 | 179 | 663,890 | 12 | 19,611 |

Footnotes at end of table.

Individual Foreign-Earned Income and Foreign Tax Credit, 2006

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Table 1. Individual Income Tax Returns With Form 2555: Source of Income, Deduction, Tax Items, and Foreign-Earned Income and Exclusions, by Size of Adjusted Gross Income, Tax Year 2006—Continued

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

| Size of adjusted gross income | Selected income, exclusions, and deductions reported on Form 2555 | | | | | | | |
|--------------------------------|---|----------------|-------------------|----------------|---|------------------|----------------------------------|---------------|
| | Partnership income (less loss) | | Noncash income | | Allowances, reimbursements, or expenses paid by employers | | Less: meals and lodging excluded | |
| | Number of returns | Amount | Number of returns | Amount | Number of returns | Amount | Number of returns | Amount |
| | (26) | (27) | (28) | (29) | (30) | (31) | (32) | (33) |
| All returns | 2,229 | 960,616 | 10,680 | 146,172 | 46,284 | 4,792,710 | 1,761 | 18,257 |
| No adjusted gross income | * 333 | * 18,032 | 2,109 | 18,198 | 1,629 | 18,457 | * 215 | * 1,177 |
| \$1 under \$10,000 | * 208 | * 11,024 | 1,619 | 12,177 | 3,392 | 39,750 | * 201 | * 2,618 |
| \$10,000 under \$25,000 | * 159 | * 11,018 | 1,285 | 12,268 | 2,748 | 56,859 | 606 | 3,357 |
| \$25,000 under \$50,000 | * 180 | * 5,656 | 1,959 | 18,023 | 3,428 | 86,805 | * 306 | * 2,070 |
| \$50,000 under \$75,000 | * 14 | * 1,939 | 685 | 11,935 | 3,372 | 139,512 | * 114 | * 1,601 |
| \$75,000 under \$100,000 | * 59 | * 1,304 | 514 | 9,425 | 3,039 | 137,581 | * 52 | * 703 |
| \$100,000 under \$200,000 | 133 | 22,705 | 1,044 | 24,009 | 10,188 | 676,241 | 177 | 3,675 |
| \$200,000 under \$500,000 | 374 | 97,485 | 983 | 21,634 | 12,466 | 1,582,397 | 79 | 1,653 |
| \$500,000 under \$1,000,000 | 341 | 173,933 | 303 | 11,651 | 3,853 | 865,986 | * 5 | * 181 |
| \$1,000,000 under \$1,500,000 | 207 | 189,202 | 90 | 2,592 | 958 | 312,832 | * 3 | * 1 |
| \$1,500,000 under \$2,000,000 | 55 | 48,830 | ** 74 | ** 2,731 | 404 | 134,160 | ** 4 | ** 1,221 |
| \$2,000,000 under \$5,000,000 | 125 | 147,936 | ** | ** | 589 | 341,487 | ** | ** |
| \$5,000,000 under \$10,000,000 | 25 | 43,262 | 11 | 895 | 137 | 168,845 | 0 | 0 |
| \$10,000,000 or more | 15 | 188,291 | * 4 | * 634 | 81 | 231,796 | 0 | 0 |

Footnotes at end of table.

Individual Foreign-Earned Income and Foreign Tax Credit, 2006

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Table 1. Individual Income Tax Returns With Form 2555: Source of Income, Deduction, Tax Items, and Foreign-Earned Income and Exclusions, by Size of Adjusted Gross Income, Tax Year 2006—Continued

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

| Size of adjusted gross income | Selected income, exclusions, and deductions reported on Form 2555 | | | | | | | |
|--------------------------------|---|------------------|---|-------------------|-------------------|------------------|-------------------|---------------|
| | Other foreign-earned income (less loss) | | Foreign-earned income exclusion before deductions | | Housing exclusion | | Housing deduction | |
| | Number of returns | Amount | Number of returns | Amount | Number of returns | Amount | Number of returns | Amount |
| | (34) | (35) | (36) | (37) | (38) | (39) | (40) | (41) |
| All returns | 19,837 | 1,686,961 | 330,471 | 18,357,200 | 57,009 | 1,336,430 | 3,949 | 83,632 |
| No adjusted gross income | 1,509 | 17,014 | 68,991 | 3,042,573 | 1,856 | 27,579 | * 150 | * 1,139 |
| \$1 under \$10,000 | 2,293 | 38,865 | 75,168 | 3,516,734 | 2,209 | 26,064 | * 228 | * 3,408 |
| \$10,000 under \$25,000 | 1,090 | 16,653 | 40,352 | 2,277,452 | 3,463 | 51,833 | 401 | 3,366 |
| \$25,000 under \$50,000 | 1,152 | 23,498 | 39,099 | 2,258,338 | 5,834 | 78,273 | 597 | 6,991 |
| \$50,000 under \$75,000 | 1,086 | 28,835 | 24,338 | 1,457,527 | 5,072 | 80,954 | 494 | 5,130 |
| \$75,000 under \$100,000 | 907 | 30,160 | 16,104 | 1,047,706 | 4,126 | 69,827 | 298 | 4,313 |
| \$100,000 under \$200,000 | 3,804 | 187,962 | 30,650 | 2,076,320 | 12,624 | 262,765 | 588 | 8,943 |
| \$200,000 under \$500,000 | 5,031 | 466,580 | 24,113 | 1,772,062 | 14,384 | 402,696 | 477 | 12,631 |
| \$500,000 under \$1,000,000 | 1,834 | 287,191 | 7,013 | 546,996 | 4,667 | 180,742 | 341 | 12,157 |
| \$1,000,000 under \$1,500,000 | 515 | 141,215 | 2,011 | 156,275 | 1,242 | 57,477 | 155 | 8,962 |
| \$1,500,000 under \$2,000,000 | 219 | 83,016 | 825 | 62,804 | 495 | 25,746 | 51 | 3,095 |
| \$2,000,000 under \$5,000,000 | 291 | 169,363 | 1,314 | 103,307 | 751 | 48,706 | 126 | 7,548 |
| \$5,000,000 under \$10,000,000 | 76 | 82,517 | 294 | 23,305 | 179 | 13,676 | 23 | 2,155 |
| \$10,000,000 or more | 31 | 114,094 | 200 | 15,802 | 105 | 10,091 | 19 | 3,795 |

*Estimate should be used with caution because of the small number of sample returns on which it is based.

**Data combined to avoid disclosure of information for specific taxpayers. However, data are included in the appropriate totals.

[1] Includes returns with no foreign-earned income, but filed to claim an exclusion for a prior year or for reporting purposes.

[2] Worldwide income is total income or loss reported on Form 1040 before the foreign-earned income and housing exclusions have been taken.

[3] Amount reported on Form 1040 is the total amount of foreign-earned income exclusion after subtracting deductions allocable to excluded income.

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

Individual Foreign-Earned Income and Foreign Tax Credit, 2006

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Table 2. Individual Income Tax Returns With Form 2555: Foreign-Earned Income Exclusion, Housing Exclusion, and Housing Deduction, by Country or Region, Tax Year 2006

