**PART II: TAXATION OF FOREIGN ACTIVITIES OF U.S. TAXPAYERS**

*Foreign Tax Credit*

1. Introduction
   1. Computing the Foreign Tax Credit
      1. The U.S. taxes U.S. persons on all of their income, regardless of its source. This creates a double taxation problem w/ respect to a U.S. person’s foreign-source income, since foreign countries usually tax *all* the income earned w/in their borders, including that derived by U.S. persons
      2. If the U.S. did nothing to mitigate international double taxation, U.S. companies would be at a competitive disadvantage in overseas markets, since their total tax rate would exceed that of their foreign competitors by the amount of the U.S. tax burden on foreign-source income
      3. The U.S. mitigates international double taxation by allowing U.S. persons a credit for any foreign income taxes paid on their foreign source income
      4. The computation of the foreign tax credit is a three-step process called the framework of analysis:
         1. Step 1: *Compute creditable foreign income taxes (FITs)*. To be creditable, a foreign levy must be a *tax*, the predominant character of which is an income tax in the U.S. sense
         2. Step 2: *Compute the foreign tax credit limitation*
            1. A key feature of the U.S. credit system is the foreign tax credit limitation, which restricts the credit to the portion of the pre-credit U.S. tax that is attributable to foreign source income
            2. Foreign tax credit limitation: (pre-credit U.S. tax on WWI) x FSI/WWI
            3. Purpose of limitation: To confine the effects of the credit to mitigating double taxation of foreign-source income. The limitation accomplishes this by preventing U.S. persons operating in high tax foreign countries from offsetting those higher foreign taxes against U.S. taxes on U.S. source income
         3. Step 3: *Determine the* ***lesser*** *of creditable foreign income taxes (step 1) or the foreign tax credit limitation (step 2)*
            1. Foreign tax credit is the *lesser* of:

FITs, or

Limitation

* + - * 1. If the FITs is the lesser, we are in an excess limitation position. If the limitation is the lesser, we are in an excess credit position
        2. Creditable foreign taxes in excess of the limitation cannot be claimed as a credit in the current year. However, these excess credits can be carried back one year and carried forward up to ten years, and taken as a credit in a year that the limitation exceeds creditable foreign taxes
    1. Example
       1. Facts: USAco is a domestic corporation. It has $ 30 million of worldwide income, including $ 6 million of foreign source taxable income, on which USAco paid $ 3 million in foreign income taxes. Assume that the U.S. tax rate is 35%

USACo

$ 30 million worldwide income

$ 24 million U.S. source income

U.S.

Foreign

$ 6 million foreign source income

$ 3 million FITs

FOREIGN ACTIVITY

* + - 1. Step 1: Compute creditable foreign income taxes
         1. $ 3 million
      2. Step 2: Compute the foreign tax credit limitation
         1. Worldwide taxable income: $ 30 million
         2. Pre-credit U.S. tax [35% x $ 30 million]: $ 10,500,000
         3. Foreign-source taxable income: $ 6 million
         4. Limitation = [line b x (line c/line a)]
         5. Limitation = $ 10,500,000 x ($ 6 million/$ 30 million) = $ 10,500,000 x 1/5 = $ 2,100,000
      3. Step 3: Credit equals the *lesser* of (1) creditable taxes ($ 3 million) or (2) the limitation ($ 2,100,000)
         1. Credit = $ 2,100,000
      4. Note: USAco has excess credits of $ 900,000 [$ 3 million (-) $ 2.1 million]. USAco can carry those excess credits back one year or forward ten years
  1. Credit versus Deduction
     1. TPs have the option of deducting foreign income taxes *in lieu* of taking a credit. However, a double tax benefit is n/ allowed. In other words, TP cannot both deduct and claim a credit for the same foreign income taxes
     2. Generally, a credit is more advantageous than a deduction b/c it reduces a person’s tax dollar for dollar
     3. The choice between a deduction and a credit applies to *all* foreign income taxes paid or accrued during the year. In other words, TP cannot claim a credit for a portion of the foreign income taxes incurred in a taxable year and claim a deduction for the remaining foreign income taxes
     4. TPs can change their election from year to year
     5. TPs can also change their election *any* time before the expiration of the SOL, which is ten years in the case of a refund claim based on the foreign tax credit
  2. Who Can Claim a Credit
     1. TPs entitled to claim a foreign tax credit primarily include U.S. citizens, resident aliens, and domestic corporations

