

Department of the Treasury Internal Revenue Service

## **Extraterritorial Income Exclusion**

- Attach to your tax return.
- See separate instructions.



Name	e(s) as shown on return			Identifying n	umber			
Pa	t I Elections and Other Information							
1	Check the box if you are electing under section 942(a)(3) to exclude a portion of your gross receipts from foreign trading gross receipts on line 15. Attach a schedule indicating which receipts are being excluded							
2	Check the box if you are electing to apply the extraterritorial income exclusion provisions to certain transactions involving a FSC (see instructions). Attach a schedule listing the affected transactions							
3	Check the box if the taxpayer is a foreign corporation electing to be treated as a domestic corporation (see instructions)							
4a	Are you excepted from the foreign economic process requirements because your foreign trading gross receipts are \$5 million or less?							
b	<ul> <li>If "No," check the applicable box to indicate how you met the foreign economic process requirements:</li> <li>(1) Vou met the 50% foreign direct cost test (see instructions).</li> <li>(2) You met the alternative 85% foreign direct cost test (see instructions).</li> </ul>							
5	See page 3 of the instructions before completing lines 5a through 5c. Note: For transactions for which the exclusion is							
	determined using the foreign sale and leasing income method (i.e., line 44 equals line 45), complete only lines 5a and 5c(1).Business activity codebProduct or product line							
	•	ct or p	product line					
С	Check the applicable box to indicate the basis of your reporting:							
	<ul> <li>(1) Transaction-by-transaction:</li> <li>(a) ☐ Aggregate on Form 8873</li> <li>(b) ☐ Aggregate on tabular schedul</li> </ul>	le	(c) 🗌 Ta	bular sche	dule of transa	actions		
	(2) Group of transactions (see instructions for an important change made to refl		• •					
Par	t II Foreign Trade Income and Foreign Sale and Leasing Incon	ne						
	<b>Caution:</b> If a related person is also eligible for an extraterritorial income exclusion, see <b>Excluded property</b> on page 2 of the instructions.		(a) Foreign Income	Frade	(b) Foreign S Leasing Ind	ale and come		
6	Sale, exchange, or other disposition of qualifying foreign trade property	6						
7	Enter the amount from line 6, column (a), attributable to the sale of property formerly leased or rented for use by the lessee outside the United States	7						
8	Lease or rental of qualifying foreign trade property for use by the lessee outside the United States. Enter the same amount in both columns	8						
9	Services related and subsidiary to the sale, exchange, or other disposition of qualifying foreign trade property	9						
10	Enter the amount from line 9, column (a), attributable to the sale of property	9						
10	formerly leased or rented for use by the lessee outside the United States	10						
11	Services related and subsidiary to the lease of qualifying foreign trade property for use by the lessee outside the United States. Enter the same amount in both columns .	11						
12	Engineering or architectural services for construction projects outside the United States	12						
13	Managerial services provided to unrelated persons (see instructions)	13						
14	Enter the sum of the amounts from lines 6, 9, 12, and 13 of column (a) attributable to foreign economic processes. <b>Do not</b> include any amounts already included on lines 7, 8, 10, or 11 in column (b)	14						
15	Foreign trading gross receipts. Add lines 6 through 13 in column (a)	15						
16	Add lines 7 through 14 in column (b)	16						
17	Cost of goods sold:							
а	Inventory at beginning of year	17a						
b	Purchases	17b						
С	Cost of labor	17c						
	Additional section 263A costs (attach schedule)	17d						
-	Other costs (attach schedule)	17e 17f						
f	Total. Add lines 17a through 17e	17f						
g b	Inventory at end of year         . <th>17g</th> <th></th> <th></th> <th></th> <th></th>	17g						
18	In column (a), subtract line 17h from line 15. In column (b), subtract line							
10		18						
19	Other expenses and deductions (see instructions) (attach schedule)	19						
20	Foreign trade income. In column (a), subtract line 19 from line 18. If -0-							
	or less, stop here. You do not qualify for the exclusion	20						
21	Foreign sale and leasing income. In column (b), subtract line 19 from line 18	21						

For Paperwork Reduction Act Notice, see page 4 of the instructions.