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

| Country or region | Number of returns [1] | Total foreign-earned income | Foreign-earned income | | | |
|--|-----------------------|-----------------------------|-----------------------|---|--------------------------------|----------------|
| | | | Salaries and wages | Business or professional income (less loss) | Partnership income (less loss) | Noncash income |
| | (1) | (2) | (3) | (4) | (5) | (6) |
| All geographic areas | 334,851 | 36,738,574 | 23,943,539 | 1,323,788 | 960,616 | 146,172 |
| North America, total | 36,179 | 3,248,559 | 2,414,177 | 215,932 | 33,603 | 4,918 |
| Canada | 30,067 | 2,671,963 | 2,035,925 | 184,705 | 29,253 | 1,120 |
| Greenland | 0 | 0 | 0 | 0 | 0 | 0 |
| Mexico | 6,112 | 576,596 | 378,251 | 31,226 | * 4,350 | 3,798 |
| Latin/South America, total | 13,911 | 1,164,998 | 756,403 | 60,693 | * 6,796 | 3,484 |
| Argentina | 751 | 85,013 | 45,690 | * 3,574 | 0 | * 54 |
| Brazil | 2,696 | 276,110 | 181,038 | 12,867 | * 23 | * 734 |
| Chile | 902 | 107,074 | 68,291 | * 6,840 | 0 | * 579 |
| Colombia | 1,870 | 136,197 | 71,470 | * 2,352 | * 524 | * 334 |
| Costa Rica | 1,662 | 107,935 | 59,808 | * 5,603 | 0 | 0 |
| Panama | 1,032 | 81,134 | 63,834 | * 1,203 | 0 | 0 |
| Peru | 419 | 48,359 | 25,328 | * 10,764 | 0 | 0 |
| Venezuela | 705 | 108,725 | 75,691 | * 901 | * 796 | 0 |
| Other Latin and South American countries | 3,876 | 214,451 | 165,254 | 16,587 | * 5,453 | * 1,784 |
| Caribbean, total | 7,323 | 784,459 | 531,365 | 26,797 | * 4,101 | 4,759 |
| Bahamas | 1,089 | 91,211 | 69,717 | * 595 | * 394 | * 890 |
| Bermuda | 1,758 | 350,693 | 238,162 | * 13,647 | 0 | 1,387 |
| Cayman Islands | 970 | 73,013 | 42,836 | * 8,540 | 0 | * 113 |
| Dominican Republic | 1,093 | 61,041 | 52,303 | 0 | * 459 | * 891 |
| Other Caribbean countries | 2,414 | 208,502 | 128,347 | * 4,016 | * 3,249 | * 1,479 |
| Europe, total | 99,732 | 13,306,949 | 7,910,345 | 506,528 | 618,712 | 31,911 |
| Austria | 1,361 | 97,384 | 59,897 | * 1,986 | * 1,740 | 0 |
| Belgium | 1,881 | 312,965 | 187,312 | * 8,011 | * 8,223 | 1,152 |
| Czech Republic | 1,091 | 86,297 | 63,749 | 0 | * 7,805 | 0 |
| Denmark | 1,754 | 124,420 | 69,544 | * 252 | 0 | * 84 |
| Finland | 354 | 46,540 | 29,761 | 0 | * 126 | 0 |
| France | 9,653 | 944,881 | 583,390 | 61,897 | 53,505 | 3,032 |
| Germany | 21,513 | 1,718,890 | 1,026,484 | 89,101 | * 21,857 | 6,821 |
| Greece | 1,484 | 85,668 | 43,099 | * 4,536 | * 5,138 | * 52 |
| Hungary | 604 | 58,764 | 33,748 | * 146 | * 992 | * 34 |
| Ireland | 1,896 | 151,446 | 88,322 | 4,493 | * 2,592 | * 436 |
| Italy | 5,199 | 444,533 | 261,322 | 37,166 | * 10,010 | * 894 |
| Luxembourg | 219 | 36,438 | 27,884 | * 2 | 0 | * 32 |
| Netherlands | 3,263 | 438,193 | 246,738 | 12,175 | * 6,975 | 2,804 |
| Norway | 1,215 | 146,445 | 72,112 | * 232 | 0 | * 265 |
| Poland | 735 | 49,419 | 29,855 | * 6,757 | * 1,142 | * 371 |
| Portugal | 387 | 23,444 | 18,512 | * 1,155 | 0 | * 17 |
| Russia | 2,495 | 575,457 | 341,506 | 36,158 | 17,739 | * 1,821 |
| Spain | 2,453 | 203,428 | 129,593 | 8,880 | * 5,047 | * 359 |
| Sweden | 1,399 | 123,032 | 75,918 | * 8 | 0 | * 38 |
| Switzerland | 7,093 | 997,485 | 722,166 | 21,971 | 20,343 | 3,095 |
| Turkey | 1,199 | 87,828 | 54,471 | * 1,379 | 0 | * 34 |
| United Kingdom | 28,409 | 6,238,909 | 3,541,001 | 186,424 | 452,639 | 9,145 |
| Other European countries | 4,078 | 315,082 | 203,960 | 23,798 | * 2,839 | * 1,424 |

Footnotes at end of table.

Individual Foreign-Earned Income and Foreign Tax Credit, 2006

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Table 2. Individual Income Tax Returns With Form 2555: Foreign-Earned Income Exclusion, Housing Exclusion, and Housing Deduction, by Country or Region, Tax Year 2006—Continued

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

| Country or region | Number of returns [1] | Total foreign-earned income | Foreign-earned income | | | |
|----------------------------|-----------------------|-----------------------------|-----------------------|---|--------------------------------|----------------|
| | | | Salaries and wages | Business or professional income (less loss) | Partnership income (less loss) | Noncash income |
| | (1) | (2) | (3) | (4) | (5) | (6) |
| Africa, total | 9,697 | 879,229 | 556,150 | 41,995 | * 11,835 | 7,191 |
| Algeria | * 241 | * 20,112 | * 9,631 | 0 | 0 | 0 |
| Angola | 398 | 75,970 | 33,735 | * 268 | 0 | 0 |
| Egypt | 1,658 | 156,933 | 100,150 | * 10,518 | * 7,106 | * 1,878 |
| Kenya | 992 | 57,015 | 39,868 | * 2,877 | 0 | * 3 |
| Nigeria | 906 | 137,051 | 88,403 | * 3,755 | * 206 | * 2,442 |
| South Africa | 923 | 100,682 | 57,310 | * 4,170 | * 1,728 | * 45 |
| Other African countries | 4,576 | 331,466 | 227,051 | 20,407 | * 2,795 | 2,823 |
| Asia, total | 138,795 | 14,672,274 | 9,965,299 | 341,021 | 210,346 | 84,897 |
| Afghanistan | 5,912 | 444,723 | 331,428 | * 20,899 | 0 | * 874 |
| China | 12,430 | 1,712,601 | 929,581 | 26,440 | 38,075 | 14,554 |
| Hong Kong | 10,792 | 1,844,813 | 1,213,904 | 22,529 | 57,508 | 11,183 |
| India | 4,214 | 416,429 | 281,010 | 9,992 | * 3,404 | * 1,875 |
| Indonesia | 1,786 | 253,086 | 158,881 | * 2,219 | * 783 | 863 |
| Iraq | 18,325 | 1,827,813 | 1,593,028 | 55,671 | 0 | * 1,013 |
| Israel | 8,986 | 506,127 | 344,434 | 36,061 | * 8,016 | * 2,084 |
| Japan | 23,529 | 2,106,707 | 1,257,739 | 44,218 | 60,979 | 3,749 |
| Malaysia | 1,160 | 150,353 | 99,224 | * 2,016 | 0 | * 3,279 |
| Philippines | 2,313 | 168,185 | 109,948 | * 10,056 | * 3,987 | * 993 |
| Saudi Arabia | 5,109 | 617,179 | 528,462 | * 410 | 0 | 8,895 |
| Singapore | 3,636 | 747,901 | 486,981 | 7,244 | 14,538 | 6,776 |
| South Korea | 6,668 | 694,003 | 463,162 | 26,481 | * 2,922 | 4,166 |
| Taiwan | 6,588 | 563,075 | 380,034 | * 9,211 | * 3,178 | * 3,844 |
| Thailand | 3,643 | 409,197 | 236,908 | * 2,742 | * 3,396 | * 1,426 |
| United Arab Emirates | 7,423 | 759,629 | 566,746 | 17,482 | * 1,843 | 9,228 |
| Other Asian countries | 16,284 | 1,450,451 | 983,831 | 47,349 | * 11,717 | 10,093 |
| Oceania, total | 9,724 | 851,543 | 494,684 | 6,045 | * 1,495 | 3,765 |
| Australia | 6,420 | 661,928 | 391,963 | 5,825 | * 1,264 | 3,559 |
| New Zealand | 2,518 | 143,043 | 71,139 | 0 | * 231 | 0 |
| Other Oceania countries | 787 | 46,572 | 31,582 | * 220 | 0 | * 206 |
| All other countries | 19,490 | 1,830,563 | 1,315,115 | 124,778 | 73,728 | 5,248 |

Footnotes at end of table.

