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### Income from Foreign Sources

Many United States citizens and resident aliens receive money from foreign sources. These taxpayers must remember that they must report all such income on their tax return, unless it is exempt under federal law.

U.S. citizens and residents are taxed on their worldwide income. This applies whether a person lives inside or outside the United States. Foreign income must be reported on a U.S. tax return whether or not the person receives a Form W-2, Wage and Tax Statement, a Form 1099 (information return) or the foreign equivalent of those forms.

Foreign source income includes but is not limited to earned and unearned income, such as:

- Wages and tips
- Interest
- Dividends
- Capital Gains
- Pensions
- Rents
- Royalties

An important point to remember is that individuals living outside the U.S. may be able to exclude up to \$85,700 of their 2007 foreign earned income if they meet certain requirements. However, the foreign earned income exclusion does not apply to payments made by the U.S. government to its civilian or military employees living outside the U.S.

For more information, check out IRS Publication 54, Tax Guide for U.S. Citizens and Resident Aliens Abroad. It's available on the IRS Web site at [IRS.gov](http://IRS.gov) or by calling 800-TAX-FORM (800-829-3676).

Remember that for the genuine IRS Web site be sure to use .gov. Don't be confused by internet sites that end in .com, .net, .org or other designations instead of .gov. The address of the official IRS governmental Web site is [www.irs.gov](http://www.irs.gov).

**Links:**

- Publication 54, Tax Guide for U.S. Citizens and Resident Aliens Abroad ([PDF 348K](#))

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