1. Creditable Foreign Income Taxes
   1. Qualifying Foreign Levies
      1. General
         1. The foreign tax credit is intended to mitigate international double taxation of a U.S. person’s foreign-source income. Therefore, the U.S. restricts the credit to foreign income taxes that *duplicate* the U.S. income tax against which the credit is taken
         2. To be creditable, a levy must satisfy the following requirements:
            1. The levy must be a “tax” paid to a foreign country, a political subdivision of a foreign country, or a U.S. possession (i.e., Puerto Rico); and
            2. The predominant character of the tax must be that of an income tax in the U.S. sense

Even if a foreign levy does n/ satisfy this requirement, it may still be creditable if the tax is imposed “in lieu of” an income tax

* + 1. Tax requirement
       1. Tax: A *compulsory* payment that a country imposes in order to raise funds for public purposes. It can’t be voluntary
       2. Example:
          1. U.S. individual performed services in Canada. Canada imposed a withholding tax of 15% on $ 100K of income. U.S. individual: “I don’t care if I have to pay that withholding tax. It’s creditable against my pre-credit tax in the U.S. of $ 35K.”
          2. Analysis: Professor: “Wait a minute! I don’t know if you are subject to that withholding. You should file a claim for refund.” The credit is NOT guaranteed! The payment must be compulsory. TP is obligated to pay the least amount of taxes to the foreign country to get the credit for those taxes in the U.S. Often times, a letter from foreign counsel stating that TP has taken all of the reasonable steps necessary is more than sufficient
       3. The following do n/ qualify as a tax:
          1. Penalties,
          2. Fines,
          3. Interest,
          4. Custom duties, and
          5. Payments for *specific economic benefits*

Problem: Distinguishing between *taxes*, on the one hand, and payments for *specific economic benefits*, on the other hand

This problem is most difficult in the petroleum industry

Example: Country X owns all of its oil resources. The treasury is in a position to both collect *taxes* on an oil company’s profits and receive *royalties* from those same companies. Therefore, the government can designate as a tax what is actually a royalty. If the characterization of the payment as a tax is accepted for U.S. tax purposes, a U.S. oil company can claim a *credit* for what should be only a *deductible* royalty expense

How the U.S. government prevents this result: A foreign levy is n/ considered a tax to the extent TP receives a *specific economic benefit* in exchange for the levy. A dual-capacity TP is a person who is both a TP and the recipient of a specific economic benefit. Dual capacity TPs have the burden of establishing what portion of a levy is a tax

* + 1. Income tax requirement
       1. The predominant character of the tax must be that of an income tax in the U.S. sense
       2. The foreign levy must exhibit *three* fundamental aspects of U.S. income taxation in order to be considered an income tax:
          1. *Realization test*: The tax must be imposed upon income that results from an exchange or other event which would trigger a *realization of income* under U.S. principles
          2. *Gross receipts test*: The tax must be imposed upon actual gross receipts
          3. *Net income test*: The U.S. tax system is a system based on net income. TPs pay tax on their net income. TPs are allowed deductions. The foreign country that imposes the tax must allow deductions. In other words, the tax base must permit the recovery of significant costs and expenses attributable to TP’s gross income
       3. Foreign withholding taxes
          1. A withholding tax generally does n/ qualify as an income tax b/c no deductions are allowed in computing the tax base
          2. Example: Professor owns one share of Siemens, a German company. Siemens declares a dividend to professor in the amount of $ 100 for his stock. However, Siemens withholds $ 15 under the German-U.S. treaty. Professor only gets $ 85 b/c Siemens withheld $ 15

Issue: Is that $ 15 creditable?

First, is there a realization? Yes. Siemens declared and paid a dividend

Second, is it based on gross receipts? Yes, professor got a dividend. Gross receipts were $ 100

Third, does it pass the net income test? What expenses does professor get to take? None. He didn’t deal w/ an investment advisor. Foreign country imposed that 15% withholding tax on that gross rate. Is that a creditable tax under 901 as a direct foreign tax credit? No, it does n/ satisfy the net income test

