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TAXATION OF AMERICANS WORKING OVERSEAS

Revenue Aspects of Recent Legislative Changes and Proposals

I. Introduction and Summary

The Tax Reform Act of 1976 made several changes in the tax law which affect Americans working overseas (section 911 of the Internal Revenue Code). The principal changes are: (1) it lowered the exclusion of income earned abroad to $15,000 from $20,000 or $25,000; (2) it taxed other income at the higher rates which would apply if the excluded income were also subject to tax; (3) it disallowed a credit for foreign taxes attributable to the excluded income. In addition to the changes brought about by the Tax Reform Act, the Tax Court ruled that allowances and expenses paid by an employer on behalf of an employee, such as housing, education, and travel expenses, were includable in the employee's gross income. The combination of these changes sharply increased the tax liability of many Americans working overseas, prompting an intensive campaign for legislative relief.

Although the 1976 Tax Reform Act changes were scheduled to take effect retroactively as of 1976, they were delayed until 1977 and are expected to be delayed until 1978. Senator Ribicoff introduced a bill (S.2115) which would replace the present approach of a flat exclusion by special deductions for certain additional costs incurred as a consequence of working abroad.

The impact of the 1976 changes and the Ribicoff proposal are analyzed in this paper, using income tax return data for 1975. The following conclusions can be drawn from the data:

1. Of approximately 150,000 returns filed by Americans abroad, 44 percent were from Canada and Western Europe. The Middle East and African oil producing countries accounted for 10 percent.

2. Taxpayers abroad tend to have substantially higher incomes than domestic taxpayers -- 47 percent had incomes in excess of $20,000 compared with 14 percent for domestic
taxpayers; 10 percent had incomes in excess of $50,000 compared to 1 percent of domestic taxpayers. Nearly half of the taxpayers with incomes over $50,000 lived in Europe.

3. The U.S. tax liability of Americans abroad is estimated to have increased by about $65 million as a result of the Tax Court decisions, raising the liability under 1975 law from the reported $185 million to $250 million. That tax liability would more than double as a result of the 1976 Tax Reform Act changes, increasing from $250 million to $569 million. The estimated tax cost of delaying enactment of the 1976 Tax Reform Act for one year (i.e., retaining the effect of the Tax Court decisions but with an exclusion of $20,000 or $25,000 off the top) is $318 million.

4. Taxpayers in the Middle East and African OPEC countries, although only 10 percent of the section 911 taxpayers, would bear more than 20 percent of the tax increase due to the 1976 Tax Reform Act changes. The Ribicoff bill would reduce the additional 1976 liability by $115 million, with 59 percent of the relief going to taxpayers in the OPEC nations.

5. The "tax expenditure" or revenue cost of the special tax provisions for Americans abroad (compared to no section 911 relief) is $498 million under 1975 law, $180 million under the 1976 Tax Reform Act and $294 million under the Ribicoff proposal. These tax expenditure figures are much larger than previously estimated.

II. Status of Law, 1975 and 1976

U.S. citizens are generally taxed on their worldwide income and receive a foreign tax credit for foreign taxes paid. However, under section 911 of the Internal Revenue Code, citizens working overseas exclude from income a specified amount of income earned for services performed abroad. In order to qualify for the foreign earned income exemption, the taxpayer must be a bona fide resident of a foreign country for a period which includes a full taxable year, or be physically present in a foreign country for 17 out of 18 consecutive months.

1975 Law

Under the 1975 law, the excluded amount was generally $20,000, which increased to $25,000 after 3 consecutive years of bona fide foreign residence. The excluded income came "off the top"; that is, total taxable income dropped
down into the lower brackets. Foreign taxes paid on the excluded income could be credited against any U.S. tax due on included foreign income, even though the excluded income had not been subject to double taxation. 1/ However, persons claiming a foreign tax credit could not also claim a standard deduction.

Although allowances and expenses paid by an employer on behalf of an employee, such as housing, education, and travel expenses were includable in the employee's gross income under 1975 law, in actual practice such amounts were often not reported, or in the case of housing, not reported at the full local value. In 1976 the Tax Court considered two cases in which U.S. employees in Tokyo included in income the estimated U.S. cost of comparable housing, but not the additional local cost paid by their employers. The Court held that the full local market value of such housing

1/ For example, assume that a single taxpayer had $40,000 of income after personal exemptions and deductions but before the exclusion, all of it foreign earned income eligible for the section 911 exclusion, and that he had paid $6,000 of foreign tax on the $40,000. The U.S. tax on $40,000 would be $14,390; $5,230 on the first $20,000 of taxable income and $9,160 on the next $20,000. Under 1975 rules of section 911, when he took the $20,000 exclusion he was taxed on the other $20,000 of foreign earned income as if it were his only income, so he owed U.S. tax of $5,230, not $9,160. Moreover, he could claim a foreign tax credit for the full foreign tax of $6,000, not only for the foreign tax paid on the $20,000 of income liable to U.S. tax. Consequently, in this example, the result would be no U.S. tax on $40,000 of foreign earned income and an excess foreign tax credit of $770 which could be used to offset U.S. tax on other foreign income.
was taxable income to the employee. 2/

1976 Amendments

The Tax Reform Act of 1976 amended section 911 in several important respects. First, it lowered the exclusion to $15,000, except for employees of charitable organizations for whom it remained at $20,000. Second, the exclusion was changed to come "off the bottom", so that other income would be taxed at the higher rate brackets which would apply if the excluded income were also subject to tax. Third, the Act disallowed a foreign tax credit for taxes attributable to the excluded income. Fourth, the exclusion was not allowed on income received outside the country in which earned, if one of the purposes of receiving the income outside that country was to avoid taxation. The Act also made the earned income exclusion elective; once the election was made, however, it would be binding for all subsequent years and could be revoked only with the consent of the Internal Revenue Service. Finally, the Act provided that taxpayers claiming a foreign tax credit could also claim the standard deduction; although this provision is not an amendment to section 911, it primarily affects citizens claiming section 911.

These changes were initially enacted to take effect retroactively as of January 1, 1976, but were delayed until

2/ Philip H. Stephens, T.C. Memo 1976-13 (# 76,013 P-H Memo T.C.)


In August 1977, a decision of a Court of Claims trial judge (Faneuil Adams, Jr. vs. U.S., Ct. Cl. Trial Div. No. 141-75, 8/24/77) held that an employee, again in Tokyo, could exclude from gross income the rental value of housing furnished by his employer on the grounds that it met the tests of Internal Revenue Code section 119 as being for the convenience of the employer; but that decision appears to be of limited application. It was held to be a close case, "due in vital respects to business and social mores peculiar to Japan", and the rationale is limited to high corporate executives.
January 1, 1977 by the Tax Reduction and Simplification Act of 1977. In November 1977, the House of Representatives voted another one year delay in the amendments to section 911, postponing their effective date to January 1, 1978. The Treasury supported such a delay to allow time for consideration of future proposed changes. The Senate did not vote on the proposed delay before adjourning for Christmas, but is expected to vote on it early in the 1978 sessions.

III. Further Legislative Proposals

The clarification of prior law in the 1976 Tax Court decisions and the changes in section 911 under the Tax Reform Act of 1976 sharply reduced the benefit of the foreign earned income exclusion for many Americans working abroad. 3/ The 1976 changes are particularly onerous to high income taxpayers (due to taxing the nonexcluded income at the higher rates) who paid relatively low foreign taxes

For purposes of illustrating the impact of the 1976 Tax Reform Act, assume the same taxpayer as in footnote 1. In order to compute his U.S. tax liability, the tax on the excluded amount would be subtracted from the tax due on his taxable income including the exclusion. In this example, the U.S. tax on the first $15,000 of income is $3,520 and the tax on his entire $40,000 income is $14,390. Subtracting the tax on the $15,000 exclusion from the tax on the total yields $10,870. Under the 1976 Act, the taxpayer is no longer allowed a foreign tax credit on the excluded amount. The method of doing this has not been finally established, but for purposes of this example, the foreign tax paid is reduced by the percentage equal to:

\[
\frac{\text{U.S. tax on excluded income}}{\text{U.S. tax on worldwide taxable income}}
\]

In this example, the disallowed foreign taxes would be $1,470, leaving $4,530 of creditable foreign taxes. Hence, the individual's tax after the foreign tax credit is $6,340. As illustrated in footnote 1, this individual would have had an excess foreign tax credit of $770 under 1975 law. Of the difference, $3,930 is due to exemption-with-progression, i.e., taking the exclusion "off the bottom"; $1,710 arises from the reduction in the exclusion from $20,000 to $15,000; and $1,470 is due to the disallowance of a foreign tax credit for foreign tax on the excluded income.
(which are of reduced value as a credit under the 1976 rules). The single group most adversely affected are Americans working in the oil exporting countries of the Middle East, where high incomes reflect high living costs, and the foreign tax credit offers little relief since local income taxes are low.

In an extraordinary volume of mail and meetings, U.S. citizens employed overseas made their complaints against the 1976 changes known to Congress and the Administration, urging that those changes be repealed and proposing other more generous treatment. One proposal, introduced by Senator Ribicoff on September 21, 1977 (S.2115), and approved by the Senate Finance Committee, would allow U.S. citizens working overseas to deduct from foreign earned income certain additional costs incurred as a consequence of working abroad. Specifically, the Ribicoff bill would permit deductions of: (a) the costs for reasonable housing in excess of 20 percent of foreign earned income (net of housing costs and net of the deductions allowable under (b) and (c)); (b) education costs through grade 12, not including travel and room and board; and (c) an excess cost-of-living deduction.

The housing deduction assumes that U.S. housing costs average 16-2/3 percent of income, which is the same as 20 percent of income after housing expense. The cost-of-living deduction is equal to the excess of the foreign cost-of-living index over the U.S. index applied to "spendable income", assuming a salary equivalent to that earned by a GS 12-step 1 civil servant. (Spendable income would vary between single taxpayers and taxpayers with families but everyone would be assumed to earn the same basic salary.) The special deductions are viewed as adjustments to income rather than exemptions and would not involve any denial of foreign tax credits.

The Ribicoff bill would also allow moving expenses to be deducted in full, with no disallowance of the portion attributable to excluded income. And it would give employees of charities and those living in construction camps an artificial housing deduction by allowing them to take the average deduction for the area, even when they
spend less. 4/ It would also broaden the rules for excluding from income meals and lodging, to cover camp-like housing not on the business premises, but taxpayers could not claim both that exclusion and the extra housing deduction.

The Treasury would be charged with publishing tables of local schooling costs and cost-of-living indices, which would serve as ceilings for those deductions. In addition, for employees of multinational companies, the special deductions for housing, education, and cost-of-living would be limited to the lower of the amount spent or the amount reimbursed by the employer. The self-employed could deduct the lower of the amount spent or the average amount deducted in the prior year by taxpayers in the same area, as shown in tables to be published by IRS. Employees in camps and employees of U.S. charities could deduct the lower of the amount spent on allowable education costs and the average deduction shown in the IRS tables; for housing, as described above, they could claim an extra deduction equal to the average for the area if the amount spent was less.

Other legislative proposals are expected to be introduced, but to date the Ribicoff bill (S.2115) is the only bill formally introduced, and is consequently the only alternative to the 1976 Tax Reform Act provisions considered in the following tables. Other proposals are likely to follow the same basic approach of special deductions, although the specific provisions may vary.

4/ For example, assume two single employees in the Middle East earning a base salary of $25,000, one living in an apartment furnished by the employer which would cost $5,000 in the United States but locally costs $15,000, and the other living in a construction camp where his lodging and meals are valued at $5,000. The first would report gross income of $40,000 ($25,000 plus $15,000) and deduct the excess local cost of $10,000 to arrive at $30,000 of taxable income. The second would report gross income of $30,000 ($25,000 plus $5,000; section 119 must be waived to claim the special deduction) but would also deduct $10,000, arriving at a taxable income of $20,000.
IV. General Characteristics of Taxpayers Claiming Section 911

Number of taxpayers (Table 1)

As indicated in Table 1, about 140,000 taxpayers claimed section 911 in 1975, a jump of nearly 40 percent over the number of returns filed for 1972. The total income (adjusted gross income plus exclusion as reported in 1975) reported on these returns increased from $2.2 to $3.6 billion, or at average levels per taxpayer from about $22,000 to $26,000. Of the $3.6 billion, $2.0 billion was excluded foreign earned income.

For 1977, the estimated number of taxpayers was increased to approximately 150,000 by adjusting for under-compliance, but the estimates do not assume any increase in the number of eligible taxpayers. The number of taxpayers is probably understated for 1977, especially in the Middle East; but in the absence of reliable data on the size, location and income levels of the changes, the 1975 data was used. Consequently, the resulting estimates should be viewed as conservative. About 23 percent of the returns (34,755) were filed by single taxpayers. The other 114,493 returns each claimed an average of 3.2 personal exemptions. Reported income is projected to be about $4.2 billion in 1977. The increase of $600 million over income reported in 1975 reflects an assumed increase in income levels from 1975 to 1977. The 1977 exclusion shown in Table 1 is computed under 1975 rules.

Location and income level of taxpayers (Tables 2 and 3)

Table 2 shows the estimated number of returns for 1977 by area and the cumulative percentage by reported income class. About 14 percent of Americans residing abroad were located in Canada and 31 percent in Western Europe. The oil producing countries of the Middle East and Africa together accounted for 10 percent of the total.

5/ These figures are amounts actually reported by taxpayers in 1975 and do not include any increases in reported income which would occur if employees had also reported allowances and services paid for by an employer.
Taxpayers claiming section 911 tend to have higher incomes than domestic U.S. residents. Only 14 percent of all U.S. taxpayers had adjusted gross incomes of more than $20,000, while 47 percent of taxpayers claiming section 911 had adjusted gross incomes plus the foreign earned income exclusion in excess of $20,000. About one percent of all U.S. taxpayers had incomes above $50,000 compared to 10 percent of section 911 taxpayers. Nearly half of the section 911 taxpayers with incomes of over $50,000 were in Europe.

These comparisons should not be taken at full face value because the higher incomes overseas often reflect higher living costs. But the comparisons are far from meaningless. The income figures cited do not include any imputed allowances for housing, education and home leave furnished by the employer. Prior to the Tax Court cases of 1976, these allowances were often not reported as income by the employee or, in the case of housing, the allowance was reported at the estimated U.S. value when that was lower than the local cost. Thus, the reported incomes are net of much of the excess cost of living abroad. A further adjustment may be appropriate for other living costs (consumer goods, local taxes, restaurant meals, etc.). For example, the State Department estimates that an income of $20,000, net of excess housing and education costs, in Jidda compares to $17,200 in Washington, and $50,000 in Jidda compares to $44,300 in Washington. Thus, for Saudi Arabia the overstatement of incomes is roughly 10 percent. Accurate adjustment of the income statistics for each and every location was beyond the scope of this study. But while the income statistics in these tables are overstated, a cost of living adjustment would not nullify the point that Americans working overseas, as a group, have significantly higher incomes than Americans in general.

Table 3 gives greater country detail. It shows, for example, that the largest concentrations of section 911 taxpayers were in Canada, the United Kingdom and Germany. These countries alone account for 30 percent of all returns claiming section 911. As mentioned earlier, these numbers are based on 1975 data and probably understate the actual number of taxpayers in some areas, but it is unclear whether the relative concentrations have changed.
V. Revenue Effect of Tax Rules Affecting U.S. Citizens Working Abroad

Tax expenditure concept (Table 4)

Table 4 shows the "tax expenditure" or revenue cost of the foreign earned income exclusion under 1975 law, under the changes enacted in 1976 and under the proposal introduced by Senator Ribicoff.

The tax expenditure estimate does not take into account changes in behavior which would occur if section 911 were repealed, such as a reduction in the number of Americans working abroad. It is not possible to do so without more information on which employers would bear the added tax cost, and what alternative employment is available to employees who must bear the cost themselves. What the tax expenditure estimate does purport to measure is the initial impact to which companies and individuals must somehow adjust.

The principal point to be drawn from the table is that section 911 results in a much larger tax expenditure than previously estimated. 6/ As indicated in Table 4, the revised estimate of the revenue cost of the exclusion is

6/ Earlier estimates showed a net revenue gain of $60 million in 1976 if the foreign earned income exclusion were repealed. That estimate was based on a tabulation of returns filed in 1968. It failed to anticipate the large increase in U.S. citizens working abroad and the shift to high-income, low-tax areas like the Middle East, underestimated the increase in taxes as incomes increased to higher brackets, and seriously overestimated foreign tax credits. The revised figures are based on 1975 tax returns with incomes increased to 1977 levels and with adjustments for estimated failure to file and for underreporting of income in kind.
about $498 million under 1975 law. 7/ The Tax Reform Act of 1976 is estimated to increase revenue by $318 million, reducing the tax expenditure to $180 million. Thus, the tax cost of postponing the effective date of the 1976 law by one year is about $318 million. The Ribicoff proposal is estimated to increase total U.S. tax liabilities by about $115 million less than the 1976 changes, resulting in a tax expenditure cost of $294 million.

The various assumptions used in making the estimates are outlined in Appendix A. In general, the bias is to understate the tax expenditure. As mentioned above, the number of taxpayers was assumed not to change from 1975 to 1977. And a crucial variable, the foreign tax credit, is probably overstated. 8/ Even under these assumptions, the

7/ The estimates in Table 4 assume that taxable income under foreign tax laws is independent of how taxable income is defined under U.S. law, so that the foreign tax paid does not change when U.S. taxable income increases as a consequence of the Tax Court decisions (or when U.S. taxable income is reduced by special deductions under the Ribicoff proposal). If one assumes instead that the additional income reported for U.S. tax purposes after the Tax Court decisions also becomes taxed for the first time by foreign governments, the tax expenditure cost under 1975 law would be $300 million instead of $500 million.

8/ The credit figures used in the tables assume that those taxpayers who did not claim any credit in 1975 (63 percent of the total) paid the same amount of foreign tax as those in the same country with the same amount of foreign earned income who did claim a credit. If no foreign tax credit returns were available for that country, taxpayers living there were assumed to have paid the tax indicated by the foreign law for that income. These assumptions overstate the foreign taxes paid. Some of those who failed to claim a credit presumably paid no foreign tax, and for others the foreign tax paid cannot have exceeded their marginal rate of U.S. tax times the standard deduction. (Prior to the 1976 Act a foreign tax credit could be claimed only by those who itemized deductions.)
relatively low foreign tax burden of Americans working abroad is striking. With the exception of Canada (where the foreign tax liability offsets over 80 percent of the U.S. tax before credits) foreign taxes paid were typically about half the U.S. tax on foreign earned income. Special non-statutory arrangements, for example by contract, providing for relief or exemption from foreign tax may be responsible. Some countries do not enforce their tax laws with the same degree of vigilance as the United States, so underpayment of foreign tax liability is one explanation.

Changes in tax liability (Table 5)

Table 5 presents summary data on income and tax liabilities of persons claiming section 911 for 1977 under 1975 tax practice, under the 1976 changes, and under the Ribicoff proposal. The figures in column (1) assume the same reporting practices and tax law as in 1975, and those in columns (2) and (3) reflect the impact of the Tax Court decisions and the 1976 Tax Reform Act, respectively. The bottom line of Table 5 shows that tax after credits increased by $65 million as a result of the Tax Court changes, and an additional $318 million is attributable to the Tax Reform Act, or a total increase of $383 million over 1975 reporting practice. 9/

Tax liability by income class (Table 6)

As the figures on Table 6 indicate, the total tax liability of Americans abroad would triple as a result of the Tax Court changes and the 1976 Tax Reform Act. Taxpayers who reported incomes in excess of $50,000 (before the effects of the Tax Court decisions) account for 40 percent of the tax increase due to those combined tax changes and 32 percent of the tax relief under the Ribicoff bill. Those earning less than $20,000 would pay more tax

9/ The magnitude of the Tax Reform Act changes is compounded by being added on top of the Tax Court decisions, which here are taken into account as if they had happened first, because they were in effect a clarification of existing law. Had the Tax Reform Act been enacted first, its revenue effect would have been much lower and the effect of the Tax Court decisions correspondingly higher.
under the Ribicoff bill than under the 1976 reforms because their excess expenses would generally be less than the $15,000 exclusion "off the bottom".

