

## Part IV – Items of General Interest

### Changes to Form 8873 (“Extraterritorial Income Exclusion”) and its Instructions

#### Announcement 2003-47

This announcement alerts taxpayers to recent changes to Form 8873 (“Extraterritorial Income Exclusion”) and its Instructions. The 2000 and 2001 Forms 8873 contained an error in the computation of the extraterritorial income exclusion (net of disallowed deductions) shown on line 55 of the form in certain instances in which a taxpayer used the foreign sale and leasing income method. This error may have led some taxpayers that used the foreign sale and leasing income method to claim excessive extraterritorial income exclusions for tax years 2000 and 2001.

The Service has revised the 2002 Form 8873 and its Instructions to correct this error and to make other clarifications. Compared to the 2000 and 2001 Forms 8873, the 2002 Form 8873 has been revised as follows: line 46 has been modified, lines 52 through 54 have been deleted, and line 55 has been redesignated as line 52 and modified to reflect the deletion of lines 52 through 54. As a result, the 2002 Form 8873 reflects the correct calculation of the extraterritorial income exclusion (net of disallowed deductions) on line 52 regardless of whether the taxpayer uses the foreign trade income, foreign trading gross receipts, or foreign sale and leasing income method to calculate the amount entered on line 45.

On June 27, 2003, the Director, International (LMSB) issued a compliance directive to LMSB executives, managers, and agents regarding these corrections to Form 8873

that instructed examiners in the identification and resolution of this issue on 2000 and 2001 Forms 8873.

For further information regarding this announcement, call (202) 435-5264 (not a toll-free call).