* + - * 1. Congress realized that it was inequitable n/ to offer a credit for a foreign withholding tax. As a result, they created an additional foreign tax credit
        2. **Under 903, a withholding tax is creditable if it is imposed *in lieu of* – and not *in addition to* – the foreign country’s general income tax**
        3. Analysis: That withholding tax on the dividend that Siemens withholds on professor’s receipt of income is *in lieu of* professor filing an income tax return w/ Germany. It’s n/ in addition to any income tax that professor pays to Germany
        4. TP cannot obtain a tax credit for foreign withholding taxes paid *unless* a holding period requirement is satisfied

With respect to a dividend, a *16-day* holding period for the dividend-paying stock must be satisfied

The 16-day holding period requirement must be met w/in the 30-day period beginning 15 days before the ex-dividend date

If the stock is held for 15 days or less during the 30-day period, the foreign tax credit for the withholding tax is disallowed

Example

January 1: TP purchases stock in a foreign company

January 10: Foreign company distributes a dividend subject to withholding

January 11: TP sells the stock

Issue: Did TP own the stock for sixteen days during the period beginning fifteen days before and fifteen days after?

Analysis: No, TP did n/ own the stock during that time period. Therefore, TP is n/ entitled to a foreign tax credit for the withholding tax

* + 1. Denial of credit for certain taxes
       1. **Soak-up taxes**: Even if a tax satisfies all three requirements, it will still be *denied* income tax status if it is a soak-up tax. A soak-up tax is a levy that a host country imposes *only* if TP can claim the tax as a credit on its home country tax return. Soak-up taxes allow a country to collect taxes on inbound investments w/ the cost born solely by the foreign investor’s home country
       2. **Foreign income taxes paid to outlaw countries**: Countries whose government the U.S. does n/ recognize, does n/ conduct diplomatic relations with, or has designated as a government that repeatedly supports acts of terrorism. U.S. won’t cede primary taxing jurisdiction to such countries (e.g., Iran, North Korea, Syria)
  1. Accounting Method
     1. Accrual basis
        1. Accrual basis TPs compute the foreign tax credit on an accrual basis
        2. Under the accrual method, creditable foreign income taxes equal the TP’s foreign tax liability for the *current* *year*, regardless of *when* those taxes are actually paid
     2. Cash basis
        1. Cash basis TPs compute the foreign tax credit on a cash basis
        2. Under the cash method, creditable foreign taxes equal the amount of foreign income taxes paid *during the year*, regardless of *whether* the payment relates to the current year or some other year
        3. Cash basis TPs can elect to compute the foreign tax credit on an accrual basis. Once made, this election applies for all subsequent years
  2. Currency Translation: B/c foreign income taxes are paid in the local currency, TPs must translate foreign taxes into their U.S. dollar equivalents in order to determine the credit

1. Excess Versus Short Credit Positions
   1. Purpose of Limitation
      1. Purpose: To confine the effects of the credit to mitigating double taxation of foreign-source taxable income
      2. The limitation accomplishes this by preventing U.S. persons operating in high tax foreign countries from offsetting those higher foreign taxes against the U.S. tax on U.S.-source taxable income
      3. Example
         1. Facts: USAco is a domestic corporation. During the current year, USAco has $ 200 of U.S.-source taxable income and $ 100 of foreign-source taxable income that is subject to foreign income taxation. Assume that the foreign tax rate is 45% and the U.S. tax rate is 35%
         2. Case 1: *Credit is limited*
            1. If the foreign tax credit is *limited* to the U.S. tax on foreign source income (i.e., .35 x $ 100 = $ 35), the total tax on USAco’s $ 300 of worldwide income is $ 115, computed as follows:
            2. Foreign tax return

Taxable income: $ 100

Foreign tax rate: 45%

Foreign tax: $ 45

* + - * 1. U.S. tax return

Taxable income: $ 300

U.S. tax rate: 35%

Pre-credit tax: $ 105

Foreign tax credit: ($ 35)