**Tax liability by area (Table 7)**

Table 7 shows the revenue effect of the 1976 changes and the Ribicoff proposal by area. The taxpayers most affected by the 1976 changes are in the oil producing countries of the Middle East and Africa, where living costs and incomes are high, and foreign taxes are low. Taxpayers in Japan and Latin America also experienced somewhat larger than average tax increases. Taxpayers in Canada, the non-OPEC countries of the Middle East and Africa, and Australia and New Zealand (Oceania) were the least affected. For taxpayers in Europe and in Asia outside Japan the tax increases were about proportionate (i.e., the increase in tax was distributed in the same proportion as the number of taxpayers).

**Effective tax rates (Table 8)**

As Table 8 indicates, section 911 as it applied prior to the 1976 Tax Reform Act amendments (but including the effect of the Tax Court changes) reduced the average effective rate of tax by more than half of what it would have been in the absence of any special relief for overseas Americans. The effective rates in Table 8 are shown as a percentage of adjusted gross income, with no exclusion but less the special deductions provided in the Ribicoff bill for excess housing and education costs, a cost-of-living adjustment and liberalized moving expense deduction; this adjusted income figure is taken as the closest approximation to "true" income (given the limitations of the data). The 1976 amendments would sharply increase the average effective tax rate to about 75 percent of what the applicable rate would be if there were no exclusion.

Under both the 1975 law and the 1976 amendments the reduction in tax is much more pronounced at the lower income levels where the exclusion covers most of the income received. Under the Ribicoff bill the average effective rate would be slightly lower than under the 1976 Act and well below the rates which would apply in the absence of any special tax relief for overseas Americans. The increase in tax rates in the $10,000-$20,000 group may indicate that the housing allowance imputed to this group is too high.
VI. Tables

Tables 1 through 8 begin on the next page.

VII. Appendices

Area detail

Additional detail for nine major geographic areas is shown in Appendix A.

Data sources and methodology

The sources of data, assumptions and methods of calculation are explained in Appendix B.
Table 1

<table>
<thead>
<tr>
<th></th>
<th>1968</th>
<th>1972</th>
<th>1975</th>
<th>1977</th>
</tr>
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<tbody>
<tr>
<td>Number of returns</td>
<td>101,295</td>
<td>101,832</td>
<td>139,964</td>
<td>149,248</td>
</tr>
<tr>
<td>AGI plus exclusion</td>
<td>1,749</td>
<td>2,192</td>
<td>3,581</td>
<td>4,209</td>
</tr>
<tr>
<td>Exclusion</td>
<td>1,196</td>
<td>1,382</td>
<td>2,011</td>
<td>2,193</td>
</tr>
<tr>
<td>AGI</td>
<td>553</td>
<td>810</td>
<td>1,580</td>
<td>2,016</td>
</tr>
<tr>
<td>Tax before credits</td>
<td>n.a.</td>
<td>159</td>
<td>318</td>
<td>454</td>
</tr>
<tr>
<td>Foreign tax credit</td>
<td>41</td>
<td>77</td>
<td>163</td>
<td>255</td>
</tr>
<tr>
<td>Tax after credits</td>
<td>n.a.</td>
<td>82</td>
<td>150</td>
<td>185</td>
</tr>
</tbody>
</table>

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Office of Tax Analysis

January 28, 1978

1/ The personal tax credit is also taken into account for 1975 and 1977. Figures reflect the personal income tax law applicable in each year shown.

2/ Increase over 1975 reflects an adjustment for estimated failure to file rather than an increase in the number of eligible individuals.

e/ Estimates based on 1975 tax return data adjusted to 1977 income levels. The estimates do not include Tax Court adjustments to income.
Table 2
Number of Returns as a Cumulative Percent of the Total by Size of Adjusting Gross Income Plus Exclusion: U.S. Citizens Residing Abroad and in the United States 1/

<table>
<thead>
<tr>
<th>Taxpayers Residing Abroad</th>
<th>Cumulative Percent of Returns by AGI Plus Exclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
</tr>
<tr>
<td></td>
<td>Number of Returns Under $10,000 $20,000 $30,000 $40,000 Over $50,000</td>
</tr>
<tr>
<td>Total</td>
<td>149,248</td>
</tr>
<tr>
<td>Canada</td>
<td>20,683</td>
</tr>
<tr>
<td>Latin America 4/</td>
<td>17,955</td>
</tr>
<tr>
<td>Western Europe</td>
<td>45,702</td>
</tr>
<tr>
<td>Middle East and African OPEC 5/</td>
<td>15,534</td>
</tr>
<tr>
<td>Japan</td>
<td>5,251</td>
</tr>
<tr>
<td>Oceania 6/</td>
<td>9,727</td>
</tr>
<tr>
<td>Other Middle East and Africa 7/</td>
<td>11,348</td>
</tr>
<tr>
<td>Other Asia 8/</td>
<td>18,442</td>
</tr>
<tr>
<td>All Other</td>
<td>4,606</td>
</tr>
<tr>
<td>All U.S. taxpayers 9/</td>
<td>82,176,778</td>
</tr>
</tbody>
</table>

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Office of Tax Analysis
January 28, 1978

1/ All figures are estimates based on 1975 tax return data adjusted to 1977 income levels.

2/ Estimated number of returns for 1977. The increase in the number of returns over 1975 reflects an adjustment for estimated failure to file rather than an increase in the number of eligible individuals.

3/ As reported, not including Tax Court adjustments.

4/ Includes Mexico, Central and South America.

5/ Includes Algeria, Libya, Nigeria, Iran, Kuwait, Qatar, Saudi Arabia, United Arab Emirates, Bahrain, Gabon, Oman, Iraq.

6/ Includes Australia, New Hebrides, New Zealand, Papua New Guinea, Western Samoa, Other Oceania except Caribbean (which is included in "all other" category).

7/ Includes Middle East and African countries not included in footnote 5.

8/ Includes all Asia except Japan.

Table 3

Number of Returns Claiming the Foreign Earned Income Exclusion By Country, 1977

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of Returns</th>
<th>Percent of the Total</th>
</tr>
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<tbody>
<tr>
<td>All Countries</td>
<td>149,248</td>
<td>100.0</td>
</tr>
<tr>
<td>Canada</td>
<td>20,683</td>
<td>13.9</td>
</tr>
<tr>
<td>Mexico</td>
<td>3,260</td>
<td>2.2</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>587</td>
<td>0.4</td>
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<tr>
<td>El Salvador</td>
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<tr>
<td>Guatemala</td>
<td>526</td>
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</tr>
<tr>
<td>Honduras</td>
<td>462</td>
<td>0.3</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>230</td>
<td>0.2</td>
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<tr>
<td>Panama</td>
<td>440</td>
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<td>Dominican Republic</td>
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</tr>
<tr>
<td>Haiti</td>
<td>393</td>
<td>0.3</td>
</tr>
<tr>
<td>Jamaica, Turks and Caicos</td>
<td>350</td>
<td>0.2</td>
</tr>
<tr>
<td>Trinidad and Tobago</td>
<td>422</td>
<td>0.3</td>
</tr>
<tr>
<td>Argentina</td>
<td>450</td>
<td>0.3</td>
</tr>
<tr>
<td>Bolivia</td>
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<td>0.2</td>
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<tr>
<td>Brazil</td>
<td>4,625</td>
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<tr>
<td>Chile</td>
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<td>Colombia</td>
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<td>Uruguay</td>
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<td>Venezuela</td>
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<td>Bahamas</td>
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<td>Bermuda</td>
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<tr>
<td>Greenland</td>
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<tr>
<td>Netherlands Antilles</td>
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<tr>
<td>Leeward Islands</td>
<td>585</td>
<td>0.4</td>
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<tr>
<td>Belgium</td>
<td>2,420</td>
<td>1.6</td>
</tr>
<tr>
<td>Denmark</td>
<td>283</td>
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</tr>
<tr>
<td>France</td>
<td>3,990</td>
<td>2.7</td>
</tr>
<tr>
<td>Ireland</td>
<td>451</td>
<td>0.3</td>
</tr>
</tbody>
</table>
Table 3 (continued)

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of Returns</th>
<th>Percent of the Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy</td>
<td>2,623</td>
<td>1.8</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>312</td>
<td>0.2</td>
</tr>
<tr>
<td>Netherlands</td>
<td>1,422</td>
<td>0.1</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>12,464</td>
<td>8.4</td>
</tr>
<tr>
<td>West Germany</td>
<td>11,076</td>
<td>7.4</td>
</tr>
<tr>
<td>Austria</td>
<td>811</td>
<td>0.5</td>
</tr>
<tr>
<td>Greece</td>
<td>1,266</td>
<td>0.8</td>
</tr>
<tr>
<td>Malta</td>
<td>115</td>
<td>0.1</td>
</tr>
<tr>
<td>Monaco</td>
<td>189</td>
<td>0.1</td>
</tr>
<tr>
<td>Norway</td>
<td>1,037</td>
<td>0.7</td>
</tr>
<tr>
<td>Portugal</td>
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<td>0.1</td>
</tr>
<tr>
<td>Spain</td>
<td>2,331</td>
<td>1.6</td>
</tr>
<tr>
<td>Sweden</td>
<td>636</td>
<td>0.4</td>
</tr>
<tr>
<td>Switzerland</td>
<td>3,464</td>
<td>2.3</td>
</tr>
<tr>
<td>Turkey</td>
<td>658</td>
<td>0.4</td>
</tr>
<tr>
<td>U.S.S.R.</td>
<td>117</td>
<td>0.1</td>
</tr>
<tr>
<td>Algeria</td>
<td>546</td>
<td>0.4</td>
</tr>
<tr>
<td>Egypt</td>
<td>494</td>
<td>0.3</td>
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<tr>
<td>Libya</td>
<td>981</td>
<td>0.7</td>
</tr>
<tr>
<td>Morocco</td>
<td>116</td>
<td>0.1</td>
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<tr>
<td>Tunisia</td>
<td>121</td>
<td>0.1</td>
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<tr>
<td>Ethiopia</td>
<td>564</td>
<td>0.4</td>
</tr>
<tr>
<td>Kenya</td>
<td>973</td>
<td>0.7</td>
</tr>
<tr>
<td>Malagasy Republic</td>
<td>189</td>
<td>0.1</td>
</tr>
<tr>
<td>Tanzania</td>
<td>270</td>
<td>0.2</td>
</tr>
<tr>
<td>Angola</td>
<td>161</td>
<td>0.1</td>
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<tr>
<td>British West Africa</td>
<td>198</td>
<td>0.1</td>
</tr>
<tr>
<td>Cameroon</td>
<td>197</td>
<td>0.1</td>
</tr>
<tr>
<td>Central African Republic</td>
<td>126</td>
<td>0.1</td>
</tr>
<tr>
<td>Ghana</td>
<td>366</td>
<td>0.2</td>
</tr>
<tr>
<td>Ivory Coast</td>
<td>124</td>
<td>0.1</td>
</tr>
<tr>
<td>Liberia</td>
<td>492</td>
<td>0.3</td>
</tr>
<tr>
<td>Nigeria</td>
<td>1,158</td>
<td>0.8</td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>159</td>
<td>0.1</td>
</tr>
</tbody>
</table>
Table 3 (continued)

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of Returns</th>
<th>Percent of the Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zaire</td>
<td>993</td>
<td>0.7</td>
</tr>
<tr>
<td>Malawi</td>
<td>120</td>
<td>0.1</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>318</td>
<td>0.2</td>
</tr>
<tr>
<td>South Africa</td>
<td>1,148</td>
<td>0.8</td>
</tr>
<tr>
<td>Zambia</td>
<td>496</td>
<td>0.3</td>
</tr>
<tr>
<td>Bahrain</td>
<td>237</td>
<td>0.2</td>
</tr>
<tr>
<td>Iran</td>
<td>6,433</td>
<td>4.3</td>
</tr>
<tr>
<td>Israel</td>
<td>2,303</td>
<td>1.5</td>
</tr>
<tr>
<td>Kuwait</td>
<td>212</td>
<td>0.1</td>
</tr>
<tr>
<td>Lebanon</td>
<td>508</td>
<td>0.3</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>5,133</td>
<td>3.4</td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td>683</td>
<td>0.5</td>
</tr>
<tr>
<td>Afghanistan</td>
<td>151</td>
<td>0.1</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>205</td>
<td>0.1</td>
</tr>
<tr>
<td>India</td>
<td>724</td>
<td>0.5</td>
</tr>
<tr>
<td>Indonesia</td>
<td>3,096</td>
<td>2.1</td>
</tr>
<tr>
<td>Laos</td>
<td>109</td>
<td>0.1</td>
</tr>
<tr>
<td>Malaysia</td>
<td>836</td>
<td>0.6</td>
</tr>
<tr>
<td>Pakistan</td>
<td>337</td>
<td>0.2</td>
</tr>
<tr>
<td>Philippines</td>
<td>2,283</td>
<td>1.5</td>
</tr>
<tr>
<td>Singapore</td>
<td>3,148</td>
<td>2.1</td>
</tr>
<tr>
<td>South Vietnam</td>
<td>1,579</td>
<td>1.1</td>
</tr>
<tr>
<td>Thailand</td>
<td>1,611</td>
<td>1.1</td>
</tr>
<tr>
<td>China</td>
<td>1,201</td>
<td>0.8</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>1,771</td>
<td>1.2</td>
</tr>
<tr>
<td>Japan</td>
<td>5,251</td>
<td>3.5</td>
</tr>
<tr>
<td>Okinawa and Rukyu</td>
<td>224</td>
<td>0.2</td>
</tr>
<tr>
<td>South Korea</td>
<td>938</td>
<td>0.6</td>
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<tr>
<td>Australia</td>
<td>5,957</td>
<td>4.0</td>
</tr>
<tr>
<td>New Zealand</td>
<td>736</td>
<td>0.5</td>
</tr>
<tr>
<td>Papua New Guinea</td>
<td>580</td>
<td>0.4</td>
</tr>
<tr>
<td>Other Oceania</td>
<td>2,454</td>
<td>1.6</td>
</tr>
<tr>
<td>All other countries</td>
<td>1,736</td>
<td>1.2</td>
</tr>
</tbody>
</table>

Office of the Secretary of the Treasury  January 18, 1978
Office of Tax Analysis

1/ Estimates based on the number of returns filed in 1975 adjusted for estimated failure to file but not for any increase in the number of eligible taxpayers.
Table 4
Effect of Various Tax Rules on Tax Expenditure Cost of Section 911 1/ ($ millions)

<table>
<thead>
<tr>
<th></th>
<th>Tax Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975 practice</td>
<td>$563</td>
</tr>
<tr>
<td>1975 law (as clarified by Tax Court rulings)</td>
<td>498</td>
</tr>
<tr>
<td>1976 law amendments</td>
<td>180</td>
</tr>
<tr>
<td>Ribicoff proposal</td>
<td>294</td>
</tr>
</tbody>
</table>

Office of the Secretary of the Treasury
Office of Tax Analysis

January 31, 1978

1/ Revenue cost compared to no section 911. All figures are estimates based on 1975 tax return data adjusted to 1977 income levels. All tax liabilities are calculated on the basis of the exemptions, deductions and rates applicable to 1977 income. The references to 1975 and 1976 are to changes in section 911 only.
Table 5
Summary Data on Income and Tax of Persons Claiming the
Foreign Earned Income Exclusion Under Various Tax Rules 1/
(dollar amounts in millions)

<table>
<thead>
<tr>
<th></th>
<th>1975 Practice (1)</th>
<th>1975 Law (2)</th>
<th>1976 Law (3)</th>
<th>Ribicoff Bill (4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Returns</td>
<td>149,248</td>
<td>149,248</td>
<td>149,248</td>
<td>149,248</td>
</tr>
<tr>
<td>AGI plus exclusion</td>
<td>$4,209</td>
<td>$5,015</td>
<td>$5,015</td>
<td>$5,015</td>
</tr>
<tr>
<td>Exclusion</td>
<td>2,193</td>
<td>2,528</td>
<td>1,788</td>
<td>--</td>
</tr>
<tr>
<td>Special deductions</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>1,132 5/</td>
</tr>
<tr>
<td>AGI</td>
<td>2,016</td>
<td>2,487</td>
<td>3,227</td>
<td>3,890</td>
</tr>
<tr>
<td>Tax before credits</td>
<td>454</td>
<td>589</td>
<td>1,034</td>
<td>1,001</td>
</tr>
<tr>
<td>Foreign tax credit</td>
<td>255</td>
<td>323</td>
<td>444</td>
<td>525</td>
</tr>
<tr>
<td>Tax after credits</td>
<td>185</td>
<td>251</td>
<td>569</td>
<td>454</td>
</tr>
</tbody>
</table>

Office of the Secretary of the Treasury
Office of Tax Analysis

January 31, 1978

1/ All figures are estimates based on 1975 tax return data adjusted to 1977
income levels. Tax liabilities reflect 1977 tax rates.

2/ Includes the effect of the Tax Court decisions.

3/ Reflects adjustment for estimated failure to file rather than an increase in
the number of eligible individuals over 1975.

4/ The personal tax credit is also taken into account.

5/ Comprised of: excess housing $535 million (including extra deduction for
construction camps of $66 million); cost of living $356 million; education
$153 million; and additional moving expenses $112 million. The aggregate of
the deductions for housing, education and cost of living exceeds by $24
million the usable amount, which is limited to foreign earned income.
Table 6
Revenue Impact by Income Class of Various Tax Rules
Affecting the Foreign Earned Income Exclusion 1/
(dollar amounts in millions)

<table>
<thead>
<tr>
<th></th>
<th>All</th>
<th>Under $10,000</th>
<th>Over $10,000</th>
<th>Under $20,000</th>
<th>Over $20,000</th>
<th>Under $30,000</th>
<th>Over $30,000</th>
<th>Under $40,000</th>
<th>Over $40,000</th>
<th>Under $50,000</th>
<th>Over $50,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Returns</td>
<td>149,248</td>
<td>36,463</td>
<td>42,527</td>
<td>27,466</td>
<td>16,862</td>
<td>10,454</td>
<td>15,476</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax after credits, 1975 payments</td>
<td>185</td>
<td>*</td>
<td>6</td>
<td>14</td>
<td>18</td>
<td>20</td>
<td>126</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue effect of Tax Court decisions</td>
<td>65</td>
<td>*</td>
<td>2</td>
<td>14</td>
<td>12</td>
<td>12</td>
<td>26</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax after credits, 1975 law</td>
<td>251</td>
<td>1</td>
<td>8</td>
<td>28</td>
<td>30</td>
<td>32</td>
<td>151</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue effect of Tax Reform Act of 1976:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase from 1975 law</td>
<td>383</td>
<td>*</td>
<td>15</td>
<td>65</td>
<td>80</td>
<td>70</td>
<td>153</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue effect of Ribicoff bill (S.2115):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change from 1976 tax</td>
<td>-115</td>
<td>1</td>
<td>7</td>
<td>-26</td>
<td>-36</td>
<td>-23</td>
<td>-37</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase from 1975 law</td>
<td>204</td>
<td>1</td>
<td>20</td>
<td>26</td>
<td>31</td>
<td>34</td>
<td>91</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Office of the Secretary of the Treasury
Office of Tax Analysis

January 31, 1978

1/ All figures are estimates based on 1975 data adjusted to 1977 income levels. Income classes are defined by income as reported, not including Tax Court adjustments to income.