Individual Foreign-Earned Income and Foreign Tax Credit, 2006

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Table 2. Individual Income Tax Returns With Form 2555: Foreign-Earned Income Exclusion, Housing Exclusion, and Housing Deduction, by Country or Region, Tax Year 2006—Continued

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

| Country or region | Foreign-earned income | | | Foreign-earned income exclusion before deductions | Housing exclusion | Housing deduction |
|--|---|----------------------------------|---|---|-------------------|-------------------|
| | Allowances, reimbursements, or expenses paid by employers | Less: meals and lodging excluded | Other foreign-earned income (less loss) | | | |
| | (7) | (8) | (9) | (10) | (11) | (12) |
| All geographic areas | 4,792,710 | 18,257 | 1,686,961 | 18,357,200 | 1,336,430 | 83,632 |
| North America, total | 139,898 | * 2,484 | 82,739 | 1,778,374 | 27,640 | 475 |
| Canada | 62,931 | * 2,451 | 58,899 | 1,459,721 | 11,865 | * 158 |
| Greenland | 0 | 0 | 0 | 0 | 0 | 0 |
| Mexico | 76,968 | * 33 | 23,839 | 318,653 | 15,775 | * 318 |
| Latin/South America, total | 141,420 | * 819 | 53,935 | 677,079 | 30,066 | 868 |
| Argentina | 18,252 | 0 | 10,096 | 34,606 | 4,504 | 0 |
| Brazil | 52,192 | * 21 | 11,322 | 122,346 | 8,534 | * 383 |
| Chile | 14,060 | * 22 | 13,034 | 55,454 | 4,307 | 0 |
| Colombia | * 1,676 | 0 | * 8,025 | 110,574 | 1,891 | * 157 |
| Costa Rica | * 3,921 | 0 | * 2,343 | 81,316 | 1,927 | 0 |
| Panama | * 5,411 | 0 | * 379 | 59,768 | * 993 | 0 |
| Peru | 7,797 | 0 | * 3,962 | 26,375 | * 753 | * 8 |
| Venezuela | 27,950 | 0 | 1,795 | 52,826 | 5,528 | 0 |
| Other Latin and South American countries | 10,162 | * 776 | 2,978 | 133,815 | 1,629 | * 320 |
| Caribbean, total | 78,176 | * 578 | 32,527 | 423,938 | 38,447 | 554 |
| Bahamas | * 1,071 | * 387 | 0 | 62,947 | * 1,163 | * 115 |
| Bermuda | 59,390 | 0 | 10,906 | 120,943 | 33,069 | * 295 |
| Cayman Islands | * 1,421 | 0 | * 179 | 55,050 | * 774 | * 68 |
| Dominican Republic | * 2,673 | 0 | * -105 | 52,625 | * 968 | * 6 |
| Other Caribbean countries | 13,620 | * 191 | 21,547 | 132,374 | 2,473 | 70 |
| Europe, total | 2,145,238 | 2,174 | 801,923 | 5,483,891 | 544,843 | 37,640 |
| Austria | * 4,249 | 0 | * 2,442 | 64,698 | 1,346 | 0 |
| Belgium | 65,488 | * 30 | 33,609 | 122,311 | 16,381 | 717 |
| Czech Republic | 10,179 | 0 | * 600 | 53,570 | 1,423 | * 115 |
| Denmark | * 2,080 | 0 | * 10,892 | 92,083 | 1,021 | 0 |
| Finland | * 7,425 | 0 | * 1,066 | 25,830 | 766 | 0 |
| France | 70,409 | 0 | 30,396 | 494,997 | 38,712 | 3,793 |
| Germany | 161,110 | * 65 | 72,324 | 1,050,100 | 51,291 | 3,460 |
| Greece | * 4,220 | * 102 | * 949 | 65,060 | * 887 | * 1,155 |
| Hungary | * 4,272 | 0 | * 5,245 | 34,488 | 1,318 | * 51 |
| Ireland | 21,045 | 0 | 3,383 | 92,771 | 2,733 | * 36 |
| Italy | 58,150 | * 18 | 15,382 | 280,790 | 18,756 | 972 |
| Luxembourg | * 2,110 | * 31 | * 3,773 | 13,826 | 1,461 | 0 |
| Netherlands | 105,371 | 0 | 33,002 | 172,551 | 16,703 | * 642 |
| Norway | 40,600 | 0 | * 4,710 | 71,149 | 2,711 | 0 |
| Poland | 5,823 | 0 | * 951 | 22,580 | 796 | * 142 |
| Portugal | * 1,045 | 0 | * 378 | 10,121 | * 220 | * 111 |
| Russia | 108,209 | * 368 | 58,807 | 163,857 | 32,785 | 1,826 |
| Spain | 21,651 | 0 | 5,090 | 117,301 | 3,119 | * 219 |
| Sweden | 12,855 | 0 | * 872 | 91,305 | 1,111 | * 133 |
| Switzerland | 114,343 | 0 | 35,562 | 459,225 | 49,381 | 1,467 |
| Turkey | 7,510 | 0 | * 4,765 | 55,664 | 1,650 | * 174 |
| United Kingdom | 1,294,549 | * 1,561 | 465,957 | 1,725,794 | 296,566 | 22,323 |
| Other European countries | 22,544 | 0 | 11,767 | 203,819 | 3,707 | 305 |

Footnotes at end of table.

Individual Foreign-Earned Income and Foreign Tax Credit, 2006

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Table 2. Individual Income Tax Returns With Form 2555: Foreign-Earned Income Exclusion, Housing Exclusion, and Housing Deduction, by Country or Region, Tax Year 2006—Continued

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

| Country or region | Foreign-earned income | | | Foreign-earned income exclusion before deductions | Housing exclusion | Housing deduction |
|----------------------------|---|----------------------------------|---|---|-------------------|-------------------|
| | Allowances, reimbursements, or expenses paid by employers | Less: meals and lodging excluded | Other foreign-earned income (less loss) | | | |
| | (7) | (8) | (9) | (10) | (11) | (12) |
| Africa, total | 144,261 | * 2,138 | 34,017 | 504,562 | 17,841 | * 1,220 |
| Algeria | * 3,665 | 0 | 0 | * 11,672 | * 1,028 | 0 |
| Angola | 34,460 | 0 | * 3,728 | 25,009 | 1,405 | * 22 |
| Egypt | 19,255 | * 657 | * 4,888 | 89,756 | 2,917 | * 479 |
| Kenya | * 3,812 | * 3 | * 508 | 41,746 | * 571 | * 124 |
| Nigeria | 25,923 | * 1,143 | * 7,072 | 61,578 | 2,102 | * 413 |
| South Africa | 19,198 | 0 | 9,621 | 50,200 | 2,556 | * 29 |
| Other African countries | 37,947 | * 334 | 8,199 | 224,602 | 7,260 | * 152 |
| Asia, total | 1,996,684 | 9,746 | 596,728 | 7,922,615 | 644,989 | 38,665 |
| Afghanistan | * 3,742 | * 494 | 0 | 329,893 | 0 | * 112 |
| China | 462,495 | * 11 | 126,800 | 742,633 | 112,418 | 2,788 |
| Hong Kong | 329,877 | * 252 | 106,695 | 689,045 | 194,828 | 13,395 |
| India | 60,154 | 0 | 26,653 | 198,982 | 5,985 | * 18 |
| Indonesia | 68,155 | * 39 | 6,857 | 111,620 | 5,566 | * 472 |
| Iraq | 7,711 | * 1,668 | * 3,521 | 1,187,886 | * 2,290 | * 829 |
| Israel | * 4,189 | 0 | 5,723 | 401,871 | 650 | * 145 |
| Japan | 327,858 | * 2 | 118,823 | 1,115,473 | 133,821 | 10,139 |
| Malaysia | 32,086 | 0 | 9,630 | 67,154 | 6,109 | * 348 |
| Philippines | 21,104 | * 441 | * 6,270 | 103,738 | 3,148 | * 568 |
| Saudi Arabia | 27,233 | * 2,117 | 10,237 | 365,144 | 6,352 | * 4 |
| Singapore | 165,623 | 0 | 58,253 | 261,410 | 52,724 | 683 |
| South Korea | 91,430 | 0 | 31,944 | 349,846 | 38,858 | 2,976 |
| Taiwan | 64,113 | * 579 | 14,935 | 348,466 | 14,028 | * 156 |
| Thailand | 102,744 | 0 | 26,454 | 196,233 | 14,481 | * 378 |
| United Arab Emirates | 70,949 | * 2,836 | 12,732 | 505,403 | 27,230 | 3,240 |
| Other Asian countries | 157,220 | * 1,306 | 31,201 | 947,815 | 26,500 | 2,417 |
| Oceania, total | 80,709 | * 206 | 53,840 | 536,464 | 11,943 | * 49 |
| Australia | 74,386 | 0 | 50,324 | 387,338 | 11,479 | * 48 |
| New Zealand | 5,086 | 0 | * 3,024 | 109,537 | * 174 | * 1 |
| Other Oceania countries | * 1,237 | * 206 | * 491 | 39,589 | * 291 | 0 |
| All other countries | 66,323 | * 113 | 31,252 | 1,030,277 | 20,661 | 4,160 |