U.S. tax: $ 70

* + 1. Formula for foreign tax credit limitation
       1. Pre-credit U.S. tax x Foreign source taxable income/Worldwide taxable income
       2. W/ a single foreign tax credit limitation, all foreign-source income, regardless of its character (e.g., active business versus passive investment) or country of origin (e.g., low-tax country versus high-tax country), is commingled to arrive at a single limitation
  1. Exemption for Individuals with De Minimis Foreign Tax Credits
     1. An individual with $ 300 or less of creditable foreign income taxes is *exempt* from the foreign tax credit limitation. In other words, if TP has *less* than $ 300 in foreign taxes, he doesn’t have to file a Form 1116. As such, TP doesn’t have to worry about the framework of analysis
     2. To qualify, an individual must elect to take the exemption for the tax year
     3. Rationale: It’s de minimus. Don’t want TPs spending a lot of time on compliance for something that amounts to very little revenue consideration for the U.S.
  2. Importance of Relative Tax Rates
     1. The relation of U.S. and foreign tax rates is a major determinant of whether a TP is in an excess limitation or an excess credit position
     2. TPs are in an excess *limitation* position when the foreign tax rate (25%) is *lower* than the U.S. rate (35%)
     3. TPs are in an excess *credit* position when the foreign tax rate (45%) is *higher* than the U.S. rate (35%)
     4. Example
        1. Facts: USAco is a domestic corporation. It has foreign-source taxable income of $ 100 and no U.S.-source taxable income. Assume the U.S. tax rate is 35%
        2. Case 1: *Foreign tax rate is 30%*
           1. If all of the foreign-source taxable income is subject to foreign income tax at a rate of 30%, USAco can claim a credit for the entire $ 30 of foreign income taxes paid, as follows:
           2. Foreign tax return

Taxable income: $ 100

Foreign income tax rate: 30%

Foreign income tax: $ 30

* + - * 1. U.S. tax return

Taxable income: $ 100

U.S. tax rate: 35%

Pre-credit tax: $ 35

Foreign tax credit: ($ 30)

U.S. tax: $ 5

* + - 1. Case 2: *Foreign tax rate is 40%*
         1. If a foreign income tax rate of 40% applies to all of the foreign-source taxable income, the foreign tax credit limitation (which equals the U.S. tax of $ 35 on USAco’s $ 100 of foreign-source income) will prevent USAco from claiming a credit for $ 5 of the $ 40 of foreign income taxes paid, as follows:
         2. Foreign tax return

Taxable income: $ 100

Foreign income tax rate: 40%

Foreign income tax: $ 40

* + - * 1. U.S. tax return

Taxable income: $ 100

U.S. tax rate: 35%

Pre-credit tax: $ 35

Foreign tax credit: ($ 35)

U.S. tax: $ 0

* 1. Planning Implications
     1. When a TP is in an excess *limitation* position, foreign taxes do n/ represent an out-of-pocket tax cost since the cost of paying those taxes is entirely offset by the U.S. tax savings associated w/ the credit. Therefore, tax planning focuses on reducing the residual *U.S. tax* due on foreign-source income
     2. In contrast, when a TP is in an excess *credit* position (i.e., creditable foreign taxes exceed the limitation), no U.S. tax is collected on foreign-source income b/c the credit fully offsets the pre-credit U.S. tax on that income
        1. In addition, the noncreditable foreign income taxes *increase* the total tax burden on foreign-source income beyond what it would have been if only the U.S. had taxed that income
        2. Therefore, planning focuses on reducing those excess credits

1. Strategies for Eliminating Excess Credits
   1. General

Below are three strategies for reducing excess credits:

* + - 1. Foreign tax reduction planning,
      2. Increasing the limitation, and
      3. Cross-crediting
  1. Foreign Tax Reduction Planning
     1. For U.S. persons in excess *limitation* positions, foreign tax reduction planning has no effect on their total tax costs. Why? B/c any decrease in foreign tax is accompanied by an offsetting increase in the U.S. tax on foreign income
     2. For U.S. persons in excess *credit* positions, foreign taxes *increase* the total tax costs of such TPs by the amount of the excess credits
        1. As a consequence, every dollar of foreign income taxes saved reduces TP’s total tax costs by a dollar, up to the amount of excess credits
        2. Techniques that a U.S. person can use to reduce foreign income taxes:
           1. Seek incentives from foreign country to build plant

Example: USAco wants to build a plant and hire a lot of employees. There’s nothing that gets a politician going more than a chance for more manufacturing jobs. USAco goes to foreign country and says, “We want to build a plant here but we want our tax rate lowered from 50% to 25%.” Will the foreign country go for it? They may. If n/ USAco will play them off against another country to get the rate they want

Analysis: By negotiating a rate of tax that goes from a 50% rate down to a 25% rate, USAco goes from an excess credit position to an excess limitation position