2/ Adjusted for estimated non-compliance.

3/ Includes an imputed value of excess housing costs, education costs and home leave expenses.

* Less than $500,000.
Table 7
Revenue Impact by Area of Various Tax Rules Affecting the
Foreign Earned Income Exclusion 1/
(dollar amounts in millions)

<table>
<thead>
<tr>
<th>Area</th>
<th>Number of Returns</th>
<th>Percent</th>
<th>Increase in Tax</th>
<th>Tax Court: 1976 Act: Total: (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Europe</td>
<td>117</td>
<td>33</td>
<td>117</td>
<td>33</td>
</tr>
<tr>
<td>Canada</td>
<td>3</td>
<td>1</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Asia other than Japan</td>
<td>117</td>
<td>11</td>
<td>42</td>
<td>11</td>
</tr>
<tr>
<td>Latin America</td>
<td>117</td>
<td>15</td>
<td>58</td>
<td>15</td>
</tr>
<tr>
<td>Middle East, African OPEC</td>
<td>117</td>
<td>27</td>
<td>103</td>
<td>27</td>
</tr>
<tr>
<td>Other Middle East, Africa</td>
<td>117</td>
<td>4</td>
<td>14</td>
<td>4</td>
</tr>
<tr>
<td>Oceania</td>
<td>117</td>
<td>2</td>
<td>9</td>
<td>2</td>
</tr>
<tr>
<td>Japan</td>
<td>117</td>
<td>5</td>
<td>20</td>
<td>5</td>
</tr>
<tr>
<td>All other areas</td>
<td>117</td>
<td>2</td>
<td>6</td>
<td>2</td>
</tr>
</tbody>
</table>

Office of the Secretary of the Treasury
Office of Tax Analysis
January 31, 1978

1/ Tax liability computed under 1977 tax tables.
* Less than $500,000.
Table 8
Effective Tax Rates by Income Class Under Various Tax Rules
Affecting the Foreign Earned Income Exclusion 1/
(dollar amounts in millions)

<table>
<thead>
<tr>
<th>Income Class</th>
<th>All</th>
<th>Under $10,000</th>
<th>$10,000 to $20,000</th>
<th>$20,000 to $30,000</th>
<th>$30,000 to $40,000</th>
<th>$40,000 to $50,000</th>
<th>Over $50,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>If no Section 911</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income 3/</td>
<td>3,952</td>
<td>141</td>
<td>636</td>
<td>736</td>
<td>653</td>
<td>519</td>
<td>1,266</td>
</tr>
<tr>
<td>Tax before credits 4/</td>
<td>1,382</td>
<td>44</td>
<td>162</td>
<td>222</td>
<td>230</td>
<td>192</td>
<td>533</td>
</tr>
<tr>
<td>Tax as a percent of income</td>
<td>35.0%</td>
<td>11.2%</td>
<td>25.5%</td>
<td>30.2%</td>
<td>35.2%</td>
<td>37.0%</td>
<td>42.1%</td>
</tr>
<tr>
<td>1975 Law 2/</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income 3/</td>
<td>3,952</td>
<td>141</td>
<td>636</td>
<td>736</td>
<td>653</td>
<td>519</td>
<td>1,266</td>
</tr>
<tr>
<td>Tax before credits 4/</td>
<td>589</td>
<td>11</td>
<td>11</td>
<td>56</td>
<td>86</td>
<td>87</td>
<td>348</td>
</tr>
<tr>
<td>Tax as a percent of income</td>
<td>14.9%</td>
<td>1.0%</td>
<td>1.7%</td>
<td>7.6%</td>
<td>13.2%</td>
<td>16.8%</td>
<td>27.5%</td>
</tr>
<tr>
<td>1976 Liability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income 3/</td>
<td>3,952</td>
<td>141</td>
<td>636</td>
<td>736</td>
<td>653</td>
<td>519</td>
<td>1,266</td>
</tr>
<tr>
<td>Tax before credits 4/</td>
<td>1,033</td>
<td>10</td>
<td>60</td>
<td>146</td>
<td>178</td>
<td>158</td>
<td>481</td>
</tr>
<tr>
<td>Tax as a percent of income</td>
<td>26.1%</td>
<td>7.1%</td>
<td>9.4%</td>
<td>19.8%</td>
<td>27.3%</td>
<td>30.4%</td>
<td>38.0%</td>
</tr>
</tbody>
</table>

Ribicoff Proposal

| Income 3/ | 3,952 | 141 | 636 | 736 | 653 | 519 | 1,266 |
| Tax before credits 4/ | 1,001 | 8 | 89 | 137 | 156 | 146 | 465 |
| Tax as a percent of income | 25.3% | 5.7% | 14.0% | 18.6% | 23.9% | 28.1% | 36.7% |

Office of the Secretary of the Treasury
Office of Tax Analysis

January 31, 1978

1/ Income classes are defined by income as reported, not including Tax Court adjustments to income.
2/ Including the effect of the Tax Court decisions.
3/ Income is adjusted gross income as defined by the Ribicoff proposal, i.e., it includes Tax Court adjustments to income but is net of excess housing costs, education, cost of living and a special housing deduction for construction camps.
4/ Where the foreign tax is equal to or less than the U.S. tax this represents the total U.S. plus foreign liability. However, where the foreign tax exceeds the allowable foreign tax credit the total tax could be higher than shown.
VII. APPENDIX A: REVENUE IMPACT BY AREA AND INCOME CLASS OF VARIOUS TAX RULES AFFECTING THE FOREIGN EARNED INCOME EXCLUSION

<table>
<thead>
<tr>
<th>Area</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Europe</td>
<td>26</td>
</tr>
<tr>
<td>Canada</td>
<td>30</td>
</tr>
<tr>
<td>Asia other than Japan</td>
<td>34</td>
</tr>
<tr>
<td>Latin America</td>
<td>38</td>
</tr>
<tr>
<td>Middle East, African OPEC countries</td>
<td>42</td>
</tr>
<tr>
<td>Other Middle East, Africa</td>
<td>46</td>
</tr>
<tr>
<td>Oceania</td>
<td>50</td>
</tr>
<tr>
<td>Japan</td>
<td>54</td>
</tr>
<tr>
<td>All other areas</td>
<td>58</td>
</tr>
</tbody>
</table>

Please refer to notes to Table 2, page 16 for identification of countries in each area.
The Revenue Impact by Income Class of 1975 Tax Practice on U.S. Citizens Residing Abroad: Western Europe 1/

(dollar amounts in thousands)

<table>
<thead>
<tr>
<th>AGI plus exclusion 2/</th>
<th>All</th>
<th>Income</th>
<th>Under</th>
<th>$10,000</th>
<th>$20,000</th>
<th>$30,000</th>
<th>$40,000</th>
<th>Over</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of returns 3/</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,498,806</td>
<td>69,829</td>
<td>191,135</td>
<td>204,512</td>
<td>222,870</td>
<td>192,389</td>
<td>618,072</td>
<td></td>
</tr>
<tr>
<td></td>
<td>45,702</td>
<td>10,350</td>
<td>11,692</td>
<td>7,239</td>
<td>5,576</td>
<td>3,782</td>
<td>7,063</td>
<td></td>
</tr>
<tr>
<td>Exclusion</td>
<td>659,555</td>
<td>58,685</td>
<td>151,571</td>
<td>121,436</td>
<td>106,855</td>
<td>74,935</td>
<td>146,075</td>
<td></td>
</tr>
<tr>
<td></td>
<td>839,251</td>
<td>11,144</td>
<td>39,564</td>
<td>83,076</td>
<td>116,015</td>
<td>117,454</td>
<td>471,998</td>
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</tr>
<tr>
<td>Foreign earned income</td>
<td>1,221,693</td>
<td>58,991</td>
<td>154,713</td>
<td>166,000</td>
<td>193,180</td>
<td>165,337</td>
<td>483,472</td>
<td></td>
</tr>
<tr>
<td>Taxable income</td>
<td>645,003</td>
<td>1,994</td>
<td>15,371</td>
<td>48,397</td>
<td>85,073</td>
<td>96,497</td>
<td>397,672</td>
<td></td>
</tr>
<tr>
<td>Number of returns</td>
<td>27,805</td>
<td>1,235</td>
<td>3,349</td>
<td>6,800</td>
<td>5,576</td>
<td>3,782</td>
<td>7,063</td>
<td></td>
</tr>
<tr>
<td>Tax before credits</td>
<td>207,153</td>
<td>309</td>
<td>2,685</td>
<td>9,222</td>
<td>18,403</td>
<td>24,419</td>
<td>152,115</td>
<td></td>
</tr>
<tr>
<td>Foreign tax credit</td>
<td>121,988</td>
<td>5</td>
<td>23</td>
<td>3,175</td>
<td>11,808</td>
<td>17,468</td>
<td>89,510</td>
<td></td>
</tr>
<tr>
<td>Number of returns</td>
<td>20,905</td>
<td>35</td>
<td>242</td>
<td>4,886</td>
<td>5,230</td>
<td>3,608</td>
<td>6,982</td>
<td></td>
</tr>
<tr>
<td>Tax after credits</td>
<td>80,310</td>
<td>99</td>
<td>2,139</td>
<td>4,886</td>
<td>5,579</td>
<td>6,253</td>
<td>61,293</td>
<td></td>
</tr>
<tr>
<td>Number of returns</td>
<td>17,411</td>
<td>343</td>
<td>2,518</td>
<td>2,926</td>
<td>2,992</td>
<td>2,563</td>
<td>5,859</td>
<td></td>
</tr>
</tbody>
</table>

Office of the Secretary of the Treasury
Office of Tax Analysis

January 28, 1978

1/ Estimates are based on 1975 data projected to 1977 levels. Income classes are defined as reported income plus exclusion based on 1975 tax practice. Tax liabilities based on 1977 rates.

2/ Less deficit.

3/ Adjusted for estimated non-compliance.
The Revenue Impact by Income Class of 1975 Tax Law on U.S. Citizens Residing Abroad: Western Europe 1/
(dollar amounts in thousands)

<table>
<thead>
<tr>
<th>Income Classes</th>
<th>Under $10,000</th>
<th>$10,000-$20,000</th>
<th>$20,000-$30,000</th>
<th>$30,000-$40,000</th>
<th>$40,000-$50,000</th>
<th>Over $50,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGI plus exclusion 2/</td>
<td>1,713,866</td>
<td>103,093</td>
<td>249,119</td>
<td>243,453</td>
<td>256,041</td>
<td>211,651</td>
</tr>
<tr>
<td>Number of returns 3/</td>
<td>45,702</td>
<td>10,350</td>
<td>11,692</td>
<td>7,239</td>
<td>5,576</td>
<td>3,782</td>
</tr>
<tr>
<td>Exclusion</td>
<td>767,813</td>
<td>90,831</td>
<td>197,012</td>
<td>135,005</td>
<td>114,630</td>
<td>78,647</td>
</tr>
<tr>
<td>AGI</td>
<td>946,053</td>
<td>12,262</td>
<td>52,108</td>
<td>108,448</td>
<td>141,411</td>
<td>133,004</td>
</tr>
<tr>
<td>Foreign earned income</td>
<td>1,436,753</td>
<td>92,255</td>
<td>212,698</td>
<td>204,941</td>
<td>226,351</td>
<td>184,599</td>
</tr>
<tr>
<td>Taxable income</td>
<td>740,391</td>
<td>2,031</td>
<td>18,484</td>
<td>72,867</td>
<td>110,468</td>
<td>112,047</td>
</tr>
<tr>
<td>Number of returns</td>
<td>29,982</td>
<td>1,274</td>
<td>5,048</td>
<td>7,239</td>
<td>5,576</td>
<td>3,782</td>
</tr>
<tr>
<td>Tax before credits</td>
<td>238,273</td>
<td>314</td>
<td>3,160</td>
<td>14,031</td>
<td>25,274</td>
<td>30,061</td>
</tr>
<tr>
<td>Foreign tax credit</td>
<td>143,197</td>
<td>5</td>
<td>23</td>
<td>6,390</td>
<td>18,240</td>
<td>22,285</td>
</tr>
<tr>
<td>Number of returns</td>
<td>20,905</td>
<td>35</td>
<td>242</td>
<td>4,808</td>
<td>5,230</td>
<td>3,608</td>
</tr>
<tr>
<td>Tax after credits</td>
<td>89,956</td>
<td>160</td>
<td>2,360</td>
<td>6,332</td>
<td>6,017</td>
<td>7,077</td>
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<tr>
<td>Number of returns</td>
<td>20,553</td>
<td>553</td>
<td>3,581</td>
<td>4,360</td>
<td>3,107</td>
<td>2,774</td>
</tr>
</tbody>
</table>

Office of the Secretary of the Treasury
Office of Tax Analysis

January 28, 1978

1/ Estimates are based on 1975 data projected to 1977 levels. Income classes are defined as reported income plus exclusion based on 1975 tax practice. Tax liabilities based on 1977 rates.

2/ Less deficit.

3/ Adjusted for estimated non-compliance.
The Revenue Impact by Income Class of 1976 Tax Reform Act on U.S. Citizens Residing Abroad: Western Europe 1/
(dollar amounts in thousands)

<table>
<thead>
<tr>
<th>Income Classes</th>
<th>All</th>
<th>Under $10,000</th>
<th>$10,000-20,000</th>
<th>$20,000-30,000</th>
<th>$30,000-40,000</th>
<th>$40,000-50,000</th>
<th>Over $50,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGI plus exclusion 2/</td>
<td>1,713,866</td>
<td>103,093</td>
<td>249,119</td>
<td>243,453</td>
<td>256,041</td>
<td>211,651</td>
<td>650,510</td>
</tr>
<tr>
<td>Number of returns 3/</td>
<td>45,702</td>
<td>10,350</td>
<td>11,692</td>
<td>7,239</td>
<td>5,576</td>
<td>3,782</td>
<td>7,063</td>
</tr>
<tr>
<td>Exclusion</td>
<td>571,168</td>
<td>72,016</td>
<td>146,508</td>
<td>101,868</td>
<td>83,964</td>
<td>56,689</td>
<td>110,124</td>
</tr>
<tr>
<td>AGI</td>
<td>1,142,699</td>
<td>31,078</td>
<td>102,611</td>
<td>141,584</td>
<td>172,077</td>
<td>154,962</td>
<td>540,386</td>
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<tr>
<td>Foreign earned income</td>
<td>1,436,753</td>
<td>92,225</td>
<td>212,698</td>
<td>204,940</td>
<td>226,351</td>
<td>184,599</td>
<td>515,909</td>
</tr>
<tr>
<td>Taxable income</td>
<td>917,511</td>
<td>14,654</td>
<td>55,655</td>
<td>106,003</td>
<td>141,134</td>
<td>134,005</td>
<td>466,061</td>
</tr>
<tr>
<td>Number of returns</td>
<td>36,672</td>
<td>3,295</td>
<td>9,717</td>
<td>7,239</td>
<td>5,576</td>
<td>3,782</td>
<td>7,063</td>
</tr>
<tr>
<td>Tax before credits</td>
<td>382,995</td>
<td>2,791</td>
<td>14,458</td>
<td>34,434</td>
<td>52,951</td>
<td>54,580</td>
<td>223,781</td>
</tr>
<tr>
<td>Foreign tax credit</td>
<td>169,175</td>
<td>2,026</td>
<td>7,495</td>
<td>13,176</td>
<td>25,670</td>
<td>25,745</td>
<td>95,063</td>
</tr>
<tr>
<td>Number of returns</td>
<td>29,366</td>
<td>1,742</td>
<td>6,628</td>
<td>5,840</td>
<td>5,127</td>
<td>3,503</td>
<td>6,526</td>
</tr>
<tr>
<td>Tax after credits</td>
<td>207,277</td>
<td>253</td>
<td>5,268</td>
<td>19,949</td>
<td>26,265</td>
<td>28,137</td>
<td>127,405</td>
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<td>Number of returns</td>
<td>29,715</td>
<td>692</td>
<td>5,939</td>
<td>7,009</td>
<td>5,461</td>
<td>3,729</td>
<td>6,885</td>
</tr>
</tbody>
</table>

Office of the Secretary of the Treasury
Office of Tax Analysis

January 28, 1978

1/ Estimates are based on 1975 data projected to 1977 levels. Income classes are defined as reported income plus exclusion based on 1975 tax practice. Tax liabilities based on 1977 rates.

2/ Less deficit.

3/ Adjusted for estimated non-compliance.
The Revenue Impact by Income Class of the Ribicoff Bill (S.2115) on U.S. Citizens Residing Abroad: Western Europe

<table>
<thead>
<tr>
<th>Income Classes:</th>
<th>All</th>
<th>Under $10,000</th>
<th>Under $20,000</th>
<th>Under $30,000</th>
<th>Under $40,000</th>
<th>Over $50,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGI plus exclusion</td>
<td>1,713,866</td>
<td>103,093</td>
<td>249,119</td>
<td>243,453</td>
<td>256,041</td>
<td>211,651</td>
</tr>
<tr>
<td>Number of returns</td>
<td>45,702</td>
<td>10,350</td>
<td>11,692</td>
<td>7,239</td>
<td>5,576</td>
<td>3,782</td>
</tr>
<tr>
<td>Special deductions, total</td>
<td>352,743</td>
<td>75,369</td>
<td>100,569</td>
<td>57,766</td>
<td>43,618</td>
<td>26,347</td>
</tr>
<tr>
<td>Housing</td>
<td>126,115</td>
<td>46,514</td>
<td>38,906</td>
<td>21,367</td>
<td>12,924</td>
<td>4,552</td>
</tr>
<tr>
<td>Education</td>
<td>56,029</td>
<td>3,154</td>
<td>8,654</td>
<td>8,116</td>
<td>10,779</td>
<td>7,990</td>
</tr>
<tr>
<td>Cost of living</td>
<td>152,643</td>
<td>30,110</td>
<td>47,032</td>
<td>24,096</td>
<td>15,733</td>
<td>11,035</td>
</tr>
<tr>
<td>Moving expenses</td>
<td>34,277</td>
<td>7,763</td>
<td>8,769</td>
<td>5,429</td>
<td>4,182</td>
<td>2,837</td>
</tr>
<tr>
<td>AGI</td>
<td>1,361,123</td>
<td>27,724</td>
<td>148,550</td>
<td>185,686</td>
<td>212,423</td>
<td>185,303</td>
</tr>
<tr>
<td>Foreign earned income</td>
<td>1,436,753</td>
<td>92,255</td>
<td>212,698</td>
<td>204,941</td>
<td>226,351</td>
<td>184,599</td>
</tr>
<tr>
<td>Taxable income</td>
<td>1,130,468</td>
<td>8,004</td>
<td>99,423</td>
<td>150,104</td>
<td>181,480</td>
<td>164,346</td>
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<tr>
<td>Number of returns</td>
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<td>4,152</td>
<td>11,573</td>
<td>7,239</td>
<td>5,576</td>
<td>3,782</td>
</tr>
<tr>
<td>Tax before credits</td>
<td>379,671</td>
<td>1,261</td>
<td>19,298</td>
<td>35,167</td>
<td>51,063</td>
<td>53,097</td>
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<tr>
<td>Foreign tax credit</td>
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<td>220</td>
<td>10,620</td>
<td>19,048</td>
<td>31,535</td>
<td>30,329</td>
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<tr>
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<td>1,264</td>
<td>9,792</td>
<td>5,404</td>
<td>3,712</td>
<td>7,020</td>
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<td>Tax after credits</td>
<td>174,588</td>
<td>469</td>
<td>6,603</td>
<td>14,811</td>
<td>18,512</td>
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<td>6,622</td>
<td>6,219</td>
<td>4,612</td>
<td>3,528</td>
</tr>
</tbody>
</table>

Office of the Secretary of the Treasury
Office of Tax Analysis

January 28, 1978

1/ Estimates are based on 1975 data projected to 1977 levels. Income classes are defined as reported income plus exclusion based on 1975 tax practice. Tax liabilities based on 1977 rates.

