

Line 5

If you have capital losses from foreign sources, see [Foreign Qualified Dividends and Capital Gains \(Losses\)](#), earlier, for information on adjustments you may be required to make.

Part II—Foreign Taxes Paid or Accrued



See [General Instructions](#), earlier, for descriptions of foreign taxes that are eligible for the foreign tax credit and for foreign taxes that are not eligible for the foreign tax credit.

Generally, you can take a foreign tax credit in the tax year you paid or accrued the foreign taxes, depending on your method of accounting. If you report on the cash basis, you can choose to take the credit for accrued taxes by checking the “accrued” box in Part II. But once you choose to do this, you must credit foreign taxes in the year they accrue on all future returns.

Generally, you must enter in Part II the amount of foreign taxes, in both the foreign currency denomination(s) and as converted into U.S. dollars, that relate to the category of income checked above Part I. Taxes are related to the income if the income is included in the foreign tax base on which the tax is imposed. If the foreign tax you paid or accrued relates to more than one category of income, apportion the tax

among the categories. The apportionment is based on the ratio of net foreign taxable income in each category to the total net income subject to the foreign tax. See Pub. 514 for an example.

Enter in Part II the foreign taxes that were previously suspended under section 909 and that are allowed in 2014 because the related income is taken into account in 2014. Enter “909 taxes” in column (j) instead of the date paid or accrued. Complete the other columns as appropriate.



If foreign tax paid on passive income is reported to you in U.S. dollars on a Form 1099-DIV, 1099-INT, or similar statement, you do not have to convert the amount shown into foreign currency. This rule applies whether or not you can make the [election](#) to claim the foreign tax credit without filing Form 1116 (as explained earlier). Enter “1099 taxes” in Part II, column (j), and complete columns (o) through (s) for each foreign country indicated in Part I.

Note. If you are taking a credit for additional taxes paid or accrued as the result of an audit by a foreign taxing authority or you are filing an amended return reflecting a foreign tax refund, attach a statement to Form 1116 identifying these taxes.

Part III—Figuring the Credit

Line 10

Enter the unused foreign taxes in the separate category from another tax year that are eligible to be carried forward to or back to 2014.

You can carry back 1 year and then forward 10 years any foreign tax you paid or accrued to any foreign country or U.S. possession (reduced as described under [Line 12](#), later) on income in a separate category that is more than the limitation. First, apply the excess to the earliest year to which it may be carried. Then, apply it to the next earliest year, and so on. The carryback-carryforward period cannot be extended even if you are unable to take a credit in one of the intervening years.

Special rules apply to the carryback and carryforward of foreign taxes paid or accrued on foreign oil and gas income. In addition, special restrictions apply to the carryforward of pre-2009 unused oil and gas extraction taxes to years beginning after 2008. See section 907(f).

File Form 1040X or other amended return and a revised Form 1116 for the earlier tax year to which you are carrying back excess foreign taxes.

Special rules for carryforwards of pre-2007 unused foreign taxes. The foreign taxes carried forward generally are allocated to your post-2006 separate income categories to which those taxes would have been allocated if the taxes were paid or accrued in a tax year beginning after 2006. Alternatively, you can allocate unused foreign taxes in the pre-2007 separate category for passive income to the post-2006 separate category for passive category income, and you can allocate all other unused foreign taxes in the categories that were eliminated in 2007 to the post-2006 separate category for general category income.

Restrictions. You cannot carry a credit back to a tax year for which you claimed a deduction, rather than a credit, for foreign taxes paid or accrued. However, you must reduce the amount of any carryback or carryforward by the amount that you would have used had you chosen to claim a credit rather than a deduction in that year.

If, for any year, you [elected](#) to claim the foreign tax credit without filing Form

Worksheet for Home Mortgage Interest

—Line 4a

Keep for Your Records



Note: Before you complete this worksheet, read the instructions for [line 4a](#), earlier.

1. Enter gross foreign source income* of the type shown on Form 1116. **Do not** enter income excluded on Form 2555 or Form 2555-EZ **1.** _____
2. Enter gross income from all sources. **Do not** enter income excluded on Form 2555 or Form 2555-EZ **2.** _____
3. Divide line 1 by line 2 and enter the result as a decimal (rounded to at least four places) **3.** _____
4. Enter deductible home mortgage interest (from lines 10 through 13 of Schedule A (Form 1040)) **4.** _____
5. Multiply line 4 by line 3. Enter the result here and on the appropriate Form 1116, line 4a **5.** _____

*If you have to report income from more than one country on Form 1116, complete a separate worksheet for each country. Use only the income from that country on line 1 of the worksheet.