* Estimate should be used with caution because of the small number of sample returns on which it is based.

[1] Includes returns with no foreign-earned income, but filed to claim an exclusion for a prior year or for reporting purposes.

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

Individual Foreign-Earned Income and Foreign Tax Credit, 2006

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Table 3. Individual Income Tax Returns With a Foreign Tax Credit or a Form 1116 [1]: Sources of Income, Deductions and Tax Items and Foreign Income, Taxes, and Credit, by Size of Adjusted Gross Income, Tax Year 2006

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

| Size of adjusted gross income | Number of returns | Selected income, exclusion, deduction, and credit items reported on Form 1040 | | | | | | |
|--------------------------------|-------------------|---|--------------------|--------------------|-------------------------------------|------------------|---------------------------|---------------|
| | | Adjusted gross income or deficit | Salaries and wages | | Foreign-earned income exclusion [2] | | Foreign housing deduction | |
| | | | Number of returns | Amount | Number of returns | Amount | Number of returns | Amount |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| All returns | 6,900,020 | 1,787,685,547 | 4,667,733 | 704,086,824 | 104,195 | 7,104,408 | 2,491 | 66,604 |
| No adjusted gross income | 64,433 | -17,910,819 | 21,861 | 1,219,751 | 3,091 | 146,315 | * 10 | * [6] |
| \$1 under \$10,000 | 305,026 | 1,415,014 | 112,708 | 741,642 | 4,549 | 278,876 | * 13 | * 208 |
| \$10,000 under \$25,000 | 469,098 | 8,214,577 | 202,318 | 2,855,578 | 8,291 | 499,642 | * 109 | * 771 |
| \$25,000 under \$50,000 | 887,538 | 33,638,913 | 516,051 | 14,654,289 | 13,759 | 843,784 | 390 | 4,039 |
| \$50,000 under \$75,000 | 1,002,359 | 62,595,444 | 625,190 | 27,818,961 | 11,142 | 732,107 | 258 | 3,308 |
| \$75,000 under \$100,000 | 895,792 | 77,908,768 | 620,969 | 39,392,615 | 8,307 | 587,165 | 161 | 2,312 |
| \$100,000 under \$200,000 | 1,757,545 | 247,122,513 | 1,339,397 | 138,148,155 | 22,388 | 1,550,282 | 442 | 7,453 |
| \$200,000 under \$500,000 | 996,360 | 299,504,537 | 809,313 | 162,509,345 | 21,475 | 1,597,902 | 420 | 11,115 |
| \$500,000 under \$1,000,000 | 298,313 | 204,152,569 | 242,262 | 95,025,933 | 6,710 | 523,948 | 322 | 12,083 |
| \$1,000,000 under \$1,500,000 | 87,955 | 106,678,881 | 69,862 | 42,219,463 | 1,922 | 147,349 | 150 | 8,831 |
| \$1,500,000 under \$2,000,000 | 39,777 | 68,564,737 | 31,154 | 23,599,877 | 808 | 60,725 | 51 | 3,095 |
| \$2,000,000 under \$5,000,000 | 65,028 | 196,108,884 | 51,771 | 62,338,082 | 1,273 | 98,601 | 124 | 7,507 |
| \$5,000,000 under \$10,000,000 | 18,078 | 124,606,787 | 14,619 | 33,520,283 | 285 | 22,385 | 23 | 2,155 |
| \$10,000,000 or more | 12,720 | 375,084,741 | 10,258 | 60,042,849 | 194 | 15,328 | 18 | 3,729 |

Footnotes at end of table.

Individual Foreign-Earned Income and Foreign Tax Credit, 2006

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Table 3. Individual Income Tax Returns With a Foreign Tax Credit or a Form 1116 [1]: Sources of Income, Deductions and Tax Items and Foreign Income, Taxes, and Credit, by Size of Adjusted Gross Income, Tax Year 2006—Continued

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

| Size of adjusted gross income | Selected income, exclusion, deduction, and credit items reported on Form 1040—continued | | | | | | | |
|--------------------------------|---|----------------------|--------------------|-------------------|-------------------|--------------------|----------------------|----------------------|
| | Taxable income | | Foreign tax credit | | Total income tax | | Worldwide income [3] | |
| | Number of returns | Amount | Number of returns | Amount | Number of returns | Amount | Number of returns | Amount |
| | (9) | (10) | (11) | (12) | (13) | (14) | (15) | (16) |
| All returns | 6,664,735 | 1,504,490,773 | 6,418,317 | 10,958,470 | 6,446,287 | 343,723,194 | 2,940,944 | 1,192,814,878 |
| No adjusted gross income | 0 | 0 | 151 | 13 | 1,135 | 56,343 | 63,287 | -17,580,894 |
| \$1 under \$10,000 | 232,313 | 598,185 | 221,732 | 5,057 | 212,376 | 50,214 | 156,224 | 1,037,181 |
| \$10,000 under \$25,000 | 404,828 | 3,176,839 | 388,427 | 30,711 | 357,928 | 246,715 | 204,430 | 4,138,026 |
| \$25,000 under \$50,000 | 869,671 | 19,336,673 | 829,113 | 110,154 | 784,409 | 1,951,575 | 311,461 | 12,803,734 |
| \$50,000 under \$75,000 | 996,588 | 41,982,697 | 952,000 | 206,183 | 953,597 | 5,191,736 | 366,616 | 24,143,472 |
| \$75,000 under \$100,000 | 893,582 | 55,884,993 | 854,194 | 214,073 | 878,551 | 7,545,229 | 310,722 | 28,071,183 |
| \$100,000 under \$200,000 | 1,752,344 | 187,647,618 | 1,708,249 | 754,929 | 1,745,080 | 32,738,495 | 648,483 | 97,039,753 |
| \$200,000 under \$500,000 | 994,364 | 248,266,474 | 960,785 | 1,920,006 | 992,694 | 58,429,790 | 521,622 | 166,033,152 |
| \$500,000 under \$1,000,000 | 297,860 | 177,446,971 | 288,317 | 1,432,537 | 297,481 | 47,037,359 | 188,730 | 133,026,493 |
| \$1,000,000 under \$1,500,000 | 87,844 | 94,282,869 | 84,665 | 739,541 | 87,732 | 25,238,084 | 61,627 | 76,223,706 |
| \$1,500,000 under \$2,000,000 | 39,693 | 60,609,961 | 38,493 | 494,282 | 39,672 | 16,223,256 | 29,548 | 51,690,843 |
| \$2,000,000 under \$5,000,000 | 64,899 | 174,928,438 | 62,732 | 1,471,381 | 64,896 | 46,366,765 | 51,299 | 157,189,837 |
| \$5,000,000 under \$10,000,000 | 18,041 | 111,369,003 | 17,310 | 839,138 | 18,040 | 28,287,245 | 15,348 | 106,738,639 |
| \$10,000,000 or more | 12,706 | 328,960,054 | 12,151 | 2,740,464 | 12,697 | 74,360,388 | 11,547 | 352,259,751 |

Footnotes at end of table.

