**Form 1116 – Foreign Tax Credit**

**ONLY the Simplified Limitation Election section of Form 1116 is in scope for Advanced certification. If qualified foreign taxes are $300 ($600 if MFJ) or less, all foreign source income is passive category (such as interest and dividends) and taxpayer meets the other requirements as explained in the Form 1116 Instructions, enter the exact amount of foreign tax paid here. Do not complete the rest of the form.**

Note: For the Simplified Limitation Election, link to Form 1116 from Form 1040, and complete the box at the top of the form. TaxWise® will automatically include this amount but will not include Form 1116 with the tax return unless it’s required.

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**FOR INTERNATIONAL CERTIFICATION ONLY:**
If the taxpayer does not meet the requirements for the Simplified Limitation Election, complete Form 1116 as follows:

- **Top portion:** Only report one type of income on each Form 1116. Income from up to three foreign countries may be reported on the same form as long as it is the same type of income.

- **Part I, line 1a:** Enter all foreign income that is taxable by both the foreign country and the U.S.

- **Part I, line 3a:** If the taxpayer is not itemizing deductions on Schedule A, enter the standard deduction amount on line 3a. If the taxpayer itemizes, refer to Form 1116 instructions for the amounts to include on this line. The tax software will not automatically enter this field.

- **Part II:** Check the appropriate box, (h) or (i), to indicate whether the foreign tax was actually paid during the tax year (“paid”) or if the tax was billed in one year but paid in another (“accrued”). A taxpayer using the cash basis can choose to use either the cash or accrual method to determine the foreign tax credit. However, if the accrual method is chosen, the taxpayer must continue to use the accrual method for the foreign tax credit on all future returns.

- **Part II, column j:** Enter the date taxes were paid or accrued.

- **Part II, columns k-n:** Amounts are entered in foreign currency; columns o-r: amounts are entered in U.S. dollars; and column s: total U.S. dollar amounts only. See Form 1116 Instructions for information about conversion rates.

- **Part III:** Figure the credit in this section. If the taxpayers have a carryback or carryover, refer them to a professional tax preparer, as this is out of scope.

- **Part IV:** Only needed if the taxpayer files more than one Form 1116 to report more than one type of income or report funds from more than three countries.

- **TaxWise®** performs the calculations in Parts III and IV.

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**US 1116**

**Foreign Tax Credit**

**Simplified Limitation Election**

The simplified method cannot be used if you file Form 4563 or exclude income from Puerto Rico. If all of your foreign source income is from dividends and interest and all of that income is reported to you on Forms 1040, 1040-E, 1040-INT and your qualified foreign taxes are not more than $300, ($600 if MFJ) you do not need to file this form. You can enter the foreign tax amount here: Schedule D, line 5a of Form 1041 or Form 1040NR.

By making this election, you forego any carryover of excess foreign taxes to or from a taxable year in which this election applies and this election applies to all later tax years and can only be revoked with IRS consent. Enter the amount of foreign income on Schedules B, as applicable and also on line 16 of Form 1116.

Check only one box. Use a separate Form 1116 for each category of income.

- a. Passive category income
- b. General category income
- c. Section 901(j)(3) income
- d. Lump sum distributions
- e. Income re-sourced by treaty

**Part I: Taxable Income or Loss from Sources Outside United States for Category Above**

- f. Resident of (name of country): ___________________________
- g. Country code: ___________________________

**Part II:**

- h. Income from sources within country shown above.
- i. Income other than capital gains.
- j. Check if line 1a is compensation for personal services as an employee, your total compensation from all sources is $30,000 or more, and you used an alternative basis to determine its source.

**Part III:**

- Foreign source qualified dividends

**Part IV:**

- Only needed if the taxpayer files more than one Form 1116 to report more than one type of income or report funds from more than three countries.

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**Note:** For the Simplified Limitation Election, link to Form 1116 from Form 1040, and complete the box at the top of the form. TaxWise® will automatically include this amount but will not include Form 1116 with the tax return unless it’s required.