2/ Less deficit.

3/ Adjusted for estimated non-compliance.

4/ The total may be lower than the sum of itemized deductions because the total usable housing, education and cost of living deductions are limited to foreign earned income.
The Revenue Impact by Income Class of 1975 Tax Practice on U.S. Citizens Residing Abroad: Canada 1/

(dollar amounts in thousands)

<table>
<thead>
<tr>
<th></th>
<th>All</th>
<th>Under $10,000</th>
<th>$10,000 to $20,000</th>
<th>$20,000 to $30,000</th>
<th>$30,000 to $40,000</th>
<th>$40,000 to $50,000</th>
<th>Over $50,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGI plus exclusion 2/</td>
<td>444,739</td>
<td>39,107</td>
<td>134,833</td>
<td>109,457</td>
<td>54,564</td>
<td>34,478</td>
<td>72,301</td>
</tr>
<tr>
<td>Number of returns 3/</td>
<td>20,683</td>
<td>5,999</td>
<td>7,743</td>
<td>3,991</td>
<td>1,397</td>
<td>698</td>
<td>855</td>
</tr>
<tr>
<td>Exclusion</td>
<td>298,767</td>
<td>33,850</td>
<td>119,961</td>
<td>78,716</td>
<td>30,224</td>
<td>16,245</td>
<td>19,770</td>
</tr>
<tr>
<td>AGI</td>
<td>145,973</td>
<td>5,256</td>
<td>14,872</td>
<td>30,741</td>
<td>24,339</td>
<td>18,233</td>
<td>52,531</td>
</tr>
<tr>
<td>Foreign earned income</td>
<td>390,014</td>
<td>34,333</td>
<td>122,422</td>
<td>100,770</td>
<td>46,787</td>
<td>30,041</td>
<td>55,662</td>
</tr>
<tr>
<td>Taxable income</td>
<td>92,852</td>
<td>1,084</td>
<td>4,679</td>
<td>12,796</td>
<td>16,569</td>
<td>12,521</td>
<td>45,202</td>
</tr>
<tr>
<td>Number of returns</td>
<td>8,544</td>
<td>492</td>
<td>1,186</td>
<td>3,916</td>
<td>1,397</td>
<td>698</td>
<td>855</td>
</tr>
<tr>
<td>Tax before credits</td>
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<td>170</td>
<td>804</td>
<td>2,247</td>
<td>3,320</td>
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<td>16,896</td>
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<td>15,724</td>
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<td>1,058</td>
<td>1,964</td>
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</tr>
<tr>
<td>Number of returns</td>
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<td>0</td>
<td>75</td>
<td>2,202</td>
<td>1,293</td>
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<tr>
<td>Tax after credits</td>
<td>9,217</td>
<td>99</td>
<td>626</td>
<td>687</td>
<td>1,098</td>
<td>513</td>
<td>6,194</td>
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<tr>
<td>Number of returns</td>
<td>4,908</td>
<td>343</td>
<td>773</td>
<td>2,023</td>
<td>662</td>
<td>428</td>
<td>679</td>
</tr>
</tbody>
</table>

Office of the Secretary of the Treasury
Office of Tax Analysis

January 28, 1978

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The Revenue Impact by Income Class of 1975 Tax Law on U.S. Citizens Residing Abroad: Canada 1/
(dollar amounts in thousands)

<table>
<thead>
<tr>
<th></th>
<th>All</th>
<th>Under $10,000</th>
<th>$10,000-$20,000</th>
<th>$20,000-$30,000</th>
<th>$30,000-$40,000</th>
<th>$40,000-$50,000</th>
<th>Over $50,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGI plus exclusion</td>
<td>475,026</td>
<td>48,796</td>
<td>146,862</td>
<td>116,475</td>
<td>55,726</td>
<td>34,661</td>
<td>72,506</td>
</tr>
<tr>
<td>Number of returns</td>
<td>20,683</td>
<td>5,999</td>
<td>7,743</td>
<td>3,991</td>
<td>1,397</td>
<td>698</td>
<td>855</td>
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<tr>
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<td>129,644</td>
<td>79,464</td>
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<td>19,793</td>
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<td>37,011</td>
<td>25,369</td>
<td>18,398</td>
<td>52,712</td>
</tr>
<tr>
<td>Foreign earned income</td>
<td>420,300</td>
<td>44,022</td>
<td>134,452</td>
<td>107,786</td>
<td>47,949</td>
<td>30,223</td>
<td>55,867</td>
</tr>
<tr>
<td>Taxable income</td>
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<td>1,084</td>
<td>4,690</td>
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<td>17,598</td>
<td>12,686</td>
<td>45,383</td>
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<td>1,186</td>
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<td>698</td>
<td>855</td>
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<td>806</td>
<td>3,114</td>
<td>3,545</td>
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<td>9</td>
<td>1,537</td>
<td>2,170</td>
<td>2,191</td>
<td>10,616</td>
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<td>Number of returns</td>
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<td>75</td>
<td>2,202</td>
<td>1,293</td>
<td>698</td>
<td>820</td>
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</tbody>
</table>

Number of returns

Office of the Secretary of the Treasury
Office of Tax Analysis

January 28, 1978

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<th>Under $20,000</th>
<th>Under $30,000</th>
<th>Under $40,000</th>
<th>Under $50,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGI plus exclusion 2/</td>
<td>475,025</td>
<td>48,796</td>
<td>146,862</td>
<td>116,475</td>
<td>55,726</td>
<td>34,661</td>
</tr>
<tr>
<td>Number of returns 3/</td>
<td>20,683</td>
<td>5,999</td>
<td>7,743</td>
<td>3,991</td>
<td>1,397</td>
<td>698</td>
</tr>
<tr>
<td>Exclusion</td>
<td>141,226</td>
<td>16,585</td>
<td>47,903</td>
<td>35,812</td>
<td>16,877</td>
<td>10,297</td>
</tr>
<tr>
<td>AGI</td>
<td>333,800</td>
<td>32,212</td>
<td>98,960</td>
<td>80,663</td>
<td>38,849</td>
<td>24,364</td>
</tr>
<tr>
<td>Foreign earned income</td>
<td>420,300</td>
<td>44,022</td>
<td>134,452</td>
<td>107,786</td>
<td>47,949</td>
<td>30,223</td>
</tr>
<tr>
<td>Taxable income</td>
<td>251,015</td>
<td>17,520</td>
<td>70,654</td>
<td>61,686</td>
<td>31,078</td>
<td>18,652</td>
</tr>
<tr>
<td>Number of returns</td>
<td>17,108</td>
<td>3,820</td>
<td>6,347</td>
<td>3,991</td>
<td>1,397</td>
<td>698</td>
</tr>
<tr>
<td>Tax before credits</td>
<td>76,623</td>
<td>3,174</td>
<td>15,648</td>
<td>16,577</td>
<td>10,136</td>
<td>6,834</td>
</tr>
<tr>
<td>Foreign tax credit</td>
<td>60,628</td>
<td>2,393</td>
<td>13,593</td>
<td>14,756</td>
<td>8,377</td>
<td>6,189</td>
</tr>
<tr>
<td>Number of returns</td>
<td>14,444</td>
<td>2,854</td>
<td>5,110</td>
<td>3,746</td>
<td>1,294</td>
<td>628</td>
</tr>
<tr>
<td>Tax after credits</td>
<td>12,970</td>
<td>139</td>
<td>949</td>
<td>1,092</td>
<td>1,502</td>
<td>512</td>
</tr>
<tr>
<td>Number of returns</td>
<td>2,706</td>
<td>343</td>
<td>888</td>
<td>389</td>
<td>278</td>
<td>174</td>
</tr>
</tbody>
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Office of the Secretary of the Treasury
Office of Tax Analysis
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(dollar amounts in thousands)

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<tr>
<th>AGI plus exclusion 2/</th>
<th>All</th>
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<th>$20,000</th>
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<th>$40,000</th>
<th>$50,000</th>
</tr>
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<tbody>
<tr>
<td>Number of returns 3/</td>
<td>20,683</td>
<td>5,999</td>
<td>7,743</td>
<td>3,991</td>
<td>1,397</td>
<td>698</td>
</tr>
<tr>
<td>Special deductions, total 4/</td>
<td>75,894</td>
<td>28,482</td>
<td>26,441</td>
<td>14,149</td>
<td>3,618</td>
<td>1,444</td>
</tr>
<tr>
<td>Housing</td>
<td>35,933</td>
<td>18,332</td>
<td>10,872</td>
<td>5,986</td>
<td>741</td>
<td>0</td>
</tr>
<tr>
<td>Education</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Cost of living</td>
<td>26,143</td>
<td>7,311</td>
<td>9,779</td>
<td>5,187</td>
<td>1,829</td>
<td>920</td>
</tr>
<tr>
<td>Moving expenses</td>
<td>15,512</td>
<td>4,499</td>
<td>5,807</td>
<td>2,993</td>
<td>1,048</td>
<td>524</td>
</tr>
</tbody>
</table>

| AGI | 399,132 | 20,313 | 120,421 | 102,326 | 52,108 | 33,217 | 70,745 |
| Foreign earned income | 420,300 | 44,022 | 134,452 | 107,786 | 47,949 | 30,223 | 55,867 |
| Taxable income | 316,218 | 7,829 | 89,782 | 83,349 | 44,337 | 27,506 | 63,416 |
| Number of returns | 17,414 | 2,730 | 7,743 | 3,991 | 1,397 | 698 | 855 |
| Tax before credits | 85,484 | 1,298 | 18,070 | 19,250 | 12,152 | 8,386 | 26,328 |
| Foreign tax credit | 68,846 | 1,766 | 15,467 | 17,213 | 10,249 | 7,417 | 17,735 |
| Number of returns | 16,678 | 2,064 | 7,709 | 3,555 | 1,397 | 698 | 855 |
| Tax after credits | 13,738 | 82 | 1,207 | 1,309 | 1,647 | 836 | 8,657 |
| Number of returns | 5,957 | 378 | 1,981 | 1,503 | 810 | 533 | 752 |

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4/ The total may be lower than the sum of itemized deductions because the total usable housing, education and cost of living deductions are limited to foreign earned income.
## The Revenue Impact by Income Class of 1975 Tax Practice on U.S. Citizens Residing Abroad: Asia

(dollar amounts in thousands)

<table>
<thead>
<tr>
<th></th>
<th>All</th>
<th>Under $10,000</th>
<th>$10,000-20,000</th>
<th>$20,000-30,000</th>
<th>$30,000-40,000</th>
<th>$40,000-50,000</th>
<th>Over $50,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGI plus exclusion</td>
<td>510,121</td>
<td>27,702</td>
<td>81,855</td>
<td>103,376</td>
<td>100,109</td>
<td>71,846</td>
<td>125,233</td>
</tr>
<tr>
<td>Number of returns</td>
<td>18,442</td>
<td>4,235</td>
<td>4,855</td>
<td>3,740</td>
<td>2,553</td>
<td>1,414</td>
<td>1,645</td>
</tr>
<tr>
<td>Exclusion</td>
<td>270,370</td>
<td>25,362</td>
<td>63,750</td>
<td>65,410</td>
<td>49,257</td>
<td>29,346</td>
<td>37,245</td>
</tr>
<tr>
<td>AGI</td>
<td>239,751</td>
<td>2,340</td>
<td>18,105</td>
<td>37,966</td>
<td>50,852</td>
<td>42,500</td>
<td>87,988</td>
</tr>
<tr>
<td>Foreign earned income</td>
<td>438,938</td>
<td>26,139</td>
<td>68,339</td>
<td>84,621</td>
<td>79,566</td>
<td>63,409</td>
<td>116,864</td>
</tr>
<tr>
<td>Taxable income</td>
<td>180,560</td>
<td>667</td>
<td>8,036</td>
<td>19,898</td>
<td>37,836</td>
<td>34,936</td>
<td>79,187</td>
</tr>
<tr>
<td>Number of returns</td>
<td>10,467</td>
<td>351</td>
<td>1,434</td>
<td>3,070</td>
<td>2,553</td>
<td>1,414</td>
<td>1,645</td>
</tr>
<tr>
<td>Tax before credits</td>
<td>49,938</td>
<td>111</td>
<td>1,510</td>
<td>3,764</td>
<td>8,272</td>
<td>8,723</td>
<td>27,558</td>
</tr>
<tr>
<td>Foreign tax credit</td>
<td>30,888</td>
<td>0</td>
<td>211</td>
<td>1,118</td>
<td>4,213</td>
<td>6,072</td>
<td>19,274</td>
</tr>
<tr>
<td>Number of returns</td>
<td>7,859</td>
<td>0</td>
<td>349</td>
<td>2,210</td>
<td>2,276</td>
<td>1,379</td>
<td>1,645</td>
</tr>
<tr>
<td>Tax after credits</td>
<td>17,201</td>
<td>62</td>
<td>1,071</td>
<td>2,111</td>
<td>3,586</td>
<td>2,391</td>
<td>7,980</td>
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<tr>
<td>Number of returns</td>
<td>6,360</td>
<td>144</td>
<td>1,012</td>
<td>1,393</td>
<td>1,539</td>
<td>1,067</td>
<td>1,305</td>
</tr>
</tbody>
</table>

Office of the Secretary of the Treasury  
Office of Tax Analysis  
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### The Revenue Impact by Income Class of 1975 Tax Law on U.S. Citizens Residing Abroad: Asia

(dollar amounts in thousands)

<table>
<thead>
<tr>
<th>Income Class</th>
<th>All</th>
<th>Under $10,000</th>
<th>$10,000 to $20,000</th>
<th>$20,000 to $30,000</th>
<th>$30,000 to $40,000</th>
<th>$40,000 to $50,000</th>
<th>Over $50,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGI plus exclusion 2/</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of returns 3/</td>
<td>611,400</td>
<td>45,072</td>
<td>107,698</td>
<td>126,293</td>
<td>115,936</td>
<td>80,580</td>
<td>135,820</td>
</tr>
<tr>
<td>Total</td>
<td>18,442</td>
<td>4,235</td>
<td>4,855</td>
<td>3,740</td>
<td>2,553</td>
<td>1,414</td>
<td>1,645</td>
</tr>
<tr>
<td>Exclusion</td>
<td>315,368</td>
<td>41,993</td>
<td>81,407</td>
<td>70,974</td>
<td>52,217</td>
<td>30,894</td>
<td>37,883</td>
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<tr>
<td>AGI</td>
<td>296,031</td>
<td>3,078</td>
<td>26,291</td>
<td>55,319</td>
<td>63,720</td>
<td>49,685</td>
<td>97,937</td>
</tr>
<tr>
<td>Foreign earned income</td>
<td>540,216</td>
<td>43,508</td>
<td>94,182</td>
<td>107,538</td>
<td>95,393</td>
<td>72,143</td>
<td>127,451</td>
</tr>
<tr>
<td>Taxable income</td>
<td>230,140</td>
<td>667</td>
<td>10,867</td>
<td>36,645</td>
<td>50,703</td>
<td>42,121</td>
<td>89,136</td>
</tr>
<tr>
<td>Number of returns</td>
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<td>351</td>
<td>2,384</td>
<td>3,740</td>
<td>2,553</td>
<td>1,414</td>
<td>1,645</td>
</tr>
<tr>
<td>Tax before credits</td>
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<td>111</td>
<td>1,957</td>
<td>7,156</td>
<td>11,857</td>
<td>11,322</td>
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<td>7,060</td>
<td>7,851</td>
<td>21,717</td>
</tr>
<tr>
<td>Number of returns</td>
<td>7,859</td>
<td>0</td>
<td>349</td>
<td>2,210</td>
<td>2,276</td>
<td>1,379</td>
<td>1,645</td>
</tr>
<tr>
<td>Tax after credits</td>
<td>22,815</td>
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<td>1,359</td>
<td>3,235</td>
<td>4,325</td>
<td>3,211</td>
<td>10,623</td>
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<td>144</td>
<td>1,800</td>
<td>2,521</td>
<td>1,648</td>
<td>1,078</td>
<td>1,396</td>
</tr>
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</table>

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(dollar amounts in thousands)