Individual Foreign-Earned Income and Foreign Tax Credit, 2006

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Table 3. Individual Income Tax Returns With a Foreign Tax Credit or a Form 1116 [1]: Sources of Income, Deductions and Tax Items and Foreign Income, Taxes, and Credit, by Size of Adjusted Gross Income, Tax Year 2006—Continued

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

| Size of adjusted gross income | Returns with a Form 1116 | | | | | | | |
|--------------------------------|--|--------------------|--------------------------------------|-------------------|--|-------------------|-----------------------------------|-------------------|
| | Foreign income, taxes and credit reported on Form 1116 | | | | | | | |
| | Foreign-source gross income | | Foreign-source deductions and losses | | Foreign-source taxable income before adjustments [4] | | Foreign taxes paid or accrued on: | |
| | Number of returns | Amount | Number of returns | Amount | Number of returns | Amount | Number of returns | Amount |
| | (17) | (18) | (19) | (20) | (21) | (22) | (23) | (24) |
| All returns | 2,789,002 | 119,963,255 | 2,565,086 | 41,280,524 | 2,789,903 | 78,682,731 | 2,648,572 | 13,885,215 |
| No adjusted gross income | 50,256 | 1,487,183 | 48,707 | 1,094,018 | 51,021 | 393,166 | 44,632 | 61,892 |
| \$1 under \$10,000 | 138,876 | 341,414 | 131,637 | 125,296 | 138,506 | 216,119 | 132,213 | 50,195 |
| \$10,000 under \$25,000 | 186,820 | 962,566 | 168,279 | 300,728 | 187,036 | 661,838 | 178,670 | 118,868 |
| \$25,000 under \$50,000 | 286,059 | 2,083,552 | 262,469 | 418,079 | 285,255 | 1,665,473 | 268,877 | 283,434 |
| \$50,000 under \$75,000 | 346,881 | 2,583,293 | 306,680 | 406,916 | 346,941 | 2,176,377 | 324,199 | 392,396 |
| \$75,000 under \$100,000 | 293,390 | 2,344,171 | 266,818 | 326,416 | 293,417 | 2,017,755 | 275,346 | 367,075 |
| \$100,000 under \$200,000 | 627,487 | 6,787,157 | 571,391 | 943,424 | 627,643 | 5,843,733 | 591,566 | 1,200,539 |
| \$200,000 under \$500,000 | 507,887 | 15,785,533 | 474,311 | 2,789,667 | 508,186 | 12,995,866 | 487,636 | 2,693,275 |
| \$500,000 under \$1,000,000 | 184,891 | 11,210,382 | 175,424 | 2,950,049 | 185,236 | 8,260,333 | 181,148 | 1,735,311 |
| \$1,000,000 under \$1,500,000 | 60,401 | 7,480,404 | 57,535 | 2,513,146 | 60,482 | 4,967,257 | 59,087 | 902,335 |
| \$1,500,000 under \$2,000,000 | 29,020 | 4,500,201 | 27,710 | 1,569,667 | 29,052 | 2,930,534 | 28,740 | 547,894 |
| \$2,000,000 under \$5,000,000 | 50,522 | 14,218,711 | 48,479 | 5,359,749 | 50,571 | 8,858,962 | 50,107 | 1,637,698 |
| \$5,000,000 under \$10,000,000 | 15,111 | 9,175,396 | 14,573 | 3,383,657 | 15,133 | 5,791,739 | 15,002 | 950,241 |
| \$10,000,000 or more | 11,402 | 41,003,292 | 11,073 | 19,099,712 | 11,422 | 21,903,580 | 11,349 | 2,944,063 |

Footnotes at end of table.

Individual Foreign-Earned Income and Foreign Tax Credit, 2006

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Table 3. Individual Income Tax Returns With a Foreign Tax Credit or a Form 1116 [1]: Sources of Income, Deductions and Tax Items and Foreign Income, Taxes, and Credit, by Size of Adjusted Gross Income, Tax Year 2006—Continued

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

| Size of adjusted gross income | Returns with a Form 1116—continued | | | | | | | |
|--------------------------------|--|------------------|---------------------|----------------|-------------------|---------------|-------------------|-------------------|
| | Foreign income, taxes and credit reported on Form 1116—continued | | | | | | | |
| | Foreign taxes paid or accrued on—continued: | | | | | | | |
| | Dividends | | Rents and royalties | | Interest | | Other income | |
| | Number of returns | Amount | Number of returns | Amount | Number of returns | Amount | Number of returns | Amount |
| | (25) | (26) | (27) | (28) | (29) | (30) | (31) | (32) |
| All returns | 2,178,672 | 1,483,281 | 22,503 | 151,912 | 63,824 | 72,968 | 596,446 | 12,177,054 |
| No adjusted gross income | 37,113 | 14,666 | 249 | 370 | 950 | 1,354 | 9,003 | 45,502 |
| \$1 under \$10,000 | 110,316 | 6,543 | * 48 | * 90 | 1,367 | 629 | 22,192 | 42,933 |
| \$10,000 under \$25,000 | 143,246 | 13,652 | * 2,780 | * 1,546 | 7,306 | 4,291 | 33,142 | 99,379 |
| \$25,000 under \$50,000 | 204,570 | 29,566 | * 1,346 | * 80 | 4,748 | 2,637 | 71,722 | 251,151 |
| \$50,000 under \$75,000 | 267,381 | 46,013 | * 800 | * 1,431 | 7,851 | 4,646 | 62,400 | 340,306 |
| \$75,000 under \$100,000 | 233,401 | 62,694 | 2,462 | 436 | 4,701 | 2,316 | 48,281 | 301,629 |
| \$100,000 under \$200,000 | 492,461 | 176,245 | 4,821 | 23,575 | 12,264 | 4,370 | 116,900 | 996,349 |
| \$200,000 under \$500,000 | 406,993 | 259,707 | 6,686 | 46,531 | 14,291 | 18,307 | 113,492 | 2,368,731 |
| \$500,000 under \$1,000,000 | 148,117 | 172,278 | 1,596 | 13,203 | 5,147 | 9,741 | 53,209 | 1,540,088 |
| \$1,000,000 under \$1,500,000 | 49,491 | 94,783 | 388 | 3,011 | 1,532 | 3,069 | 19,802 | 801,471 |
| \$1,500,000 under \$2,000,000 | 23,605 | 67,777 | 311 | 6,391 | 891 | 1,626 | 11,026 | 472,099 |
| \$2,000,000 under \$5,000,000 | 41,192 | 186,014 | 664 | 19,092 | 1,778 | 9,718 | 21,025 | 1,422,873 |
| \$5,000,000 under \$10,000,000 | 12,109 | 112,428 | 194 | 10,680 | 521 | 3,290 | 7,514 | 823,842 |
| \$10,000,000 or more | 8,679 | 240,914 | 157 | 25,475 | 476 | 6,975 | 6,739 | 2,670,700 |

Footnotes at end of table.