* + - * 1. Take advantage of any special exemptions, deductions, or credits;
        2. Realize income in a form that is taxed at a lower rate (such as a preferential rate for capital gains);
        3. Defer the recognition of gross income; and
        4. Accelerate the recognition of deductions
  1. Increasing the Limitation
     1. How can the foreign tax credit limitation be increased?
        1. First, by resourcing gross income in a way that *increases* the proportion of worldwide income that is classified as foreign-source income
        2. Second, by recharacterizing deductions (reducing the apportionment of expenses to foreign source income)
     2. Increasing the proportion of worldwide income that is classified as foreign-source income
        1. The U.S. rules for sourcing gross income play a decisive role in reducing excess credits
        2. Example: The title passage rule for sourcing income from inventory sales provides U.S. companies w/ a significant opportunity to increase foreign-source income. By arranging for the passage of title in a foreign country, export sales will generate foreign-source income
     3. Recharacterizing deductions
        1. If a deduction is allocated to *foreign-source* income, it reduces the foreign tax credit limitation
        2. As a result, a TP in an excess credit position derives no net U.S. tax benefit from deductions allocated to foreign-source income
        3. In contrast, deductions allocated to U.S.-source income do n/ affect the foreign tax credit limitation
     4. Example
        1. Facts: USAco is a domestic corporation. It has $ 4 million of U.S.-source taxable income and $ 8 million of foreign-source taxable income that is subject to foreign income tax. Assume that the foreign income tax rate is 50% and the U.S. rate is 35%
        2. USAco has $ 1.2 million of excess credits, computed as follows:
           1. *Foreign income taxes*

[$ 8 million x 50%]: $ 4 million

* + - * 1. *Foreign tax credit limitation*

Worldwide taxable income: $ 12 million

Pre-credit U.S. tax [$ 12 million x 35%]: $ 4.2 million

Foreign-source taxable income: $ 8 million

Limitation = Pre-credit U.S. tax x Foreign-source taxable income/Worldwide taxable income

Limitation = $ 4.2 million x ($ 8 million/$ 12 million) = $ 2.8 million

* + - * 1. *Excess foreign tax credit*

The foreign tax credit is the *lesser* of:

FITs ($ 4.0), or

Limitation ($ 2.8 million)

Analysis: B/c the limitation of $ 2.8 million is less than the foreign income taxes of $ 4 million, the foreign tax credit is the limitation

USAco has $ 1.2 million of excess credits

* + - 1. Assume that USAco can recharacterize $ 2 million of U.S.-source income as foreign-source income, but only for U.S. tax purposes. In other words, there is now $ 10 million of foreign-source taxable income even though only $ 8 million is subject to tax in the foreign country. Every dollar of resourced income increases USAco’s limitation and has no effect on USAco’s foreign taxes. The net effect is a *reduction* in USAco’s excess credits from $ 1.2 million to $ 500,000, computed as follows:
         1. *Foreign income taxes*

[$ 8 million x 50%]: $ 4 million

* + - * 1. *Foreign tax credit limitation*

Worldwide taxable income: $ 12 million. $ 2 million U.S. + $ 10 million foreign

Pre-credit U.S. tax [$ 12 million x 35%]: $ 4.2 million

Foreign-source taxable income: $ 10 million (b/c $ 2 million of U.S.-source income was resourced as foreign source income)

Limitation = Pre-credit U.S. tax x Foreign-source taxable income/Worldwide taxable income

Limitation = $ 4.2 million x ($ 10 million/$ 12 million) = $ 3.5 million

* + - * 1. *Excess foreign tax credit*

The foreign tax credit is the *lesser* of:

FITs, or

Limitation

Analysis: B/c the limitation of $ 3.5 million is less than the foreign income taxes of $ 4 million, the foreign tax credit is the limitation

USAco has $ .5 million of excess credits

* + - 1. On the other hand, if the resourcing of USAco’s income for U.S. tax purposes also increases USAco’s taxable income for foreign tax purposes, the $ 2 million of resourced income will increase USAco’s foreign income taxes at a faster rate than it will increase its limitation. The net effect will be an *increase* in USAco’s excess credits from $ 1.2 million to $ 1.5 million, computed as follows:
         1. *Foreign income taxes*

[$ 10 million x 50%]: $ 5 million

* + - * 1. *Foreign tax credit limitation*

Worldwide taxable income: $ 12 million. $ 2 million U.S. + $ 10 million foreign

Pre-credit U.S. tax [$ 12 million x 35%]: $ 4.2 million

Foreign-source taxable income: $ 10 million (b/c $ 2 million of U.S.-source income was resourced as foreign source income)