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<th>All</th>
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<th>Under $20,000</th>
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<th>Over $40,000</th>
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</tr>
</thead>
<tbody>
<tr>
<td>AGI plus exclusion 2/</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of returns 3/</td>
<td>611,400</td>
<td>45,072</td>
<td>107,698</td>
<td>126,293</td>
<td>115,936</td>
<td>80,580</td>
</tr>
<tr>
<td></td>
<td>18,442</td>
<td>4,235</td>
<td>4,855</td>
<td>3,740</td>
<td>2,553</td>
<td>1,414</td>
</tr>
<tr>
<td>Exclusion</td>
<td>232,150</td>
<td>34,544</td>
<td>60,941</td>
<td>51,246</td>
<td>37,425</td>
<td>21,487</td>
</tr>
<tr>
<td>AGI</td>
<td>379,249</td>
<td>10,527</td>
<td>46,757</td>
<td>75,048</td>
<td>78,512</td>
<td>59,093</td>
</tr>
<tr>
<td>Foreign earned income</td>
<td>540,216</td>
<td>43,508</td>
<td>94,182</td>
<td>107,538</td>
<td>95,393</td>
<td>72,143</td>
</tr>
<tr>
<td>Taxable income</td>
<td>304,671</td>
<td>4,273</td>
<td>26,489</td>
<td>56,373</td>
<td>65,496</td>
<td>51,529</td>
</tr>
<tr>
<td>Number of returns</td>
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<td>1,025</td>
<td>3,721</td>
<td>3,740</td>
<td>2,553</td>
<td>1,414</td>
</tr>
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<td>Tax before credits</td>
<td>119,277</td>
<td>804</td>
<td>7,102</td>
<td>18,305</td>
<td>24,592</td>
<td>21,230</td>
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<td>57,155</td>
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<td>3,337</td>
<td>8,659</td>
<td>10,877</td>
<td>9,926</td>
</tr>
<tr>
<td>Number of returns</td>
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<td>595</td>
<td>2,667</td>
<td>3,182</td>
<td>2,277</td>
<td>1,310</td>
</tr>
<tr>
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<td>3,114</td>
<td>8,960</td>
<td>13,242</td>
<td>11,045</td>
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<tr>
<td>Number of returns</td>
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<td>286</td>
<td>2,723</td>
<td>3,078</td>
<td>2,272</td>
<td>1,269</td>
</tr>
</tbody>
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<th>$10,000-$20,000</th>
<th>$20,000-$30,000</th>
<th>$30,000-$40,000</th>
<th>$40,000-$50,000</th>
<th>Over $50,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGI plus exclusion 2/</td>
<td>611,400</td>
<td>45,072</td>
<td>107,698</td>
<td>126,293</td>
<td>115,936</td>
<td>80,580</td>
<td>135,820</td>
</tr>
<tr>
<td>Number of returns 3/</td>
<td>18,442</td>
<td>4,235</td>
<td>4,855</td>
<td>3,740</td>
<td>2,533</td>
<td>1,414</td>
<td>1,643</td>
</tr>
<tr>
<td>Special deductions, total 4/</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Housing</td>
<td>83,671</td>
<td>19,111</td>
<td>21,300</td>
<td>17,532</td>
<td>11,382</td>
<td>6,523</td>
<td>7,824</td>
</tr>
<tr>
<td>Education</td>
<td>23,269</td>
<td>9,812</td>
<td>7,683</td>
<td>4,447</td>
<td>1,236</td>
<td>91</td>
<td>0</td>
</tr>
<tr>
<td>Cost of living</td>
<td>24,666</td>
<td>2,884</td>
<td>4,399</td>
<td>5,435</td>
<td>4,965</td>
<td>2,885</td>
<td>3,899</td>
</tr>
<tr>
<td>Moving expenses</td>
<td>13,832</td>
<td>3,176</td>
<td>5,377</td>
<td>4,845</td>
<td>3,267</td>
<td>2,686</td>
<td>2,692</td>
</tr>
<tr>
<td>AGI</td>
<td>527,728</td>
<td>25,961</td>
<td>86,398</td>
<td>108,762</td>
<td>104,554</td>
<td>74,057</td>
<td>127,996</td>
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<td>Foreign earned income</td>
<td>540,216</td>
<td>43,508</td>
<td>94,182</td>
<td>107,538</td>
<td>95,393</td>
<td>72,143</td>
<td>127,452</td>
</tr>
<tr>
<td>Taxable income</td>
<td>443,068</td>
<td>11,699</td>
<td>64,057</td>
<td>90,087</td>
<td>91,538</td>
<td>66,493</td>
<td>119,194</td>
</tr>
<tr>
<td>Number of returns</td>
<td>17,530</td>
<td>3,323</td>
<td>4,855</td>
<td>3,740</td>
<td>2,533</td>
<td>1,414</td>
<td>1,645</td>
</tr>
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<td>Tax before credits</td>
<td>135,509</td>
<td>1,971</td>
<td>13,259</td>
<td>22,220</td>
<td>27,101</td>
<td>22,394</td>
<td>48,564</td>
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<td>Foreign tax credit</td>
<td>71,287</td>
<td>915</td>
<td>6,877</td>
<td>12,454</td>
<td>13,440</td>
<td>11,829</td>
<td>25,771</td>
</tr>
<tr>
<td>Number of returns</td>
<td>15,765</td>
<td>2,154</td>
<td>4,574</td>
<td>3,563</td>
<td>2,450</td>
<td>1,379</td>
<td>1,645</td>
</tr>
<tr>
<td>Tax after credits</td>
<td>61,171</td>
<td>513</td>
<td>5,504</td>
<td>9,080</td>
<td>13,188</td>
<td>10,305</td>
<td>22,581</td>
</tr>
<tr>
<td>Number of returns</td>
<td>13,062</td>
<td>1,203</td>
<td>3,454</td>
<td>3,184</td>
<td>2,369</td>
<td>1,299</td>
<td>1,553</td>
</tr>
</tbody>
</table>

Office of the Secretary of the Treasury
Office of Tax Analysis
January 28, 1978

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The Revenue Impact by Income Class of 1975 Tax Practice on U.S. Citizens Residing Abroad: Latin America

<table>
<thead>
<tr>
<th>Income Classes:</th>
<th>All</th>
<th>Under $10,000</th>
<th>$10,000 to $20,000</th>
<th>$20,000 to $30,000</th>
<th>$30,000 to $40,000</th>
<th>$40,000 to $50,000</th>
<th>Over $50,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGI plus exclusion</td>
<td>535,694</td>
<td>32,998</td>
<td>70,193</td>
<td>73,285</td>
<td>94,574</td>
<td>70,542</td>
<td>194,102</td>
</tr>
<tr>
<td>Number of returns</td>
<td>17,955</td>
<td>4,778</td>
<td>4,373</td>
<td>2,629</td>
<td>2,372</td>
<td>1,390</td>
<td>2,413</td>
</tr>
<tr>
<td>Exclusion</td>
<td>272,279</td>
<td>30,653</td>
<td>60,942</td>
<td>48,176</td>
<td>48,053</td>
<td>31,184</td>
<td>53,271</td>
</tr>
<tr>
<td>AGI</td>
<td>263,415</td>
<td>2,345</td>
<td>9,251</td>
<td>25,108</td>
<td>46,521</td>
<td>39,358</td>
<td>140,832</td>
</tr>
<tr>
<td>Foreign earned income</td>
<td>459,721</td>
<td>30,902</td>
<td>61,861</td>
<td>63,238</td>
<td>86,987</td>
<td>63,299</td>
<td>153,435</td>
</tr>
<tr>
<td>Taxable income</td>
<td>208,071</td>
<td>201</td>
<td>2,332</td>
<td>13,419</td>
<td>35,184</td>
<td>31,588</td>
<td>125,349</td>
</tr>
<tr>
<td>Number of returns</td>
<td>7,677</td>
<td>35</td>
<td>762</td>
<td>2,079</td>
<td>2,372</td>
<td>1,390</td>
<td>2,413</td>
</tr>
<tr>
<td>Tax before credits</td>
<td>63,883</td>
<td>32</td>
<td>380</td>
<td>2,669</td>
<td>7,497</td>
<td>7,581</td>
<td>45,722</td>
</tr>
<tr>
<td>Foreign tax credit</td>
<td>35,937</td>
<td>0</td>
<td>6</td>
<td>1,032</td>
<td>5,549</td>
<td>5,538</td>
<td>23,811</td>
</tr>
<tr>
<td>Number of returns</td>
<td>1,086</td>
<td>0</td>
<td>35</td>
<td>1,605</td>
<td>2,302</td>
<td>1,390</td>
<td>2,345</td>
</tr>
<tr>
<td>Tax after credits</td>
<td>26,327</td>
<td>17</td>
<td>266</td>
<td>1,288</td>
<td>1,511</td>
<td>1,784</td>
<td>21,462</td>
</tr>
<tr>
<td>Number of returns</td>
<td>5,615</td>
<td>70</td>
<td>460</td>
<td>770</td>
<td>1,086</td>
<td>1,049</td>
<td>2,180</td>
</tr>
</tbody>
</table>

Office of the Secretary of the Treasury
Office of Tax Analysis

January 28, 1978

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2/ Less deficit.

3/ Adjusted for estimated non-compliance.
**The Revenue Impact by Income Class of 1975 Tax Law on U.S. Citizens Residing Abroad: Latin America**

<table>
<thead>
<tr>
<th>Income Classes</th>
<th>Under $10,000</th>
<th>$10,000 - $20,000</th>
<th>$20,000 - $30,000</th>
<th>$30,000 - $40,000</th>
<th>$40,000 - $50,000</th>
<th>$50,000 or Over</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGI plus exclusion</td>
<td>645,777</td>
<td>52,729</td>
<td>96,062</td>
<td>89,495</td>
<td>114,147</td>
<td>80,908</td>
</tr>
<tr>
<td>Number of returns</td>
<td>17,953</td>
<td>4,778</td>
<td>4,373</td>
<td>2,629</td>
<td>2,372</td>
<td>1,390</td>
</tr>
<tr>
<td>Exclusion</td>
<td>315,324</td>
<td>48,945</td>
<td>78,344</td>
<td>50,643</td>
<td>51,318</td>
<td>31,335</td>
</tr>
<tr>
<td>AGI</td>
<td>330,453</td>
<td>3,783</td>
<td>17,717</td>
<td>38,852</td>
<td>62,830</td>
<td>49,573</td>
</tr>
<tr>
<td>Foreign earned income</td>
<td>569,805</td>
<td>50,633</td>
<td>87,730</td>
<td>79,448</td>
<td>106,560</td>
<td>73,664</td>
</tr>
<tr>
<td>Taxable income</td>
<td>267,066</td>
<td>387</td>
<td>4,630</td>
<td>26,539</td>
<td>51,492</td>
<td>41,802</td>
</tr>
<tr>
<td>Number of returns</td>
<td>10,489</td>
<td>223</td>
<td>1,501</td>
<td>2,590</td>
<td>2,372</td>
<td>1,390</td>
</tr>
<tr>
<td>Tax before credits</td>
<td>84,443</td>
<td>62</td>
<td>746</td>
<td>5,381</td>
<td>12,648</td>
<td>11,527</td>
</tr>
<tr>
<td>Foreign tax credit</td>
<td>44,991</td>
<td>0</td>
<td>6</td>
<td>2,492</td>
<td>8,428</td>
<td>7,435</td>
</tr>
<tr>
<td>Number of returns</td>
<td>7,677</td>
<td>0</td>
<td>35</td>
<td>1,605</td>
<td>2,302</td>
<td>1,390</td>
</tr>
<tr>
<td>Tax after credits</td>
<td>37,635</td>
<td>37</td>
<td>510</td>
<td>2,413</td>
<td>3,782</td>
<td>3,833</td>
</tr>
<tr>
<td>Number of returns</td>
<td>7,964</td>
<td>109</td>
<td>1,010</td>
<td>1,723</td>
<td>1,627</td>
<td>1,178</td>
</tr>
</tbody>
</table>

Office of the Secretary of the Treasury
Office of Tax Analysis

January 28, 1978

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2/ Less deficit.

3/ Adjusted for estimated non-compliance.
| AGI plus exclusion 2/ | 645,777 | 52,729 | 96,062 | 89,495 | 114,147 | 80,908 | 212,438 |
| Number of returns 3/ | 17,955 | 4,778 | 4,373 | 2,629 | 2,372 | 1,390 | 2,413 |
| Exclusion | 232,702 | 37,308 | 61,829 | 36,187 | 35,249 | 22,742 | 39,386 |
| AGI | 413,075 | 15,420 | 34,232 | 53,307 | 78,899 | 58,165 | 173,051 |
| Foreign earned income | 569,805 | 50,633 | 87,730 | 79,448 | 106,560 | 73,664 | 171,770 |
| Taxable income | 337,940 | 6,123 | 15,311 | 40,981 | 67,561 | 50,395 | 157,568 |
| Number of returns | 13,337 | 1,254 | 3,279 | 2,629 | 2,372 | 1,390 | 2,413 |
| Tax before credits | 141,776 | 1,091 | 4,277 | 13,566 | 26,228 | 21,129 | 75,482 |
| Foreign tax credit | 54,718 | 812 | 1,826 | 5,583 | 11,499 | 9,284 | 25,715 |
| Number of returns | 11,773 | 911 | 2,514 | 2,421 | 2,302 | 1,355 | 2,270 |
| Tax after credits | 84,658 | 72 | 1,886 | 7,501 | 14,292 | 11,586 | 49,322 |
| Number of returns | 10,586 | 148 | 2,250 | 2,327 | 2,162 | 1,313 | 2,386 |

Office of the Secretary of the Treasury
Office of Tax Analysis

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The Revenue Impact by Income Class of the Ribicoff Bill (S.2115) on U.S. Citizens Residing Abroad: Latin America 1/ (dollar amounts in thousands)

<table>
<thead>
<tr>
<th></th>
<th>All</th>
<th>Income</th>
<th>Under $10,000</th>
<th>$10,000-$20,000</th>
<th>$20,000-$30,000</th>
<th>$30,000-$40,000</th>
<th>$40,000-$50,000</th>
<th>Over $50,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGI plus exclusion 2/</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of returns 3/</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special deductions, total 4/</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Housing</td>
<td>132,517</td>
<td>32,658</td>
<td>29,194</td>
<td>18,648</td>
<td>21,498</td>
<td>11,078</td>
<td>19,441</td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>75,589</td>
<td>22,587</td>
<td>16,487</td>
<td>10,518</td>
<td>12,318</td>
<td>5,605</td>
<td>8,074</td>
<td></td>
</tr>
<tr>
<td>Cost of living</td>
<td>25,510</td>
<td>4,160</td>
<td>4,926</td>
<td>2,961</td>
<td>4,626</td>
<td>2,929</td>
<td>5,908</td>
<td></td>
</tr>
<tr>
<td>Moving expenses</td>
<td>19,173</td>
<td>3,549</td>
<td>4,501</td>
<td>3,197</td>
<td>2,775</td>
<td>1,502</td>
<td>3,649</td>
<td></td>
</tr>
<tr>
<td></td>
<td>13,466</td>
<td>3,584</td>
<td>3,280</td>
<td>1,972</td>
<td>1,779</td>
<td>1,043</td>
<td>1,810</td>
<td></td>
</tr>
</tbody>
</table>

| AGI                  | 513,260 | 20,070  | 66,868        | 70,846          | 92,650          | 69,829          | 192,997         |
| Foreign earned income| 569,805 | 50,633  | 87,730        | 79,448          | 106,560         | 73,664          | 171,771         |
| Taxable income       | 429,960 | 5,167   | 45,388        | 58,520          | 81,312          | 62,059          | 177,514         |
| Number of returns    | 15,509  | 2,332   | 4,373         | 2,629           | 2,372           | 1,390           | 2,413           |
| Tax before credits   | 140,288 | 803     | 8,832         | 14,078          | 23,428          | 20,243          | 72,903          |
| Foreign tax credit   | 69,639  | 355     | 5,758         | 8,482           | 14,534          | 11,432          | 29,078          |
| Number of returns    | 14,235  | 1,538   | 3,962         | 2,594           | 2,372           | 1,390           | 2,379           |
| Tax after credits    | 67,902  | 78      | 2,284         | 5,113           | 8,458           | 8,551           | 43,417          |
| Number of returns    | 11,078  | 501     | 2,586         | 2,136           | 2,087           | 1,377           | 2,391           |

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The Revenue Impact by Income Class of 1975 Tax Practice on U.S. Citizens Residing Abroad: Middle East and African OPEC 1/

<table>
<thead>
<tr>
<th>(dollar amounts in thousands)</th>
<th>All</th>
<th>Under $10,000</th>
<th>$10,000-$20,000</th>
<th>$20,000-$30,000</th>
<th>$30,000-$40,000</th>
<th>$40,000-$50,000</th>
<th>Over $50,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGI plus exclusion 2/</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of returns 3/</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exclusion</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AGI</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign earned income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxable income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax before credits</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign tax credit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax after credits</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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Office of Tax Analysis
January 28, 1978

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The Revenue Impact by Income Class of 1975 Tax Law on U.S. Citizens Residing Abroad: Middle East and African OPEC 1/
(dollar amounts in thousands)

<table>
<thead>
<tr>
<th>Income Classes</th>
<th>Under $10,000</th>
<th>$10,000 - $20,000</th>
<th>$20,000 - $30,000</th>
<th>$30,000 - $40,000</th>
<th>$40,000 - $50,000</th>
<th>Over $50,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGI + exclusion 2/</td>
<td>751,335</td>
<td>13,710</td>
<td>76,206</td>
<td>206,757</td>
<td>181,119</td>
<td>115,825</td>
</tr>
<tr>
<td>Number of returns 3/</td>
<td>15,534</td>
<td>1,045</td>
<td>2,856</td>
<td>4,908</td>
<td>3,198</td>
<td>1,749</td>
</tr>
<tr>
<td>Exclusion</td>
<td>318,042</td>
<td>12,118</td>
<td>54,256</td>
<td>99,329</td>
<td>70,499</td>
<td>39,235</td>
</tr>
<tr>
<td>AGI</td>
<td>433,293</td>
<td>1,592</td>
<td>21,950</td>
<td>107,428</td>
<td>110,621</td>
<td>76,590</td>
</tr>
<tr>
<td>Foreign earned income</td>
<td>689,941</td>
<td>12,830</td>
<td>71,412</td>
<td>190,787</td>
<td>169,081</td>
<td>103,205</td>
</tr>
<tr>
<td>Taxable income</td>
<td>360,343</td>
<td>246</td>
<td>10,382</td>
<td>83,510</td>
<td>95,289</td>
<td>66,439</td>
</tr>
<tr>
<td>Number of returns</td>
<td>14,113</td>
<td>138</td>
<td>2,342</td>
<td>4,908</td>
<td>3,198</td>
<td>1,749</td>
</tr>
<tr>
<td>Tax before credits</td>
<td>104,356</td>
<td>38</td>
<td>1,754</td>
<td>18,151</td>
<td>25,590</td>
<td>19,830</td>
</tr>
<tr>
<td>Foreign tax credit</td>
<td>41,532</td>
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<td>121</td>
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</table>

Office of the Secretary of the Treasury
Office of Tax Analysis

January 28, 1978

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The Revenue Impact by Income Class of 1976 Tax Reform Act on U.S. Citizens Residing Abroad: Middle East and African OPEC

<table>
<thead>
<tr>
<th></th>
<th>All</th>
<th>Under $10,000</th>
<th>$10,000-$20,000</th>
<th>$20,000-$30,000</th>
<th>$30,000-$40,000</th>
<th>$40,000-$50,000</th>
<th>Over $50,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGI plus exclusion</td>
<td>751,335</td>
<td>13,710</td>
<td>76,206</td>
<td>206,757</td>
<td>181,119</td>
<td>115,825</td>
<td>157,718</td>
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<td></td>
<td>15,534</td>
<td>1,045</td>
<td>2,856</td>
<td>4,908</td>
<td>3,198</td>
<td>1,749</td>
<td>1,778</td>
</tr>
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<td>Number of returns</td>
<td>15,534</td>
<td>1,045</td>
<td>2,856</td>
<td>4,908</td>
<td>3,198</td>
<td>1,749</td>
<td>1,778</td>
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<td>190,787</td>
<td>169,082</td>
<td>103,205</td>
<td>142,626</td>
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<td>4,672</td>
<td>3,129</td>
<td>1,644</td>
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</table>

Office of the Secretary of the Treasury
Office of Tax Analysis
January 28, 1978

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The Revenue Impact by Income Class of the Ribicoff Bill (S.2115) on U.S. Citizens Residing Abroad: OPEC 1/

(dollar amounts in thousands)

<table>
<thead>
<tr>
<th>Income Classes</th>
<th>All</th>
<th>Under $10,000</th>
<th>$10,000-20,000</th>
<th>$20,000-30,000</th>
<th>$30,000-40,000</th>
<th>$40,000-50,000</th>
<th>Over $50,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGI plus exclusion 2/</td>
<td>751,335</td>
<td>15,534</td>
<td>13,710</td>
<td>76,206</td>
<td>206,757</td>
<td>181,119</td>
<td>115,825</td>
</tr>
<tr>
<td>Number of returns 3/</td>
<td>76,206</td>
<td>2,856</td>
<td>4,908</td>
<td>3,198</td>
<td>1,749</td>
<td>1,778</td>
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<td>297,682</td>
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<td>94,860</td>
<td>72,183</td>
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<td>18,486</td>
<td>46,738</td>
<td>41,404</td>
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<td>494</td>
<td>2,234</td>
<td>6,035</td>
<td>4,471</td>
<td>3,763</td>
<td>3,608</td>
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<td>54,193</td>
<td>3,576</td>
<td>9,237</td>
<td>17,410</td>
<td>10,228</td>
<td>6,845</td>
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<td>3,681</td>
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<td>13,661</td>
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<td>7,606</td>
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<td>108,961</td>
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<td>1,690</td>
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</tbody>
</table>

Office of the Secretary of the Treasury
Office of Tax Analysis

January 28, 1978

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2/ Less deficit.

3/ Adjusted for estimated non-compliance.

4/ The total may be lower than the sum of itemized deductions because the total usable housing, education and cost of living deductions are limited to foreign earned income.