Individual Foreign-Earned Income and Foreign Tax Credit, 2006

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Table 3. Individual Income Tax Returns With a Foreign Tax Credit or a Form 1116 [1]: Sources of Income, Deductions and Tax Items and Foreign Income, Taxes, and Credit, by Size of Adjusted Gross Income, Tax Year 2006—Continued

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

| Size of adjusted gross income | Returns with a Form 1116—continued | | | | | | | | | |
|--------------------------------|--|-------------------|------------------------------------|------------------|----------------------------|------------------|--------------------------|-------------------|--|-------------------|
| | Foreign income, taxes and credit reported on Form 1116—continued | | | | | | | | | |
| | Foreign taxes available for credit | | Foreign tax carryover or carryback | | Reduction in foreign taxes | | Gross foreign tax credit | | Foreign tax credit after adjustments [5] | |
| | Number of returns | Amount | Number of returns | Amount | Number of returns | Amount | Number of returns | Amount | Number of returns | Amount |
| | (33) | (34) | (35) | (36) | (37) | (38) | (39) | (40) | (41) | (42) |
| All returns | 2,812,276 | 18,134,570 | 826,175 | 5,819,789 | 71,418 | 1,573,261 | 2,457,685 | 10,681,401 | 2,460,248 | 10,682,923 |
| No adjusted gross income | 58,234 | 172,737 | 36,664 | 121,254 | 975 | 10,827 | * 14 | * 1 | * 14 | * 1 |
| \$1 under \$10,000 | 147,789 | 64,308 | 64,316 | 47,512 | 3,396 | 34,462 | 72,930 | 2,018 | 72,930 | 2,018 |
| \$10,000 under \$25,000 | 194,685 | 149,703 | 82,023 | 83,319 | 3,942 | 53,194 | 122,118 | 20,626 | 123,759 | 20,660 |
| \$25,000 under \$50,000 | 294,501 | 484,739 | 114,151 | 299,010 | 6,467 | 97,705 | 253,036 | 83,166 | 253,036 | 83,106 |
| \$50,000 under \$75,000 | 344,412 | 524,319 | 104,574 | 248,945 | 6,948 | 117,022 | 315,625 | 175,611 | 316,257 | 175,377 |
| \$75,000 under \$100,000 | 293,601 | 490,475 | 90,312 | 226,594 | 5,374 | 103,366 | 269,124 | 179,931 | 269,124 | 179,691 |
| \$100,000 under \$200,000 | 625,545 | 1,643,005 | 159,168 | 787,976 | 15,624 | 345,509 | 599,061 | 678,481 | 599,187 | 678,387 |
| \$200,000 under \$500,000 | 502,581 | 3,599,801 | 108,710 | 1,372,033 | 18,376 | 465,521 | 486,012 | 1,871,273 | 486,046 | 1,873,287 |
| \$500,000 under \$1,000,000 | 184,245 | 2,297,885 | 34,817 | 747,825 | 5,937 | 185,256 | 178,691 | 1,409,576 | 178,734 | 1,409,655 |
| \$1,000,000 under \$1,500,000 | 60,170 | 1,228,982 | 11,298 | 387,943 | 1,837 | 61,295 | 58,278 | 734,497 | 58,337 | 734,501 |
| \$1,500,000 under \$2,000,000 | 29,150 | 703,420 | 5,398 | 179,794 | 815 | 24,305 | 28,256 | 491,405 | 28,264 | 491,682 |
| \$2,000,000 under \$5,000,000 | 50,724 | 2,124,602 | 9,439 | 532,376 | 1,210 | 45,573 | 48,994 | 1,461,534 | 49,003 | 1,461,184 |
| \$5,000,000 under \$10,000,000 | 15,173 | 1,198,934 | 2,794 | 262,810 | 292 | 14,263 | 14,571 | 838,374 | 14,579 | 837,491 |
| \$10,000,000 or more | 11,464 | 3,451,661 | 2,511 | 522,397 | 225 | 14,961 | 10,975 | 2,734,908 | 10,978 | 2,735,884 |

* Estimate should be used with caution because of the small number of sample returns on which it is based.

[1] Not all taxpayers with a foreign tax credit file the Form 1116. Taxpayers with \$300 (\$600 if married filing a joint return) or less in creditable foreign taxes who also meet certain other conditions are not required to file Form 1116 to claim the foreign tax credit.

[2] Amount reported on Form 1040 is the total amount of foreign-earned income exclusion after subtracting deductions allocable to excluded income.

[3] Worldwide income is total income or loss reported on Form 1040 before the foreign-earned income and housing exclusions have been taken.

[4] Adjustments include allocation of foreign losses, recapture of prior-year foreign losses, and recharacterization of income.

[5] Adjustments include reductions for participation in unsanctioned international boycotts and increases permitted by tax treaties between the United States and certain foreign countries.

[6] Less than \$500.

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

Individual Foreign-Earned Income and Foreign Tax Credit, 2006

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Table 4. Individual Income Tax Returns With Form 1116: Foreign-Source Income, Deductions, and Taxes, by Country or Region, Tax Year 2006