Limitation = Pre-credit U.S. tax x Foreign-source taxable income/Worldwide taxable income

Limitation = $ 4.2 million x ($ 10 million/$ 12 million) = $ 3.5 million

* + - * 1. *Excess foreign tax credit*

The foreign tax credit is the *lesser* of:

FITs, or

Limitation

Analysis: B/c the limitation of $ 3.5 million is less than the foreign income taxes of $ 5 million, the foreign tax credit is the limitation

USAco has $ 1.5 million of excess credits

* 1. Cross-Crediting
     1. The third strategy for eliminating excess credits exploits the cross-crediting phenomenon. If a TP can blend low-tax (e.g., $ 1 million taxed at a 30% tax rate) and high-tax foreign-source income (e.g., $ 2 million taxed at a 40% tax rate) w/in a single limitation, then the excess limitation on the low-tax income will soak up the excess credits on the high-tax income
     2. Example
        1. Facts: USAco is a domestic corporation. It has $ 2 million of country X source income and no U.S.-source income. Assume the U.S. tax rate is 35% and the country X rate of 40% applies to the $ 2 million of X income
        2. Analysis: USAco has $ 100,000 of excess credits, computed as follows:
           1. Foreign income taxes

[$ 2 million x 40%]: $ 800,000

* + - * 1. Foreign tax credit limitation

Worldwide taxable income: $ 2 million

Pre-credit U.S. tax on worldwide income [$ 2 million x 35%]: $ 700,000

Foreign-source taxable income: $ 2 million

Limitation = Pre-credit U.S. tax x Foreign-source taxable income/Worldwide taxable income

Limitation = $ 700,000 x ($ 2 million/$ 2 million) = $ 700,000

* + - * 1. Foreign tax credit

Foreign tax credit is the *lesser* of:

FITs ($ 800,000), or

Foreign tax credit limitation ($ 700,000)

Foreign tax credit = Limitation of $ 700,000

* + - * 1. Excess foreign tax credits

$ 800,000 (-) $ 700,000 = $ 100,000

* + - 1. Now assume that in addition to the $ 2 million of country X income, USAco also has $ 1 million of country Y income, which is subject to foreign tax at a 30% rate. Further assume that the country Y income is assigned to the same limitation category as the country X income

USAco

U.S.

X Y

X Activity Y Activity

$ 1 million Y-source taxable income

30% Y tax rate

$ 2 million X-source taxable income

40% X tax rate

* + - 1. Analysis: Cross-crediting will reduce the excess credits from $ 100,000 to $ 50,000 by virtue of an activity in a low tax country. What we’ve done is cross-credited the high tax income from country X to the low tax income of country Y:
         1. Foreign income taxes

Two components

Country X: [$ 2 million x 40%]: $ 800,000

Country Y: [$ 1 million x 30%]: $ 300,000

Total: $ 800,000 (+) $ 300,000 = $ 1.1 million

* + - * 1. Foreign tax credit limitation

Worldwide taxable income: $ 3 million

Foreign-source: $ 2 million country X (+) $ 1 million country Y = $ 3 million

U.S.-source: $ 0

Pre-credit U.S. tax on worldwide income [$ 3 million x 35%]: $ 1,050,000

Foreign-source taxable income: $ 2 million country X (+) $ 1 million country Y = $ 3 million

Limitation = Pre-credit U.S. tax on worldwide income x Foreign-source taxable income/Worldwide taxable income

Limitation = $ 1,050,000 x ($ 3 million/$ 3 million) = $ 1,050,000

* + - * 1. Foreign tax credit

Foreign tax credit is the *lesser* of:

FITs ($ 1.1 million), or

Foreign tax credit limitation ($ 1,050,000)

Foreign tax credit = Limitation of $ 1,050,000

* + - * 1. Excess foreign tax credits

$ 1,100,000 (-) $ 1,050,000 = $ 50,000

1. Restrictions on Cross-Crediting
   1. Separate Income Limitations
   2. Look-Through Rules
   3. Allocating Foreign Income Taxes
2. Other Complexities of the Limitation
   1. Capital Gains and Losses
   2. Impact of Losses
   3. Oil and Gas Activities
   4. Special Source-of-Income Rules
3. Excess Credit Carryovers
4. Computing the Alternative Minimum Tax Foreign Tax Credit
5. Filing Requirements