* Less than $500 thousand.
The Revenue Impact by Income Class of 1975 Tax Practice on U.S. Citizens Residing Abroad: Other Middle East and Africa

(dollar amounts in thousands)

<table>
<thead>
<tr>
<th>Income Classes</th>
<th>All</th>
<th>Under $10,000</th>
<th>$10,000-$20,000</th>
<th>$20,000-$30,000</th>
<th>$30,000-$40,000</th>
<th>$40,000-$50,000</th>
<th>Over $50,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGI plus exclusion 2/</td>
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<td>30,097</td>
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<td>4,651</td>
<td>3,645</td>
<td>1,634</td>
<td>557</td>
<td>468</td>
<td>393</td>
</tr>
<tr>
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<td>866</td>
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<tr>
<td>Number of returns</td>
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<td>69</td>
<td>939</td>
<td>453</td>
<td>468</td>
<td>392</td>
</tr>
<tr>
<td>Tax after credits</td>
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<td>29</td>
<td>605</td>
<td>515</td>
<td>536</td>
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<td>593</td>
<td>503</td>
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<td>389</td>
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</table>

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Office of Tax Analysis

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<table>
<thead>
<tr>
<th></th>
<th>All</th>
<th>Under $10,000</th>
<th>$10,000-$20,000</th>
<th>$20,000-$30,000</th>
<th>$30,000-$40,000</th>
<th>$40,000-$50,000</th>
<th>Over $50,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGI plus exclusion 2/ Number of returns 3/</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>255,015</td>
<td>43,816</td>
<td>73,326</td>
<td>53,863</td>
<td>25,222</td>
<td>26,392</td>
<td>32,396</td>
</tr>
<tr>
<td></td>
<td>11,348</td>
<td>4,651</td>
<td>3,7645</td>
<td>1,634</td>
<td>557</td>
<td>468</td>
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<td>23,681</td>
</tr>
<tr>
<td>Foreign earned income</td>
<td>228,336</td>
<td>40,528</td>
<td>62,969</td>
<td>49,104</td>
<td>22,780</td>
<td>23,604</td>
<td>29,349</td>
</tr>
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<td>Taxable income</td>
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<td>468</td>
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<td>468</td>
<td>392</td>
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<td>942</td>
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</tbody>
</table>

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<table>
<thead>
<tr>
<th></th>
<th>All</th>
<th>Income:</th>
<th>Under $10,000</th>
<th>Under $20,000</th>
<th>Under $30,000</th>
<th>Under $40,000</th>
<th>Under $50,000</th>
<th>Over $50,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGI plus exclusion</td>
<td>255,015</td>
<td>11,348</td>
<td>43,816</td>
<td>73,326</td>
<td>53,863</td>
<td>25,222</td>
<td>26,392</td>
<td>32,396</td>
</tr>
<tr>
<td>Number of returns</td>
<td>11,348</td>
<td>4,651</td>
<td>3,645</td>
<td>1,634</td>
<td>557</td>
<td>468</td>
<td>393</td>
<td></td>
</tr>
<tr>
<td>Exclusion</td>
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<td>17,642</td>
<td>19,292</td>
<td>26,209</td>
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<tr>
<td>Foreign earned income</td>
<td>228,336</td>
<td>40,529</td>
<td>62,969</td>
<td>49,104</td>
<td>22,780</td>
<td>23,604</td>
<td>29,349</td>
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<td>1,292</td>
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<td>433</td>
<td>366</td>
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</tbody>
</table>

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Office of Tax Analysis

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The Revenue Impact by Income Class of the Ribicoff Bill (S.2115) on U.S. Citizens Residing Abroad: Other Middle East & Africa 1/
(dollar amounts in thousands)

<table>
<thead>
<tr>
<th>AGI plus exclusion 2/</th>
<th>All</th>
<th>Under $10,000</th>
<th>$10,000 - $20,000</th>
<th>$20,000 - $30,000</th>
<th>$30,000 - $40,000</th>
<th>$40,000 - $50,000</th>
<th>Over $50,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of returns 3/</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AGI</td>
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<td>53,863</td>
<td>25,222</td>
<td>26,392</td>
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<td>Special deductions, total 4/</td>
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<td>17,532</td>
<td>8,793</td>
<td>3,316</td>
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<td>1,908</td>
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<td>1,827</td>
<td>319</td>
<td>528</td>
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<td>0</td>
</tr>
<tr>
<td>Cost of living</td>
<td>12,523</td>
<td>3,394</td>
<td>4,166</td>
<td>2,374</td>
<td>950</td>
<td>858</td>
<td>781</td>
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<td>8,857</td>
<td>4,875</td>
<td>1,420</td>
<td>642</td>
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<td>3,488</td>
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<td>55,793</td>
<td>45,069</td>
<td>21,906</td>
<td>24,542</td>
<td>30,488</td>
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<td>36,138</td>
<td>19,269</td>
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<td>28,360</td>
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<td>3,645</td>
<td>1,634</td>
<td>557</td>
<td>468</td>
<td>393</td>
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<td>1,342</td>
<td>7,662</td>
<td>8,444</td>
<td>5,644</td>
<td>7,782</td>
<td>11,770</td>
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<td>2,679</td>
<td>3,534</td>
<td>2,909</td>
<td>3,295</td>
<td>4,979</td>
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<tr>
<td>Number of returns</td>
<td>6,659</td>
<td>1,180</td>
<td>2,642</td>
<td>1,490</td>
<td>487</td>
<td>468</td>
<td>392</td>
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<td>4,323</td>
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<td>1,445</td>
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<td>433</td>
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</tbody>
</table>

Office of the Secretary of the Treasury
Office of Tax Analysis
January 28, 1978

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The Revenue Impact by Income Class of 1975 Tax Practice on U.S. Citizens Residing Abroad: Oceania

<table>
<thead>
<tr>
<th>Income Class</th>
<th>All</th>
<th>Under $10,000</th>
<th>$10,000 - $20,000</th>
<th>$20,000 - $30,000</th>
<th>$30,000 - $40,000</th>
<th>$40,000 - $50,000</th>
<th>Over $50,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGI plus exclusion 1/</td>
<td>196,355</td>
<td>20,079</td>
<td>74,896</td>
<td>39,893</td>
<td>24,958</td>
<td>15,025</td>
<td>21,504</td>
</tr>
<tr>
<td>Number of returns 3/</td>
<td>9,727</td>
<td>2,571</td>
<td>4,506</td>
<td>1,436</td>
<td>640</td>
<td>300</td>
<td>274</td>
</tr>
<tr>
<td>Exclusion</td>
<td>136,013</td>
<td>17,574</td>
<td>66,436</td>
<td>26,527</td>
<td>12,633</td>
<td>6,865</td>
<td>5,978</td>
</tr>
<tr>
<td>AGI</td>
<td>60,342</td>
<td>2,505</td>
<td>8,460</td>
<td>13,366</td>
<td>12,325</td>
<td>8,160</td>
<td>15,526</td>
</tr>
<tr>
<td>Foreign earned income</td>
<td>171,732</td>
<td>17,574</td>
<td>67,771</td>
<td>34,322</td>
<td>20,493</td>
<td>12,407</td>
<td>19,165</td>
</tr>
<tr>
<td>Taxable income</td>
<td>39,379</td>
<td>407</td>
<td>2,609</td>
<td>7,025</td>
<td>8,752</td>
<td>6,713</td>
<td>13,874</td>
</tr>
<tr>
<td>Number of returns</td>
<td>3,480</td>
<td>317</td>
<td>592</td>
<td>1,357</td>
<td>640</td>
<td>300</td>
<td>274</td>
</tr>
<tr>
<td>Tax before credits</td>
<td>10,405</td>
<td>62</td>
<td>445</td>
<td>1,367</td>
<td>1,883</td>
<td>1,684</td>
<td>4,964</td>
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<td>22</td>
<td>177</td>
<td>459</td>
<td>851</td>
<td>3,465</td>
</tr>
<tr>
<td>Number of returns</td>
<td>1,416</td>
<td>0</td>
<td>35</td>
<td>177</td>
<td>283</td>
<td>261</td>
<td>261</td>
</tr>
<tr>
<td>Tax after credits</td>
<td>4,487</td>
<td>24</td>
<td>326</td>
<td>964</td>
<td>1,308</td>
<td>777</td>
<td>1,448</td>
</tr>
<tr>
<td>Number of returns</td>
<td>2,196</td>
<td>139</td>
<td>521</td>
<td>692</td>
<td>461</td>
<td>177</td>
<td>206</td>
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</tbody>
</table>

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Office of Tax Analysis

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### The Revenue Impact by Income Class of 1975 Tax Law on U.S. Citizens Residing Abroad: Oceania

(dollar amounts in thousands)

<table>
<thead>
<tr>
<th>AGI plus exclusion 2/</th>
<th>Under $10,000</th>
<th>$10,000</th>
<th>$20,000</th>
<th>$30,000</th>
<th>$40,000</th>
<th>$50,000</th>
<th>Over</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of returns 3/</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exclusion</td>
<td>161,655</td>
<td>27,953</td>
<td>80,112</td>
<td>27,229</td>
<td>13,077</td>
<td>7,153</td>
<td>6,130</td>
</tr>
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<td>AGI</td>
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<td>2,505</td>
<td>13,863</td>
<td>18,238</td>
<td>14,792</td>
<td>9,261</td>
<td>16,454</td>
</tr>
<tr>
<td>Foreign earned income</td>
<td>212,146</td>
<td>27,953</td>
<td>86,850</td>
<td>39,896</td>
<td>23,404</td>
<td>13,797</td>
<td>20,245</td>
</tr>
<tr>
<td>Taxable income</td>
<td>50,175</td>
<td>407</td>
<td>4,056</td>
<td>11,878</td>
<td>11,219</td>
<td>7,814</td>
<td>14,802</td>
</tr>
<tr>
<td>Number of returns</td>
<td>4,467</td>
<td>317</td>
<td>1,500</td>
<td>1,436</td>
<td>640</td>
<td>300</td>
<td>247</td>
</tr>
<tr>
<td>Tax before credits</td>
<td>12,898</td>
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<td>658</td>
<td>2,257</td>
<td>2,476</td>
<td>2,023</td>
<td>5,420</td>
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<td>648</td>
<td>868</td>
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<td>576</td>
<td>283</td>
<td>261</td>
<td>261</td>
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<tr>
<td>Tax after credits</td>
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<td>413</td>
<td>1,352</td>
<td>1,492</td>
<td>796</td>
<td>1,650</td>
</tr>
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<td>Number of returns</td>
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<td>139</td>
<td>1,033</td>
<td>1,004</td>
<td>461</td>
<td>177</td>
<td>215</td>
</tr>
</tbody>
</table>

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The Revenue Impact by Income Class of 1976 Tax Reform Act on U.S. Citizens Residing Abroad: Oceania

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<table>
<thead>
<tr>
<th></th>
<th>All</th>
<th>Income: Under $10,000</th>
<th>Under $20,000</th>
<th>Under $30,000</th>
<th>Under $40,000</th>
<th>Over $50,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGI plus exclusion</td>
<td>236,768</td>
<td>30,458</td>
<td>93,975</td>
<td>45,467</td>
<td>27,869</td>
<td>16,415</td>
</tr>
<tr>
<td>Number of returns</td>
<td>9,727</td>
<td>2,571</td>
<td>4,506</td>
<td>1,436</td>
<td>640</td>
<td>300</td>
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<tr>
<td>Exclusion</td>
<td>122,996</td>
<td>21,035</td>
<td>61,616</td>
<td>20,642</td>
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<td>32,359</td>
<td>24,825</td>
<td>18,019</td>
<td>11,033</td>
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<tr>
<td>Foreign earned income</td>
<td>212,146</td>
<td>27,953</td>
<td>86,849</td>
<td>39,896</td>
<td>23,404</td>
<td>13,797</td>
</tr>
<tr>
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<td>16,372</td>
<td>18,465</td>
<td>14,446</td>
<td>9,586</td>
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<td>912</td>
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<td>640</td>
<td>300</td>
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<td>227</td>
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<td>2,018</td>
<td>1,396</td>
<td>640</td>
<td>294</td>
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</table>

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Office of Tax Analysis

January 28, 1978

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The Revenue Impact by Income Class of the Ribicoff Bill (S.2115) on U.S. Citizens Residing Abroad: Oceania
(dollar amounts in thousands)

<table>
<thead>
<tr>
<th></th>
<th>All</th>
<th>Under $10,000</th>
<th>$10,000-$20,000</th>
<th>$20,000-$30,000</th>
<th>$30,000-$40,000</th>
<th>$40,000-$50,000</th>
<th>$50,000-$50,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGI plus exclusion</td>
<td>236,768</td>
<td>30,458</td>
<td>93,975</td>
<td>45,467</td>
<td>27,869</td>
<td>16,415</td>
<td>22,584</td>
</tr>
<tr>
<td>Number of returns</td>
<td>9,727</td>
<td>2,571</td>
<td>4,506</td>
<td>1,436</td>
<td>640</td>
<td>300</td>
<td>274</td>
</tr>
<tr>
<td>Special deductions,</td>
<td>41,017</td>
<td>15,011</td>
<td>16,716</td>
<td>4,738</td>
<td>2,055</td>
<td>1,330</td>
<td>1,166</td>
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<td>7,630</td>
<td>2,083</td>
<td>637</td>
<td>95</td>
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</tr>
<tr>
<td>Education</td>
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<td>731</td>
<td>1,096</td>
<td>378</td>
<td>530</td>
<td>654</td>
<td>590</td>
</tr>
<tr>
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<td>4,611</td>
<td>1,214</td>
<td>408</td>
<td>357</td>
<td>370</td>
</tr>
<tr>
<td>Moving expenses</td>
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<td>1,928</td>
<td>3,380</td>
<td>1,077</td>
<td>480</td>
<td>225</td>
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</tr>
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<td>AGI</td>
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<td>15,447</td>
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<td>25,814</td>
<td>15,085</td>
<td>21,418</td>
</tr>
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<td>Foreign earned income</td>
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<td>27,953</td>
<td>86,849</td>
<td>39,896</td>
<td>23,404</td>
<td>13,797</td>
<td>20,245</td>
</tr>
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<td>Taxable income</td>
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<td>34,368</td>
<td>22,241</td>
<td>13,637</td>
<td>19,766</td>
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<td>2,021</td>
<td>4,506</td>
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<td>640</td>
<td>300</td>
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</tr>
<tr>
<td>Tax before credits</td>
<td>41,235</td>
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<td>12,706</td>
<td>8,489</td>
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<td>4,440</td>
<td>8,064</td>
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<td>804</td>
<td>283</td>
<td>261</td>
<td>262</td>
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<td>Tax after credits</td>
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<td>4,969</td>
<td>4,436</td>
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<td>2,402</td>
<td>959</td>
<td>495</td>
<td>282</td>
<td>268</td>
</tr>
</tbody>
</table>

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Office of Tax Analysis

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The Revenue Impact by Income Class of 1975 Tax Practice on U.S. Citizens Residing Abroad: Japan

<table>
<thead>
<tr>
<th>(dollar amounts in thousands)</th>
<th>All</th>
<th>Income Under $10,000</th>
<th>$10,000 - $20,000</th>
<th>$20,000 - $30,000</th>
<th>$30,000 - $40,000</th>
<th>$40,000 - $50,000</th>
<th>Over $50,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGI plus exclusion 2/</td>
<td>152,066</td>
<td>12,034</td>
<td>23,088</td>
<td>20,634</td>
<td>11,235</td>
<td>17,150</td>
<td>67,925</td>
</tr>
<tr>
<td>Number of returns 3/</td>
<td>5,251</td>
<td>1,652</td>
<td>1,514</td>
<td>697</td>
<td>278</td>
<td>340</td>
<td>770</td>
</tr>
<tr>
<td>Exclusion</td>
<td>70,161</td>
<td>10,498</td>
<td>17,424</td>
<td>14,367</td>
<td>5,126</td>
<td>5,787</td>
<td>16,958</td>
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<td>AGI</td>
<td>81,906</td>
<td>1,533</td>
<td>5,663</td>
<td>6,267</td>
<td>6,110</td>
<td>11,363</td>
<td>50,967</td>
</tr>
<tr>
<td>Foreign earned income</td>
<td>127,525</td>
<td>10,582</td>
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<td>19,455</td>
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<tr>
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<td>487</td>
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<td>3,191</td>
<td>4,962</td>
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<td>454</td>
<td>663</td>
<td>278</td>
<td>340</td>
<td>770</td>
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<tr>
<td>Tax before credits</td>
<td>21,859</td>
<td>86</td>
<td>456</td>
<td>529</td>
<td>1,129</td>
<td>2,441</td>
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<td>Tax after credits</td>
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<td>104</td>
<td>208</td>
<td>241</td>
<td>698</td>
</tr>
</tbody>
</table>

Office of the Secretary of the Treasury
Office of Tax Analysis

1/ Estimates are based on 1975 data projected to 1977 levels. Income classes are defined as reported income plus exclusion based on 1975 tax practice. Tax liabilities based on 1977 rates.

2/ Less deficit.

3/ Adjusted for estimated non-compliance.
The Revenue Impact by Income Class of 1975 Tax Law on U.S. Citizens Residing Abroad: Japan
(dollar amounts in thousands)

<table>
<thead>
<tr>
<th>Income Classes</th>
<th>$10,000</th>
<th>$20,000</th>
<th>$30,000</th>
<th>$40,000</th>
<th>$50,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGI plus exclusion 2/</td>
<td>197,646</td>
<td>21,152</td>
<td>39,148</td>
<td>28,784</td>
<td>14,169</td>
</tr>
<tr>
<td>Number of returns 3/</td>
<td>5,251</td>
<td>1,652</td>
<td>1,514</td>
<td>697</td>
<td>278</td>
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<tr>
<td>Exclusion</td>
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<td>27,998</td>
<td>14,432</td>
<td>6,032</td>
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<td>11,151</td>
<td>14,353</td>
<td>8,137</td>
</tr>
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<td>173,105</td>
<td>19,700</td>
<td>33,557</td>
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<td>12,879</td>
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<td>4,807</td>
<td>11,267</td>
<td>6,990</td>
</tr>
<tr>
<td>Number of returns</td>
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<td>224</td>
<td>923</td>
<td>697</td>
<td>278</td>
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<tr>
<td>Tax before credits</td>
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<td>97</td>
<td>855</td>
<td>2,367</td>
<td>1,746</td>
</tr>
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<td>1</td>
<td>1,790</td>
<td>1,282</td>
</tr>
<tr>
<td>Number of returns</td>
<td>1,941</td>
<td>0</td>
<td>34</td>
<td>588</td>
<td>244</td>
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<tr>
<td>Tax after credits</td>
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<td>770</td>
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<td>Office of the Secretary of the Treasury</td>
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<td>January 28, 1978</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1/ Estimates are based on 1975 data projected to 1977 levels. Income classes are defined as reported income plus exclusion based on 1975 tax practice. Tax liabilities based on 1977 rates.

2/ Less deficit.