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

| Country or region | Number of returns | Foreign-source gross income | Foreign-source deductions and losses | Foreign-source taxable income before adjustments [1] | Foreign taxes paid or accrued on: | | | | |
|--------------------------------------|-------------------|-----------------------------|--------------------------------------|--|-----------------------------------|------------------|---------------------|---------------|-------------------|
| | | | | | Total | Dividends | Rents and royalties | Interest | Other income |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
| All geographic areas | 2,941,952 | 119,963,255 | 41,280,524 | 78,682,731 | 13,885,215 | 1,483,281 | 151,912 | 72,968 | 12,177,054 |
| North America, total | 257,726 | 12,133,130 | 4,152,170 | 7,980,960 | 2,034,525 | 161,536 | 47,129 | 19,809 | 1,806,052 |
| Canada | 240,191 | 9,966,174 | 3,187,674 | 6,778,501 | 1,773,465 | 153,926 | 40,780 | 19,454 | 1,559,306 |
| Greenland | * 4 | * 7 | * [2] | * 7 | * 1 | * 1 | 0 | 0 | * [2] |
| Mexico | 17,531 | 2,166,948 | 964,496 | 1,202,452 | 261,059 | 7,609 | 6,349 | 355 | 246,746 |
| Latin/South America, total | 17,359 | 4,330,765 | 2,360,572 | 1,970,193 | 286,178 | 26,061 | 6,566 | 1,021 | 252,530 |
| Argentina | 2,897 | 130,006 | 20,372 | 109,634 | 32,942 | 2,139 | * 5,689 | * 227 | 24,887 |
| Brazil | 7,262 | 453,292 | 130,975 | 322,318 | 77,618 | 766 | 273 | 714 | 75,865 |
| Chile | 1,268 | 60,326 | 9,818 | 50,509 | 16,843 | 346 | * 114 | 0 | 16,383 |
| Colombia | 1,244 | 3,213,772 | 2,065,379 | 1,148,393 | 82,923 | 448 | * 133 | * 24 | 82,317 |
| Costa Rica | 294 | 41,981 | 16,850 | 25,131 | 4,546 | * 552 | 0 | * 29 | 3,965 |
| Panama | 353 | 72,329 | 42,920 | 29,409 | 6,347 | * 296 | * 150 | 0 | 5,901 |
| Peru | 530 | 59,002 | 4,260 | 54,742 | 11,901 | * 1308 | * 19 | * 26 | 10,548 |
| Venezuela | 831 | 173,743 | 17,611 | 156,132 | 44,825 | 19,365 | * 73 | 0 | 25,387 |
| Other Latin/South American countries | 2,679 | 126,311 | 52,389 | 73,924 | 8,233 | 842 | 115 | 0 | 7,276 |
| Caribbean, total | 6,816 | 612,320 | 164,730 | 447,589 | 84,644 | 2,075 | * 189 | * 6 | 82,375 |
| Bahamas | 42 | 4,725 | 58 | 4,667 | * 2 | * 2 | 0 | 0 | * [2] |
| Bermuda | 2,346 | 117,443 | 13,896 | 103,546 | 3,554 | * 444 | 0 | 0 | 3,110 |
| Cayman Islands | 354 | 21,546 | 8,468 | 13,078 | 39 | * 17 | 0 | 0 | * 22 |
| Dominican Republic | 622 | 94,704 | 30,108 | 64,596 | 5,656 | * 1,101 | 0 | 0 | 4,555 |
| Other Caribbean countries | 3,452 | 373,903 | 112,201 | 261,703 | 75,393 | 510 | * 189 | * 5 | 74,686 |
| Europe, total | 357,218 | 24,809,573 | 6,420,816 | 18,388,757 | 5,424,521 | 268,650 | 54,105 | 29,449 | 5,072,316 |
| Austria | 1,514 | 108,676 | 53,620 | 55,056 | 21,713 | 3,166 | * 103 | * 69 | 18,374 |
| Belgium | 7,636 | 609,213 | 216,637 | 392,576 | 129,562 | 2,238 | * 46 | 21 | 127,257 |
| Czech Republic | 378 | 35,310 | 9,665 | 25,645 | 10,410 | * 1 | * 194 | * 7 | 10,208 |
| Denmark | 1,314 | 60,257 | 11,592 | 48,665 | 19,831 | 2,922 | * 46 | * [2] | 16,863 |
| Finland | 22,310 | 79,394 | 16,257 | 63,137 | 16,561 | 3,245 | * 61 | * 1 | 13,252 |
| France | 40,449 | 1,380,999 | 320,524 | 1,060,474 | 238,016 | 26,492 | 2,780 | 1,140 | 207,603 |
| Germany | 42,450 | 3,742,259 | 1,706,669 | 2,035,590 | 760,185 | 22,543 | 9,460 | 2,745 | 725,437 |
| Greece | 2,212 | 78,457 | 19,286 | 59,171 | 13,074 | * 21 | * 172 | * 295 | 12,586 |
| Hungary | 297 | 73,176 | 40,074 | 33,102 | 12,976 | * 2,086 | 0 | * 3 | 10,887 |
| Ireland | 1,256 | 322,871 | 132,808 | 190,064 | 56,474 | 172 | * 266 | 233 | 55,802 |
| Italy | 4,864 | 498,431 | 149,486 | 348,945 | 137,846 | 15,939 | 21,167 | 443 | 100,297 |
| Luxembourg | 2,201 | 125,069 | 8,533 | 116,535 | 21,240 | 8,645 | 0 | * 11 | 12,583 |
| Netherlands | 34,067 | 1,195,084 | 140,691 | 1,054,393 | 169,864 | 25,513 | * 11 | 521 | 143,819 |
| Norway | 4,771 | 166,109 | 10,539 | 155,570 | 55,153 | 634 | * 60 | * 82 | 54,377 |
| Poland | 578 | 61,172 | 18,534 | 42,638 | 12,682 | 1,753 | * 21 | * 19 | 10,888 |
| Portugal | 1,859 | 80,430 | 6,345 | 74,085 | 17,001 | 117 | * 30 | * 4 | 16,850 |
| Russia | 3,276 | 910,743 | 96,114 | 814,629 | 118,708 | 8,223 | * 590 | * 160 | 109,735 |
| Spain | 3,890 | 222,260 | 40,634 | 181,626 | 50,566 | 996 | * 1,875 | 119 | 47,575 |
| Sweden | 8,630 | 199,304 | 48,497 | 150,807 | 53,008 | 3,486 | * 154 | 206 | 49,162 |
| Switzerland | 23,503 | 1,368,880 | 181,461 | 1,187,419 | 389,267 | 72,768 | * 1,846 | 4,357 | 310,296 |
| Turkey | 897 | 155,930 | 17,359 | 138,572 | 36,121 | 2,021 | * 10,065 | * 8 | 24,028 |
| United Kingdom | 127,572 | 11,940,245 | 2,707,693 | 9,232,552 | 3,046,948 | 58,048 | 5,115 | 16,411 | 2,967,373 |
| Other European countries | 21,295 | 1,395,304 | 467,798 | 927,509 | 37,316 | 7,620 | 41 | 2,594 | 27,065 |
| Africa, total | 5,272 | 680,565 | 175,845 | 504,720 | 113,606 | 1,019 | * 2 | * 538 | 112,046 |
| Algeria | 159 | 14,379 | 1,608 | 12,771 | 2,310 | * 12 | 0 | 0 | 2,299 |
| Angola | 789 | 185,554 | 62,530 | 123,024 | 20,997 | * 1 | 0 | 0 | 20,996 |
| Egypt | 288 | 47,575 | 2,297 | 45,278 | 8,069 | * 3 | 0 | 0 | 8,066 |
| Kenya | 75 | * 11,991 | 864 | 11,127 | * 2,744 | 0 | 0 | 0 | 2,744 |
| Nigeria | 811 | 158,975 | 45,573 | 113,401 | 18,918 | * 7 | 0 | 0 | 18,910 |
| South Africa | 719 | 114,653 | 33,916 | 80,736 | 27,491 | * 799 | * 2 | * 499 | 26,191 |
| Other African countries | 2,431 | 147,437 | 29,058 | 118,380 | 33,074 | 196 | * [2] | * 39 | 32,839 |

Footnotes at end of table.

Individual Foreign-Earned Income and Foreign Tax Credit, 2006

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Table 4. Individual Income Tax Returns With Form 1116: Foreign-Source Income, Deductions, and Taxes, by Country or Region, Tax Year 2006—Continued

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

| Country or region | Number of returns | Foreign-source gross income | Foreign-source deductions and losses | Foreign-source taxable income before adjustments [1] | Foreign taxes paid or accrued on: | | | | |
|--------------------------------|-------------------|-----------------------------|--------------------------------------|--|-----------------------------------|----------------|---------------------|--------------|------------------|
| | | | | | Total | Dividends | Rents and royalties | Interest | Other income |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
| Asia, total | 135,617 | 11,696,581 | 1,497,691 | 10,198,890 | 2,348,346 | 66,575 | 10,239 | 5,667 | 2,265,865 |
| Afghanistan | 205 | 10,554 | 1,927 | 8,627 | * 168 | * 2 | 0 | 0 | * 167 |
| China | 15,217 | 1,578,847 | 228,612 | 1,350,235 | 469,638 | 5,812 | * 408 | 58 | 463,361 |
| Hong Kong | 8,344 | 1,583,595 | 173,280 | 1,410,315 | 270,900 | 2,489 | 285 | * 3 | 268,123 |
| India | 17,422 | 2,153,847 | 56,207 | 2,097,640 | 126,843 | 1,078 | 845 | 960 | 123,959 |
| Indonesia | 1,787 | 306,379 | 16,988 | 289,391 | 93,560 | 83 | * 82 | * 1 | 93,394 |
| Iraq | 230 | 19,780 | 2,859 | 16,920 | * 244 | * [2] | 0 | 0 | * 244 |
| Israel | 11,497 | 461,682 | 49,935 | 411,747 | 158,240 | 9,459 | 1,390 | 1,243 | 146,148 |
| Japan | 48,274 | 2,596,680 | 449,071 | 2,147,609 | 658,674 | 21,476 | 5,885 | 2,221 | 629,092 |
| Malaysia | 1,172 | 129,392 | 24,794 | 104,598 | 33,033 | * 52 | * 51 | 0 | 32,930 |
| Philippines | 2,090 | 140,880 | 30,080 | 110,799 | 23,308 | 3,274 | 0 | * 21 | 20,013 |
| Saudi Arabia | 1,050 | 99,136 | 8,058 | 91,077 | 369 | * 140 | 0 | * [2] | * 229 |
| Singapore | 4,762 | 804,773 | 90,497 | 714,275 | 144,495 | 2,124 | 207 | * 16 | 142,148 |
| South Korea | 6,117 | 552,378 | 83,628 | 468,750 | 107,891 | 4,327 | * 327 | 974 | 102,263 |
| Taiwan | 7,436 | 465,537 | 166,766 | 298,771 | 100,259 | 13,575 | 508 | 138 | 86,037 |
| Thailand | 2,679 | 258,187 | 26,121 | 232,066 | 88,502 | 1,461 | 0 | 28 | 87,013 |
| United Arab Emirates | 497 | 54,488 | 4,869 | 49,619 | 841 | * 12 | 0 | 0 | * 829 |
| Other Asian countries | 6,837 | 480,446 | 83,998 | 396,450 | 71,384 | 1,210 | 250 | 4 | 69,918 |
| Oceania, total | 17,145 | 1,196,689 | 303,656 | 893,032 | 255,492 | 21,960 | 5,005 | 6,602 | 221,926 |
| Australia | 12,492 | 1,004,632 | 271,017 | 733,615 | 232,008 | 20,530 | 4,684 | 3,044 | 203,749 |
| New Zealand | 3,427 | 166,115 | 30,540 | 135,575 | 20,794 | 1,262 | * 320 | 3,555 | 15,656 |
| Other Oceania countries | 1,225 | 25,941 | 2,099 | 23,841 | 2,689 | 167 | 0 | * 2 | 2,520 |
| U.S. Possessions, total | 34,964 | 1,442,788 | 397,177 | 1,045,612 | 157,900 | 9,844 | * 1,707 | * 818 | 145,532 |
| Puerto Rico | 32,565 | 1,321,106 | 320,292 | 1,000,814 | 146,568 | 9,801 | * 1,707 | * 818 | 134,243 |
| Other U.S. Possessions | 2,399 | 121,681 | 76,885 | 44,797 | 11,331 | * 43 | 0 | 0 | 11,288 |
| Country not stated | 2,624,121 | 62,512,967 | 25,739,129 | 36,773,838 | 3,167,196 | 916,528 | 26,351 | 9,058 | 2,215,260 |
| FSC distributions [3] | 2,708 | 139,035 | 2,458 | 136,577 | 1,757 | 271 | 0 | 0 | * 1,486 |
| IC-DISC dividends [4] | 57,725 | 406,183 | 65,100 | 341,083 | 11,049 | 8,763 | * 620 | * [2] | 1,667 |