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Form	8873 (2004)	Pag	ge <b>2</b>
Par	t III Marginal Costing (Note: If you are not using Marginal Costing, skip Part III an	d go to Part IV.)	
Sec	tion A — Foreign Trade Income Using Marginal Costing Method		
22	Foreign trading gross receipts. Enter the amount from line 15	22	
23	Costs and expenses allocable to the amount reported on line 22:		
a			
h	Cost of direct labor attributable to property sold		
c c	Add lines 23a and 23b	23c	
24	Subtract line 23c from line 22         .          . <th< td=""><td>24</td><td></td></th<>	24	
25	Worldwide gross receipts from sales of the product or product line	25	
26	Costs and expenses allocable to the amount reported on line 25:		
	Cost of goods sold attributable to property sold		
a	Other expenses and deductions attributable to gross income		
0	Add lines 26a and 26b	26c	
		200	
27	Subtract line 26c from line 25. (Note: If -0- or less, stop here. You may not use Part III to determine	27	
	your qualifying foreign trade income. Go to line 37.)		
28	Overall profit percentage. Divide line 27 by line 25. Carry the result to at least three decimal	28	
~~		29	
29 30	Overall profit percentage limitation. Multiply line 22 by line 28	30	
	Foreign trade income using marginal costing. Enter the smaller of line 24 or line 29	30	
	•		
31	Multiply line 30 by 15% (.15)	31	
32	Foreign trade income using full costing. Enter the amount from line 20	32	
33	Enter the smaller of line 31 or line 32	33	
Sec	tion C — 1.2% of Foreign Trading Gross Receipts Method		
34	Multiply line 22 by 1.2% (.012)	34	
35	Multiply line 30 by 30% (.30)	35	
36	Enter the smallest of lines 32, 34, or 35	36	
Pai	t IV Extraterritorial Income Exclusion (Net of Disallowed Deductions)		
37	Enter your foreign trade income from line 20	37	
38	Multiply line 37 by 15% (.15)	38	
39	Enter your foreign trading gross receipts from line 15	-	
40	Multiply line 39 by 1.2% (.012)		
41	Multiply line 38 by 2.0		
42	Enter the <b>smaller</b> of line 40 or line 41	42	
43	Enter your foreign sale and leasing income from line 21	43	
44	Multiply line 43 by 30% (.30)	44	
45	Enter the greatest of lines 33, 36, 38, 42, or 44. If you are using the alternative computation,		
	see instructions for the amount to enter	45	
	Note. If you do not have a reduction for international boycott operations, illegal bribes, kickbacks, etc. (see		
	the instructions for line 50), skip lines 46 through 51 and enter on line 52a the amount from line 45.		
46	If line 44 equals line 45, divide the amount on line 45 by the amount		
	on line 43. Otherwise, divide the amount on line 45 by the amount on		
	line 37. Carry the result to at least three decimal places 46		
47	If line 44 equals line 45, enter the amount from line 19, column (b).		
	Otherwise, enter the amount from line 19, column (a)		
48	Multiply line 46 by line 47	48	
49	Add lines 45 and 48.	49	
50	Reduction for international boycott operations, illegal bribes, kickbacks, etc. (see instructions)	50	
51			
51	Qualifying foreign trade income. Subtract line 50 from line 49. If -0- or less, stop here. You do not qualify for the exclusion	51	
522	Extraterritorial income exclusion (net of disallowed deductions). Subtract line 48 from line 51	52a	
JZa	<ul> <li>If you are completing this Form 8873 for transactions under a binding contract that meets the requirements</li> </ul>		
	described in the instructions or for other transactions before January 1, 2005, enter the line 52a result on the		
	"other deductions" or "other expenses" line of your return or schedule (see instructions).		
	• For all other transactions, go to line 52b.		
b	If you are completing this Form 8873 for transactions after December 31, 2004, that are not under a binding		
	contract that meets the requirements described in the instructions, multiply line 52a by 80%. Enter the result here and on the "other deductions" or "other expenses" line of your return or schedule (see instructions)	52b	

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