3/ Adjusted for estimated non-compliance.
### Table: The Revenue Impact by Income Class of 1976 Tax Reform Act on U.S. Citizens Residing Abroad: Japan

<table>
<thead>
<tr>
<th>Income Classes</th>
<th>Under $10,000</th>
<th>$10,000-$20,000</th>
<th>$20,000-$30,000</th>
<th>$30,000-$40,000</th>
<th>$40,000-$50,000</th>
<th>Over $50,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGI plus exclusion 2</td>
<td>197,646</td>
<td>21,152</td>
<td>39,148</td>
<td>28,784</td>
<td>14,169</td>
<td>20,683</td>
</tr>
<tr>
<td>Number of returns 3</td>
<td>5,251</td>
<td>1,652</td>
<td>1,514</td>
<td>697</td>
<td>278</td>
<td>340</td>
</tr>
<tr>
<td>Exclusion</td>
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<td>22,234</td>
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<td>5,126</td>
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<td>2,353</td>
<td>16,914</td>
<td>18,211</td>
<td>9,790</td>
<td>15,556</td>
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<td>Foreign earned income</td>
<td>173,105</td>
<td>19,700</td>
<td>33,557</td>
<td>27,605</td>
<td>12,879</td>
<td>16,323</td>
</tr>
<tr>
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<td>565</td>
<td>9,739</td>
<td>15,125</td>
<td>8,642</td>
<td>13,632</td>
</tr>
<tr>
<td>Number of returns</td>
<td>3,823</td>
<td>224</td>
<td>1,514</td>
<td>697</td>
<td>278</td>
<td>340</td>
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<tr>
<td>Tax before credits</td>
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<td>2,941</td>
<td>5,460</td>
<td>3,500</td>
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<td>1,516</td>
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<tr>
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<td>Tax after credits</td>
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<td>2,102</td>
<td>3,569</td>
<td>2,302</td>
<td>4,123</td>
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<td>Number of returns</td>
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<td>149</td>
<td>1,514</td>
<td>697</td>
<td>278</td>
<td>340</td>
</tr>
</tbody>
</table>

Office of the Secretary of the Treasury
Office of Tax Analysis
January 28, 1978

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2/ Less deficit.

3/ Adjusted for estimated non-compliance.
The Revenue Impact by Income Class of the Ribicoff Bill (S.2115) on U.S. Citizens Residing Abroad: Japan

<table>
<thead>
<tr>
<th></th>
<th>All</th>
<th>Under $10,000</th>
<th>$10,000 - $20,000</th>
<th>$20,000 - $30,000</th>
<th>$30,000 - $40,000</th>
<th>$40,000 - $50,000</th>
<th>$50,000+</th>
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</thead>
<tbody>
<tr>
<td>AGI plus exclusion 2/</td>
<td>197,646</td>
<td>21,152</td>
<td>39,148</td>
<td>28,784</td>
<td>14,169</td>
<td>20,683</td>
<td>73,710</td>
</tr>
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<td>Number of returns 3/</td>
<td>5,251</td>
<td>1,652</td>
<td>1,314</td>
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<td>278</td>
<td>340</td>
<td>770</td>
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<tr>
<td>Special deductions, total 4/</td>
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<td>11,031</td>
<td>3,895</td>
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<td>7,887</td>
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<td>10,248</td>
<td>5,241</td>
<td>1,687</td>
<td>1,542</td>
<td>601</td>
</tr>
<tr>
<td>Education</td>
<td>5,510</td>
<td>394</td>
<td>1,820</td>
<td>745</td>
<td>303</td>
<td>598</td>
<td>1,649</td>
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<tr>
<td>Cost of living</td>
<td>33,132</td>
<td>9,950</td>
<td>9,570</td>
<td>4,520</td>
<td>1,796</td>
<td>2,237</td>
<td>5,059</td>
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<td>1,239</td>
<td>1,136</td>
<td>523</td>
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<td>255</td>
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<td>17,754</td>
<td>10,274</td>
<td>16,050</td>
<td>65,823</td>
</tr>
<tr>
<td>Foreign earned income</td>
<td>173,105</td>
<td>19,700</td>
<td>33,556</td>
<td>27,605</td>
<td>12,879</td>
<td>16,323</td>
<td>63,041</td>
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<td>9,126</td>
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<td>697</td>
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<td>340</td>
<td>770</td>
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<td>2,595</td>
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<td>24,730</td>
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<td>1,850</td>
<td>11,116</td>
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<td>1,266</td>
<td>697</td>
<td>244</td>
<td>340</td>
<td>770</td>
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<tr>
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<td>775</td>
<td>1,148</td>
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<td>13,694</td>
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<td>688</td>
<td>697</td>
<td>243</td>
<td>340</td>
<td>758</td>
</tr>
</tbody>
</table>

Office of the Secretary of the Treasury
Office of Tax Analysis
January 28, 1978

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2/ Less deficit.

3/ Adjusted for estimated non-compliance.

4/ The total may be lower than the sum of itemized deductions because the total usable housing, education and cost of living deductions are limited to foreign earned income.
The Revenue Impact by Income Class of 1975 Tax Practice on U.S. Citizens Residing Abroad: All other countries 1/
(dollar amounts in thousands)

<table>
<thead>
<tr>
<th>Income Classes</th>
<th>All</th>
<th>Under $10,000</th>
<th>$10,000-20,000</th>
<th>$20,000-30,000</th>
<th>$30,000-40,000</th>
<th>$40,000-50,000</th>
<th>Over $50,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGI plus exclusion</td>
<td>115,626</td>
<td>8,431</td>
<td>23,469</td>
<td>33,446</td>
<td>11,736</td>
<td>15,432</td>
<td>23,114</td>
</tr>
<tr>
<td>Number of returns</td>
<td>4,606</td>
<td>1,182</td>
<td>1,343</td>
<td>1,192</td>
<td>291</td>
<td>313</td>
<td>285</td>
</tr>
<tr>
<td>Exclusion</td>
<td>68,424</td>
<td>7,647</td>
<td>19,427</td>
<td>21,093</td>
<td>6,501</td>
<td>7,623</td>
<td>6,134</td>
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<td>4,042</td>
<td>12,353</td>
<td>5,234</td>
<td>7,809</td>
<td>16,980</td>
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<td>19,791</td>
<td>27,722</td>
<td>10,273</td>
<td>14,326</td>
<td>18,584</td>
</tr>
<tr>
<td>Taxable income</td>
<td>32,724</td>
<td>60</td>
<td>1,693</td>
<td>6,710</td>
<td>3,792</td>
<td>5,393</td>
<td>15,076</td>
</tr>
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<td>74</td>
<td>351</td>
<td>1,073</td>
<td>291</td>
<td>313</td>
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<tr>
<td>Tax before credits</td>
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<td>9</td>
<td>299</td>
<td>1,246</td>
<td>807</td>
<td>1,213</td>
<td>5,693</td>
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<td>697</td>
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<td>241</td>
<td>696</td>
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<td>282</td>
<td>606</td>
<td>140</td>
<td>179</td>
<td>215</td>
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</tbody>
</table>

Office of the Secretary of the Treasury
Office of Tax Analysis

January 28, 1978

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The Revenue Impact by Income Class of 1975 Tax Law on U.S. Citizens Residing Abroad: All Other Countries 1/
(dollar amounts in thousands)

<table>
<thead>
<tr>
<th></th>
<th>All</th>
<th>Under $10,000</th>
<th>$10,000 - $20,000</th>
<th>$20,000 - $30,000</th>
<th>$30,000 - $40,000</th>
<th>Over $40,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGI plus exclusion</td>
<td>128,545</td>
<td>11,396</td>
<td>27,141</td>
<td>37,113</td>
<td>12,411</td>
<td>16,458</td>
</tr>
<tr>
<td>Number of returns</td>
<td>4,606</td>
<td>1,182</td>
<td>1,343</td>
<td>1,192</td>
<td>291</td>
<td>313</td>
</tr>
<tr>
<td>Exclusion</td>
<td>75,673</td>
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<td>22,092</td>
<td>22,667</td>
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<td>AGI</td>
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<td>5,751</td>
<td>8,827</td>
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<td>23,463</td>
<td>31,390</td>
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<td>8,653</td>
<td>4,308</td>
<td>6,411</td>
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<td>74</td>
<td>470</td>
<td>1,192</td>
<td>291</td>
<td>313</td>
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<td>Tax before credits</td>
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<td>322</td>
<td>884</td>
<td>140</td>
<td>185</td>
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</table>

Office of the Secretary of the Treasury
Office of Tax Analysis
January 28, 1978

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### The Revenue Impact by Income Class of 1976 Tax Reform Act on U.S. Citizens Residing Abroad: countries!

<table>
<thead>
<tr>
<th>AGI plus exclusion 2/</th>
<th>All</th>
<th>Under</th>
<th>$10,000</th>
<th>$20,000</th>
<th>$30,000</th>
<th>$40,000</th>
<th>Over</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of returns 3/</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All</td>
<td>128,545</td>
<td>11,396</td>
<td>27,141</td>
<td>37,113</td>
<td>12,411</td>
<td>16,458</td>
<td>24,026</td>
</tr>
<tr>
<td>Number of returns 3/</td>
<td>4,660</td>
<td>1,182</td>
<td>1,343</td>
<td>1,192</td>
<td>291</td>
<td>313</td>
<td>285</td>
</tr>
<tr>
<td>Exclusion</td>
<td>54,677</td>
<td>8,329</td>
<td>17,415</td>
<td>15,161</td>
<td>4,979</td>
<td>4,687</td>
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<td>73,867</td>
<td>3,066</td>
<td>9,726</td>
<td>21,952</td>
<td>7,513</td>
<td>11,771</td>
<td>19,839</td>
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<tr>
<td>Foreign earned income</td>
<td>111,839</td>
<td>11,191</td>
<td>23,463</td>
<td>31,390</td>
<td>10,948</td>
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<tr>
<td>Taxable income</td>
<td>55,798</td>
<td>1,317</td>
<td>4,962</td>
<td>16,159</td>
<td>6,071</td>
<td>9,355</td>
<td>17,935</td>
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<tr>
<td>Number of returns 3/</td>
<td>3,381</td>
<td>313</td>
<td>987</td>
<td>1,192</td>
<td>291</td>
<td>313</td>
<td>285</td>
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<tr>
<td>Tax before credits</td>
<td>20,829</td>
<td>222</td>
<td>1,328</td>
<td>4,896</td>
<td>2,301</td>
<td>3,592</td>
<td>8,490</td>
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<tr>
<td>Foreign tax credit</td>
<td>10,532</td>
<td>165</td>
<td>571</td>
<td>2,592</td>
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<td>1,642</td>
<td>4,099</td>
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<td>Number of returns 3/</td>
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<td>239</td>
<td>393</td>
<td>790</td>
<td>236</td>
<td>313</td>
<td>223</td>
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<tr>
<td>Tax after credits</td>
<td>9,700</td>
<td>6</td>
<td>590</td>
<td>2,088</td>
<td>786</td>
<td>1,892</td>
<td>4,338</td>
</tr>
<tr>
<td>Number of returns 3/</td>
<td>2,183</td>
<td>34</td>
<td>598</td>
<td>884</td>
<td>215</td>
<td>260</td>
<td>192</td>
</tr>
</tbody>
</table>

Office of the Secretary of the Treasury
Office of Tax Analysis

January 28, 1978

1/ Estimates are based on 1975 data projected to 1977 levels. Income classes are defined as reported income plus exclusion based on 1975 tax practice. Tax liabilities based on 1977 rates.

2/ Less deficit.

3/ Adjusted for estimated non-compliance.
The Revenue Impact by Income Class of the Ribicoff Bill (S.2115) on U.S. Citizens Residing Abroad: All Other Countries 1/
(dollar amounts in thousands)

<table>
<thead>
<tr>
<th>Income Classes:</th>
<th>All</th>
<th>Under $10,000</th>
<th>$10,000 - $20,000</th>
<th>$20,000 - $30,000</th>
<th>$30,000 - $40,000</th>
<th>$40,000 - $50,000</th>
<th>Over $50,000</th>
</tr>
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<tbody>
<tr>
<td>AGI plus exclusion 2/</td>
<td>128,545</td>
<td>11,396</td>
<td>27,141</td>
<td>37,113</td>
<td>12,411</td>
<td>16,458</td>
<td>24,026</td>
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<tr>
<td>Number of returns 3/</td>
<td>4,606</td>
<td>1,182</td>
<td>1,343</td>
<td>1,192</td>
<td>291</td>
<td>313</td>
<td>285</td>
</tr>
<tr>
<td>Special deductions, total 4/</td>
<td>23,380</td>
<td>7,356</td>
<td>5,429</td>
<td>1,285</td>
<td>1,295</td>
<td>1,590</td>
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<tr>
<td>Housing</td>
<td>5,188</td>
<td>2,521</td>
<td>1,723</td>
<td>963</td>
<td>1</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Education</td>
<td>4,371</td>
<td>644</td>
<td>895</td>
<td>1,292</td>
<td>321</td>
<td>601</td>
<td>618</td>
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<td>Cost of living</td>
<td>10,441</td>
<td>2,373</td>
<td>3,007</td>
<td>2,299</td>
<td>744</td>
<td>459</td>
<td>759</td>
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<tr>
<td>Moving expenses</td>
<td>3,454</td>
<td>886</td>
<td>1,007</td>
<td>894</td>
<td>218</td>
<td>235</td>
<td>214</td>
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<tr>
<td>AGI</td>
<td>105,210</td>
<td>5,016</td>
<td>19,785</td>
<td>31,685</td>
<td>11,126</td>
<td>15,163</td>
<td>22,436</td>
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<tr>
<td>Foreign earned income</td>
<td>111,839</td>
<td>11,191</td>
<td>23,461</td>
<td>31,390</td>
<td>10,948</td>
<td>15,352</td>
<td>19,496</td>
</tr>
<tr>
<td>Taxable income</td>
<td>84,999</td>
<td>1,702</td>
<td>14,444</td>
<td>25,891</td>
<td>9,684</td>
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<td>1,343</td>
<td>1,192</td>
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<tr>
<td>Tax before credits</td>
<td>24,597</td>
<td>2,918</td>
<td>6,112</td>
<td>2,805</td>
<td>4,008</td>
<td>8,479</td>
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<td>Foreign tax credit</td>
<td>12,580</td>
<td>103</td>
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<td>3,005</td>
<td>2,000</td>
<td>1,997</td>
<td>4,218</td>
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<tr>
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<td>621</td>
<td>858</td>
<td>256</td>
<td>313</td>
<td>258</td>
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<td>Tax after credits</td>
<td>11,304</td>
<td>82</td>
<td>1,417</td>
<td>2,892</td>
<td>753</td>
<td>1,952</td>
<td>4,208</td>
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<tr>
<td>Number of returns</td>
<td>2,904</td>
<td>198</td>
<td>1,066</td>
<td>923</td>
<td>215</td>
<td>260</td>
<td>242</td>
</tr>
</tbody>
</table>

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January 28, 1978

1/ Estimates are based on 1975 data projected to 1977 levels. Income classes are defined as reported income plus exclusion based on 1975 tax practice. Tax liabilities based on 1977 rates.

2/ Less deficit.

3/ Adjusted for estimated non-compliance.

4/ The total may be lower than the sum of itemized deductions because the total usable housing, education and cost of living deductions are limited to foreign earned income.
APPENDIX B

Definitions, Data Sources, and the Tax Calculator

I. Introduction

The estimates presented in the tables were derived using a tax calculator model which provides estimates of U.S. tax revenues by country and income class from the taxation of Americans working abroad under various tax rules affecting the foreign earned income exclusion. The basic sources of the data used are tabulations of tax returns filed for 1975 by U.S. taxpayers claiming section 911. A special study was made based on a sample of Forms 2555 with selected data from the accompanying Forms 1040. Another tabulation was made of foreign tax credits claimed on Forms 1116 by persons also filing a Form 2555. Separate calculations were done for single and non-single taxpayers for 71 countries representing 95 percent of the taxpayers, with the remaining 5 percent divided among four hypothetical areas based roughly on local living costs and taxes. Other data sources, definitions of variables and assumptions used in deriving the estimates are discussed below.

II. Definitions, Data Sources and Assumptions

In order to facilitate a clear explanation of the tax calculator, the discussion of definitions, data sources, and assumptions is divided into four sections; the first corresponds to the reporting practice under the 1975 rules for section 911, the year for which the returns were filed; the second to the 1975 rules as clarified by the Tax Court decisions; the third to the 1976 legislative changes in section 911; and the last section to the Ribicoff Bill (S.2115) as introduced on September 21, 1977. The equations used in the calculator are presented in the second section.

1. Variable definitions, data sources and assumptions

(a) 1975 reporting practice. The 1975 data were adjusted to more accurately reflect 1977 income levels and the number of eligible filers. Rather than construct a
fictitious file of additional U.S. citizens claiming section 911 in 1977, the estimates assume no change in the number or location of these taxpayers since 1975. However, an adjustment was made for estimated failure to file; 15 percent (about one out of seven) of the eligible taxpayers having no U.S. income tax after foreign tax credits were assumed not to file a return. Income levels were assumed to increase by the same percentage as per-capita personal income in the United States from 1975 to 1977 (14.1 percent, based on per-capita personal income figures for 1975 and 1976 in *Survey of Current Business*, May 1977, and a preliminary estimate for 1977 supplied by the Bureau of Economic Analysis). Adjusted gross income (AGI), deductions, taxable income, tax before credits, the foreign tax credit and U.S. tax after credits were then recomputed based on the adjusted data. The U.S. tax was computed throughout on the basis of 1977 tax tables.

2. 1975 tax law. The income reported in 1975 was assumed to include any foreign service premiums, cost-of-living allowances and the U.S. equivalent of employer-furnished housing. It was assumed to exclude employer paid housing costs in excess of the U.S. base, education allowances, and home leave travel. Estimates of housing costs in various locations were supplied by the State Department. Higher figures were substituted for some areas on the basis of current publications and information from taxpayers. Education costs were estimated on the basis of figures supplied by the State Department. Home leave travel estimates were based on economy air fares as of August 1977. These three items -- housing, education and home leave -- were added back to income as the estimated effect of the Tax Court decisions of 1976.

Excess housing costs, including utilities and taxes, were assumed to be the excess of local housing costs over 20 percent of foreign earned income less all housing expense and less education costs and home leave travel. This amount was added to the reported incomes of all taxpayers with incomes above $10,000 and to the incomes of half of the taxpayers with incomes of less than $10,000. The arbitrary reduction by 50 percent in the under $10,000 income class reflects the likelihood that housing allowances are less common in this group. For other income classes the estimate tends to overstate the extent to which housing values were underreported. It assumes that in cases where housing costs are significantly higher than in the United States, a housing allowance or furnished housing is the rule rather
than the exception. This is probably a fair assumption for most employees of multinationals, educational and charitable organizations, and international institutions, but not for employees of local foreign companies or the self-employed. However, data were not available on the latter two groups.

Education expenses were attributed to half of all dependents over two persons; e.g., if a return claimed six dependents, they were assumed to represent two parents, two school children whose school costs were furnished by the employer and two others (school children whose schooling costs were not subsidized, pre-school or college age children, or other dependents). In particular cases this will over or understate the case, but on average it was assumed to be a fair approximation of the effect of taxing education costs.

Home leave travel was estimated as a minimum of one annual round trip to Washington, D.C. for each tax return. For tax returns with more than one personal exemption it was assumed (for lack of a better assumption) that one-half the number of exemptions took an annual round trip to Washington.

