

Table of Contents

Introduction	1
Eligibility	1
U.S. citizen.....	2
Resident alien	2
Resident of Puerto Rico.....	2
Domestic corporation	3
Nonresident alien and foreign corporation	3
Qualifying Foreign Taxes	3
Tax must be imposed	4
Foreign country	4
U.S. possessions	4
Tax must have been paid or accrued.....	5
Joint return.....	5
Combined income.....	5
Partner or S corporation shareholder	6
Beneficiary	6
Mutual fund shareholder	6
Controlled foreign corporation shareholder.....	6
Tax must be the legal and actual foreign tax liability	7
Foreign tax refund.....	7
Subsidy received.....	8
Shareholder receiving refund for corporate tax in integrated system....	8
Tax must be an income tax (or tax in lieu of income tax)	8
Income tax	9
Taxes for Which Foreign Tax Credit is Not Allowed	13
Taxes on excluded income	13
Taxes for which taxpayer can only take an itemized deduction	15
Taxes on foreign mineral income	16

Taxes from international boycott operations	17
A portion of taxes on combined foreign oil and gas income	17
Taxes of U.S. persons controlling foreign corporations and partnerships who fail to file required information returns	17
Taxes related to a foreign tax splitting event	18
Computing the Foreign Tax Credit	18
Foreign Currency Conversion	19
Limitation on Foreign Tax Credit	19
Foreign Source Income	25
U.S Source Income	26
Carryback and Carryforward of Excess Foreign Tax	27
AMT Foreign Tax Credit	29
Claiming a Deduction Versus Credit	29
Foreign Income Redeterminations	31
Income Matching	32
Direct Foreign Tax Credit	33
Indirect Foreign Tax Credit	33
Form 1116 – General Instructions	33
Preparing Form 1116	34
Above Part I	34
Part I: Taxable Income or Loss from Sources Outside the United States ..	35
Part II: Foreign Taxes Paid or Accrued	36
Part III: Figuring the Credit	37
Part IV: Summary of Credits from Separate Parts III	39
Comprehensive Example	40
Index	61