* Estimate should be used with caution because of the small number of sample returns on which it is based.

[1] Adjustments include allocation of foreign losses, recapture of prior-year foreign losses, and recharacterization of income.

[2] Less than \$500.

[3] FSCs are Foreign Sales Corporations.

[4] IC-DISCs are Interest-Charge Domestic International Sales Corporations.

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

Individual Foreign-Earned Income and Foreign Tax Credit, 2006

Statistics of Income Bulletin | Spring 2009

Table 5. Individual Income Tax Returns With Form 1116: Foreign-Source Income, Deductions, and Taxes, by Type of Income, Tax Year 2006

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

| Type of income | Number of returns [1] | Foreign-source gross income | | Foreign-source deductions and losses | | Foreign-source taxable income before adjustments [2] | |
|-------------------------------------|-----------------------|-----------------------------|--------------------|--------------------------------------|-------------------|--|-------------------|
| | | Number of returns | Amount | Number of returns | Amount | Number of returns | Amount |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| All returns | 2,941,952 | 2,789,011 | 119,963,255 | 2,565,086 | 41,280,524 | 2,789,903 | 78,682,731 |
| Passive income | 1,967,274 | 1,858,376 | 36,504,530 | 1,696,255 | 9,395,073 | 1,857,093 | 27,109,457 |
| High withholding tax interest | 42,601 | 40,767 | 563,758 | 37,189 | 177,919 | 40,929 | 385,840 |
| Financial services income | 38,146 | 34,906 | 1,871,501 | 30,227 | 1,063,251 | 34,906 | 808,251 |
| Shipping income | 191 | 180 | 99,787 | 179 | 75,642 | 180 | 24,146 |
| Dividends from an IC-DISC [3] | 57,725 | 51,283 | 406,183 | 39,349 | 65,100 | 51,283 | 341,083 |
| Distributions from a FSC [4] | 2,708 | 2,658 | 139,035 | 589 | 2,458 | 2,658 | 136,577 |
| Lump-sum distributions | 899 | * 77 | * 2,119 | * 75 | * 251 | * 77 | * 1,868 |
| Section 901(j) income | * 953 | * 953 | * 6,898 | * 950 | * 1,019 | * 953 | * 5,880 |
| Certain income re-sourced by treaty | 4,297 | 4,192 | 253,009 | 4,059 | 39,542 | 4,195 | 213,467 |
| General limitation income | 968,652 | 910,072 | 80,116,433 | 864,415 | 30,460,270 | 914,007 | 49,656,163 |

| Type of income | Foreign taxes paid or accrued on: | | | | | | | |
|-------------------------------------|-----------------------------------|-------------------|-------------------|------------------|---------------------|----------------|-------------------|---------------|
| | Total | | Dividends | | Rents and royalties | | Interest | |
| | Number of returns | Amount | Number of returns | Amount | Number of returns | Amount | Number of returns | Amount |
| | (8) | (9) | (10) | (11) | (12) | (13) | (14) | (15) |
| All returns | 2,648,572 | 13,885,215 | 2,178,672 | 1,483,281 | 22,503 | 151,912 | 63,824 | 72,968 |
| Passive income | 1,756,665 | 2,320,505 | 1,587,459 | 1,057,729 | 16,387 | 80,605 | 47,114 | 47,378 |
| High withholding tax interest | 34,433 | 30,069 | 21,391 | 5,828 | * 33 | * 44 | 6,654 | 3,953 |
| Financial services income | 34,424 | 150,173 | 27,949 | 7,068 | * 9 | * 753 | * 55 | * 107 |
| Shipping income | 177 | 1,771 | * 14 | * 61 | 0 | 0 | 0 | 0 |
| Dividends from an IC-DISC [3] | 48,945 | 11,049 | 42,681 | 8,763 | * 699 | * 620 | * 3 | * [6] |
| Distributions from a FSC [4] | 1,586 | 1,757 | 1,539 | 271 | 0 | 0 | 0 | 0 |
| Lump-sum distributions | 739 | 3,108 | * 699 | * 90 | 0 | 0 | 0 | 0 |
| Section 901(j) income | * 940 | * 241 | * 937 | * 28 | 0 | 0 | 0 | 0 |
| Certain income re-sourced by treaty | 3,422 | 55,441 | 948 | 2,727 | 0 | 0 | 51 | 128 |
| General limitation income | 855,001 | 11,311,101 | 508,719 | 400,717 | 5,383 | 69,890 | 10,182 | 21,401 |

| Type of income | Foreign taxes paid or accrued on: | | | | Foreign taxes available for credit | | Gross foreign tax credit [5] | |
|-------------------------------------|-----------------------------------|----------------|-------------------|------------------|------------------------------------|------------------|------------------------------|--------|
| | Other income | | | | | | | |
| | Number of returns | Amount | Number of returns | Amount | Number of returns | Amount | Number of returns | Amount |
| | (16) | (17) | (18) | (19) | (20) | (21) | | |
| All returns | | 596,446 | 12,177,054 | 2,812,276 | 18,134,570 | 2,457,685 | 10,681,401 | |
| Passive income | | 227,296 | 1,134,794 | 1,864,361 | 3,487,919 | 1,608,212 | 1,969,076 | |
| High withholding tax interest | | 6,944 | 20,245 | 36,954 | 38,102 | 32,709 | 24,504 | |
| Financial services income | | 7,232 | 142,245 | 36,494 | 164,541 | 31,492 | 134,957 | |
| Shipping income | | 163 | 1,710 | 189 | 10,195 | 156 | 1,127 | |
| Dividends from an IC-DISC [3] | | 5,680 | 1,667 | 52,380 | 12,621 | 46,088 | 6,907 | |
| Distributions from a FSC [4] | | * 50 | * 1,486 | 1,596 | 1,917 | 1,503 | 1,101 | |
| Lump-sum distributions | | * 40 | * 3,018 | 753 | 3,241 | * 360 | * 909 | |
| Section 901(j) income | | * 3 | * 213 | * 940 | * 231 | 0 | 0 | |
| Certain income re-sourced by treaty | | 2,471 | 52,586 | 4,132 | 85,648 | 3,281 | 39,574 | |
| General limitation income | | 369,593 | 10,819,092 | 923,728 | 14,330,155 | 819,683 | 8,503,246 | |

* Estimate should be used with caution because of the small number of sample returns on which it is based.

[1] Taxpayers may report more than one type of foreign-source income on a return. Consequently, the number of returns by type of income do not add to total.

[2] Adjustments include allocation of foreign losses, recapture of prior-year foreign losses, and recharacterization of income.

[3] IC-DISCs are Interest-Charge Domestic International Sales Corporations.

[4] FSCs are Foreign Sales Corporations.

[5] This is before adjustments. Adjustments include reductions for participation in unsanctioned international boycotts and increases permitted by tax treaties between the United States and certain foreign countries.

[6] Less than \$500.

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