

Table of Contents

Introduction	1
Eligible Taxpayers	1
U.S. citizen.....	2
Resident alien	2
Resident of Puerto Rico.....	2
Domestic corporation	2
Nonresident alien or foreign corporation	3
Qualifying Foreign Taxes	4
Tax must be imposed	5
Foreign country	5
U.S. possessions	5
Tax must have been paid or accrued.....	5
Joint return.....	6
Combined income.....	6
Partner or S corporation shareholder.....	6
Beneficiary	6
Mutual fund shareholder.....	7
Controlled foreign corporation shareholder	7
Tax must be 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 income tax (or tax in lieu of income tax)	9
Income tax.....	9
Tax in lieu of income tax	14

Non-creditable Taxes.....	16
Taxes on excluded income	16
Wages completely excluded.....	17
Wages partially excluded.....	17
Taxes only allowed as itemized deduction	18
Payments to sanctioned countries	19
Taxes paid on certain dividends.....	20
Certain oil and gas related payments.....	20
Taxes on foreign mineral income	20
Taxes from international boycott operations	21
Taxes on combined foreign oil and gas income	21
Taxes of U.S. persons controlling foreign corporations and partnerships.....	21
Failure to file forms 5471 or 8865.....	22
Taxes related to an FTC splitting event	23
Foreign Tax Credit Computation	23
Taxes paid or accrued	23
Foreign currency conversion.....	24
FTC limit.....	24
Overall limit.....	24
Separate limits	27
Carryback and carryforward of unused foreign tax	34
AMT Foreign Tax Credit.....	38
Deduction vs. Credit.....	38
Foreign Tax Redetermination	41

Form 1116	42
Heading.....	42
Part I: Taxable Income or Loss from Sources Outside the U.S.	43
Part II: Foreign Taxes Paid or Accrued	45
Part III: Figuring the Credit.....	46
Part IV: Summary of Credits from Separate Parts III	49
Comprehensive example	50
Form 1116: Passive category income	55
Form 1116: General category income	57
FTC Information From Partnerships	64
Schedule K-3 information	65
Part I: Partner’s Share of Partnership’s Other Current Year International Information	66
Part II: Foreign Tax Credit Limitation	66
Part III: Other Information for Preparation of Form 1116 or 1118	70
Example	71
Index.....	83