On the basis of adjusted reported income, i.e., reported income plus the Tax Court additions to income (housing, education and home leave), the exclusion, taxable income, tax before credits, foreign tax credit and tax after credits were recomputed. All of the above quantities, with the exception of the foreign tax credit, are straightforward calculations. As a result of the increase in reported incomes due to the Tax Court changes, the allowable foreign tax credit would also increase, but data on total foreign taxes paid were not available for each return. Estimates of foreign taxes paid were based on the effective rates drawn from the Form 1116 of those section 911 taxpayers who claimed a foreign tax credit in 1975. Only about 37 percent of the taxpayers claiming 911 in 1975 claimed a foreign tax credit, but they lived in 38 countries 1 which accounted

1/ These countries are Canada, Argentina, Brazil, Colombia, Dominican Republic, Ecuador, Guatemala, Jamaica, Mexico, Panama, Peru, France, Greece, Ireland, Italy, Netherlands, Norway, Spain, Sweden, Switzerland, United Kingdom, West Germany, South Africa, Hong Kong, Indonesia, Iran, Israel, Japan, Lebanon, the Philippines, Singapore, Thailand, Australia, Venezuela, the Bahamas, Austria, Belgium, and Denmark.
for 78 percent of all taxpayers claiming section 911. It was assumed that all section 911 taxpayers in those countries paid the same tax on the same taxable income. For additional countries, accounting for another 12 percent of section 911 taxpayers, the effective foreign tax rates were derived from a publication of the Price Waterhouse accounting firm. All other countries, accounting for the remaining 10 percent of section 911 taxpayers, were grouped into four hypothetical composite areas based roughly on the level of living costs, as reflected in indices prepared by the State Department, and the estimated ratio of foreign income tax to the U.S. tax.

The data used to calculate effective foreign tax rates, including the figures taken directly from Form 1116, tend to overstate foreign taxes paid when applied to all taxpayers. Taxpayers who did not claim a foreign tax credit in 1975 presumably paid an amount of foreign tax less than the U.S. tax on the standard deduction. Conversely, for individuals who claimed a foreign tax credit in 1975, the credit was more valuable than the standard deduction, so it is fair to conclude that they paid higher foreign taxes on average than all section 911 taxpayers taken together. A comparison of foreign taxes paid as reported on Form 1116 and the foreign tax tables calculated by Price Waterhouse indicated that the latter figures further overstate the actual foreign taxes

2/ These countries are Bahrain, Bermuda, Bolivia, Chile, Costa Rica, Egypt, Ethiopia, Honduras, India, Iraq, Jordan, Kenya, Kuwait, Libya, Netherlands Antilles, New Zealand, Nigeria, Oman, Papua New Guinea, Portugal, Qatar, Saudi Arabia, Taiwan, Trinidad and Tobago, United Arab Emirates and Zaire.

paid by section 911 taxpayers. Thus, the foreign tax credit figures used in this paper have a general bias toward overstatement.

3. 1976 Tax Reform Act. The individual's tax liability was calculated two ways; first, it was assumed that the taxpayer elected the exclusion (not exceeding $15,000) and second, it was assumed that the taxpayer elected not to take the exclusion. Tax after credits under these alternatives were compared and taxpayers were assumed to choose the alternative which minimized their tax liability. If the taxpayer elected the exclusion, his tax before credits was the difference between his tax on taxable income including the exclusion and his tax on the exclusion. No foreign tax credit was allowed on foreign taxes attributable to excluded income. The method used was to reduce foreign taxes available for credit by the ratio of the U.S. tax on net excluded income to U.S. tax on total income (including the excluded amount). The remaining amount of foreign tax could be credited against U.S. tax subject to the ordinary limitations.

4. Ribicoff proposal. The Ribicoff proposal allows deductions for excess housing costs, education expenses, moving costs, and a cost of living differential.

The excess housing cost was calculated as discussed above (p.63). In addition, the Ribicoff bill provided special treatment for construction camp housing. Individuals living in such camps could either exclude the full value of their meals and lodging or claim the average excess housing cost deducted by persons in the same area, as indicated on tables to be published by the IRS from each year's returns. Only fragmentary information could be obtained on the number of affected persons. It was assumed that 7,000 persons would be eligible, that they live in the high cost areas of the Middle East and North Africa, and that the U.S. value

4/ The calculations that go into those tables accurately reflect the local laws, and take into account statutory concessions to employees who are foreign nationals. There are several possible explanations why the foreign taxes paid by section 911 are often lower, e.g., contractual or other administrative relief from foreign tax, higher deductions than assumed, more untaxed income in kind, and evasion of foreign tax.
of their meals and lodging is $5,000 a year. Since the estimated average housing deduction in that area was $9,300, the construction camp workers were assumed to choose to include in income the actual value of their meals and lodging and claim the average excess housing deduction.

According to the printed bill, deductible education expenses were limited to tuition, books and fees. The State Department composite figure for "away from post" school costs, net of travel, but including room and board ($4,950 for 1977-78) was assumed to represent 50 percent room and board, and the other half was considered an allowable education expense deduction.

To estimate the deduction for moving expenses, one fourth of the taxpayers were assumed to move each year and the additional deduction was estimated to amount to $3,000, based on the assumption that two out of the three moves were to a foreign location, that the average moving expense was $6,000 and that 75 percent of the cost was attributable to excluded income.

The cost of living deduction was estimated from the State Department local indices, excluding housing and education costs. Based on a salary of $21,400 (approximately a grade GS-12-1), spendable income (excluding income for housing and education) was assumed to be about $10,000 for single taxpayers and $12,000 for non-single taxpayers. The excess of the foreign cost of living over the U.S. cost (based on the State Department indices) times the spendable income was allowed as a cost of living deduction.

III. The Tax Calculator

All the quantities discussed below are at 1977 income levels. The 1977 levels were obtained by increasing the 1975 data by 14.1 percent (the increase in per-capita personal income between 1975 and 1977). To adjust for failure to file, an additional 15 percent blow-up was

applied to incomes and the number of returns where tax after credits was zero. Definitions of the acronyms used in the following equations are given on pages 76-78.

1. **1975 Tax Practice**

Adjusted gross income is

\[ \text{AGI} = \text{RI} + \text{EX} \]  \hspace{1cm} (1)

and taxable income

\[ \text{TI} = \text{AGI} - \text{EXEMP} - D \]  \hspace{1cm} (2)

where personal exemptions are

\[ \text{EXEMP} = (\text{NOEXEMP}) \times 750 \]  \hspace{1cm} (3)

and personal deductions are

\[ D = \text{ID (if applicable}) \text{ or} \]  \hspace{1cm} (4)

\[ D = \$2,300 \text{ for single taxpayers} \]  \hspace{1cm} (5)

or

\[ D = \$3,200 \text{ for non-single taxpayers.} \]  \hspace{1cm} (6)

Tax before credits is

\[ \text{TBC} = \text{USRATE (TI)} \]  \hspace{1cm} (7)

and tax after credits is

\[ \text{TAC} = \text{TBC} - \text{PC} - \text{FTC} \]  \hspace{1cm} (8)

where the general tax credit is the greater of

\[ \text{PC} = \$35 \times (\text{NOEXEMP}) \text{ or} \]  \hspace{1cm} (9)

\[ \text{PC} = .02 \times (\text{TI}), \text{ up to} \$180. \]

The foreign tax credit is

\[ \text{FTC} = \text{LIMIT} \]  \hspace{1cm} (10)
subject to

\[ \text{FTC} \leq \text{FORTAX} \text{ and FTC} \leq \text{TBC} \]  
\[ \text{(11)} \]

where the foreign tax credit limitation is approximated by

\[ \text{LIMIT} = \frac{\text{FEI-EX}}{\text{AGI}} \text{ (TBC)} \]  
\[ \text{(13)} \]

and foreign taxes paid are

\[ \text{FORTAX} = \text{FORRATE} \text{ (FEI)} \]  
\[ \text{(14)} \]

2. 1975 Tax Law

Excess housing was defined as

\[ \text{HOUS} = \text{ACHOUS} - .1667 (\text{RI} - \text{UNEARN} - \text{CLADJ}) \]  
\[ \text{(15)} \]

where unearned income is

\[ \text{UNEARN} = \text{DIV} + \text{INT} + \text{GAIN} + \text{GAIND} \]  
\[ \text{(16)} \]

and the cost of living adjustment is

\[ \text{CLADJ} = p(\text{COL}) \]  
\[ \text{(17)} \]

where \( p \) adjusts the cost of living (COL) to foreign earned income class. In order to construct COL, income subject to the cost of living index was assumed to be $10,000 for single individuals and $12,000 for non-single individuals. Therefore, cost of living was calculated as

\[ \text{COL} = \text{INDEX} \text{ ($10,000)} \text{ for single individuals} \]  
\[ \text{(18)} \]

and

\[ \text{COL} = \text{INDEX} \text{ ($12,000)} \text{ for non-single taxpayers} \]  
\[ \text{(19)} \]
Education expenses were defined as

\[ ED = \text{KIDS} \times \text{EDCOST} \]  

(20)

where the number of school age children were assumed to be

\[ \text{KIDS} = \frac{1}{2} (\text{NOEXEMP} - 2) \]  

(21)

and half the children were assumed to be in grade school and half in high school for the purpose of calculating EDCOST.

Home leave was assumed to be

\[ \text{HL} = \frac{1}{2} \times \text{NOEXEMP} \times \text{AIRFARE}. \]  

(22)

The additions to income as a result of the Tax Court decisions were calculated as

\[ \text{TCADD} = \text{HOUS} + \text{ED} + \text{HL} \]  

(23)

The exclusion was recalculated as

\[ \text{TCEX} = \text{EX} + \text{TCADD} \]  

(24)

subject to \( \text{TCEX} \leq 20,000 \) or \( 25,000 \).

(25)

Adjusted reported income is

\[ \text{TCRI} = \text{AGI} + \text{EX} + \text{TCADD} \]

and adjusted gross income is

\[ \text{TCAGI} = \text{TCRI} - \text{TCEX} \]  

(26)

Taxable income is

\[ \text{TCTI} = \text{TCAGI} - \text{EXEMP} - D \]  

(27)

where \( \text{EXEMP} \) is defined by equation (3) and \( D \) by equations (4) thru (6)

Tax before credits is
TCTBC = USRATE (TCTI) \hspace{1cm} (28)

and Tax after Credits as

\[ TCTAC = TCTBC - PC - FTC \] \hspace{1cm} (29)

where \( PC \) is defined by equation (9)

The foreign tax credit was calculated as

\[ TCFTC = TCLIMIT \] \hspace{1cm} (30)

subject to
\[ TCFTC < FORTAX \text{ and } \] \hspace{1cm} (31)
\[ TCFTC \leq TCTBC \] \hspace{1cm} (32)

where the foreign tax credit limitation was approximated by

\[ TCLIMIT = \frac{(FEI + TCADD - TCEX)(TCTBC)}{TCRI - TCEX} \] \hspace{1cm} (33)

and \( FORTAX \) is defined as in equation (14).

3. 1976 Tax Reform Act

The exclusion is

\[ TRAEX = $15,000 \text{ (or } TCEX, \text{ if } TCEX \leq $15,000) \] \hspace{1cm} (34)

and adjusted gross income

\[ TRAAGI = TCRI - TRAEX \] \hspace{1cm} (35)

Taxable income including the exclusion is

\[ TRATI = TCRI - EXEMP - D \] \hspace{1cm} (36)

where \( EXEMP \) is defined in equation (3) and \( D \) by equations (4) through (6)

The tax on the exclusion is

\[ TAXEX = USRATE (TRAEX) \] \hspace{1cm} (36)

and the tax on taxable income including the exclusion is
\[ \text{TAXTI} = \text{USRATE} (\text{TRATI}) \]  \hspace{1cm} (37)

Tax before credits is
\[ \text{TRATBC} = \text{TAXTI} - \text{TAXEX} \]  \hspace{1cm} (38)

Tax after credits is
\[ \text{TRATAC} = \text{TRATBC} - \text{PC} - \text{TRAFTC} \]  \hspace{1cm} (39)

where \( \text{PC} \) is defined by equation (9), and \( \text{TRAFTC} \) is the foreign tax credit.

The foreign tax credit limitation is
\[ \text{TRALIM} = \frac{\text{FEI} + \text{TCADD} - \text{TRAEX}}{\text{TCRI} - \text{TRAEX}} (\text{TRATBC}) \]  \hspace{1cm} (40)

and
\[ \text{TRAFTC} = \text{TRALIM} \]  \hspace{1cm} (41)

subject to
\[ \text{TRAFTC} \leq \text{AFORTAX} \]  \hspace{1cm} (41)

where \( \text{AFORTAX} = \text{FORTAX} (1 - \text{TAXEX/TAXTI}) \)

and
\[ \text{TRAFTC} \leq \text{TRATBC} \]  \hspace{1cm} (42)

Since taxpayers had the option of electing not to take the exclusion, the alternative foreign tax credit limitation was calculated as
\[ \text{TRALIMO} = \frac{\text{FEI} + \text{TCADD}}{\text{TCRI}} (\text{TAXTI}) \]  \hspace{1cm} (43)

and the foreign tax credit
\[ \text{TRAFTCO} = \text{TRALIMO} \]  \hspace{1cm} (44)

subject to
\[ \text{TRAFTCO} \leq \text{FORTAX} \]  \hspace{1cm} (45)
\[ \text{TRAFTCO} \leq \text{TAXTI} \]  \hspace{1cm} (46)
Tax after credits is

\[ TRATACO = TAXTI - PC - TRAFTCO \]  \hspace{1cm} (47) 

where PC is defined by equation (9). Tax after credits calculated by equations (39) and (47) are compared, and the taxpayer is assumed to elect the option which minimizes his tax after credits.

4. The Ribicoff Proposal

Excess housing is

\[ RHOUS - ACHOUS - 0.1667 \times (RI + HL - COL - UNERN) \hspace{1cm} (48) \]

Workers in construction camps (assumed to be approximately 46 percent of taxpayers in the Middle East) were given a choice of taking the average excess housing deduction (RHOUS) in the area or the U.S. value of their local housing (assumed to be $5,000), whichever is greater.

Education costs excluding airfare and room and board are

\[ RED = \frac{1}{2} (EDBASE) \hspace{1cm} (49) \]

Moving expenses were assumed to be about $6,000 and one in every 4 taxpayers was assumed to move a year, two out of three moves were to a foreign location and 75 percent of the cost was attributable to excluded income, so that

\[ MOVE = 750 \hspace{1cm} (50) \]

Adjusted gross income is

\[ RAGI = TCRI - RHOUS - RED - MOVE - COL \hspace{1cm} (51) \]

and taxable income is

\[ RTI = RAGI - EXEMP - D \hspace{1cm} (52) \]

where EXEMP is defined in equation (3) and D by equations (4) to (6).
Tax before credits is
\[ RTBC = \text{USTAX} \,(RTI) \]  \quad (53)
and tax after credits
\[ RTAC = RTBC - PC - RFTC \]  \quad (54)
where PC is defined in equation (9).

The foreign tax credit limitation is approximated by
\[ RLIM = \frac{\text{FEI} + \text{TCADD} - \text{RDED}}{\text{TCRI} - \text{RDED}} \,(RTBC) \]  \quad (55)
where
\[ \text{RDED} = \text{RHOUS} + \text{RED} + \text{MOVE} + \text{COL}. \]  \quad (56)
The foreign tax credit equals
\[ RFTC = RLIM \]  \quad (57)
subject to
\[ RFTC \leq \text{FORTAX} \]  \quad (58)
\[ RFTC \leq RTBC. \]  \quad (59)

5. **Tax Expenditure**
Assuming that section 911 is repealed, adjusted gross income is
\[ EAGI = \text{TCRI} \]  \quad (60)
and taxable income is
\[ ETI = EAGI - \text{EXEMP} - D \]  \quad (61)
where EXEMP is defined in equation (3) and D by equations (4) to (6).

Tax before credits is
\[ ETBC = \text{USRATE} \,(ETI) \]  \quad (62)
and tax after credits is
ETAC = ETBC - PC - EFTC  \quad (63)

where PC is defined by equation (9).

The foreign tax credit limitation is

\[
\text{ELIM} = \frac{\text{FEI} + \text{TCADD}}{\text{TCRI}}(\text{ETBC}) \quad (64)
\]

and the foreign tax credit is

\[
\text{EFTC} = \text{ELIM} \quad (65)
\]

subject to

\[
\text{EFTC} \leq \text{FORTAX} \quad \text{and} \quad \text{EFTC} \leq \text{ETBC} \quad (66)
\]

Tax expenditures are calculated as follows:

(a) for the 1975 law

\[
\text{TE75} = \text{ETAC} - \text{TCTAC} \quad (68)
\]

(b) for the 1976 Tax Reform Act

\[
\text{TE76} = \text{ETAC} - \text{TRATAC} \quad (69)
\]

and

(c) for the Ribicoff Proposal

\[
\text{TERIB} = \text{ETAC} - \text{RTAC} \quad (70)
\]
Definitions

1975 Tax Practice:

AGI  Adjusted gross income
RI   Reported income = adjusted gross income plus the exclusion
EX   Exclusion
TI   Taxable income
EXEMP Personal exemptions
D    Personal deductions, which may be itemized (ID) or standard
TBC  Tax before credits
USRATE U.S. tax rate
TI   Taxable income
TAC  Tax after credits
PC   General tax credit
FTC  Foreign tax credit
NOEXEMP Number of exemptions
LIMIT Foreign tax credit limitation
FORRTAX Foreign taxes paid
FORRATE Foreign tax rate
FEI  Foreign earned income
EXEMP Deduction for personal exemptions

1975 Tax Law:

HOUS  Excess housing
ACHOUS Actual housing (State Department estimates)
UNERN  Unearned income
CLADJ  Cost of living adjustment (based on State Department indices)
DIV   Dividends included in AGI
INT   Interest income
GAIN  Net capital gains
GAIND 50% of capital gain distributions
COL   Cost of living in a given country
INDEX Cost of living index for a given country (State Department data)
ED    Total education expense
KIDS  Number of school age children
Definitions (continued)

1975 Tax Law (continued):

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>EDCOST</td>
<td>Education cost including tuition and fees, room and board and travel (State Department data)</td>
</tr>
<tr>
<td>TCADD</td>
<td>Additions to income due to the Tax Court decisions</td>
</tr>
<tr>
<td>HL</td>
<td>Home leave travel expense</td>
</tr>
<tr>
<td>AIRFARE</td>
<td>Cost of economy air ticket</td>
</tr>
<tr>
<td>TCEX</td>
<td>Exclusion</td>
</tr>
<tr>
<td>TCRI</td>
<td>Reported income including the Tax Court changes</td>
</tr>
<tr>
<td>TCAGI</td>
<td>Adjusted gross income</td>
</tr>
<tr>
<td>TCTI</td>
<td>Taxable income</td>
</tr>
<tr>
<td>TCTBC</td>
<td>Tax before credits</td>
</tr>
<tr>
<td>TCTAC</td>
<td>Tax after credits</td>
</tr>
<tr>
<td>TCFTC</td>
<td>Foreign tax credit</td>
</tr>
<tr>
<td>TCLIMIT</td>
<td>Foreign tax credit limitation</td>
</tr>
</tbody>
</table>

1976 Tax Reform Act:

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>TRAEX</td>
<td>Exclusion under the Act</td>
</tr>
<tr>
<td>TRAAGI</td>
<td>Adjusted gross income</td>
</tr>
<tr>
<td>TRATI</td>
<td>Taxable income including the exclusion</td>
</tr>
<tr>
<td>TAXEX</td>
<td>U.S. tax on the exclusion</td>
</tr>
<tr>
<td>TAXTI</td>
<td>U.S. tax on taxable income (including exclusion)</td>
</tr>
<tr>
<td>TRATBC</td>
<td>Tax before credits</td>
</tr>
<tr>
<td>TRATAC</td>
<td>Tax after credits</td>
</tr>
<tr>
<td>TRALIM</td>
<td>Foreign tax credit limitation</td>
</tr>
<tr>
<td>TRAFTC</td>
<td>Foreign tax credit</td>
</tr>
<tr>
<td>AFORTAX</td>
<td>Foreign taxes available for a credit</td>
</tr>
<tr>
<td>TRALIMO</td>
<td>Foreign tax credit limitation -- option for no exclusion</td>
</tr>
<tr>
<td>TRAFTCO</td>
<td>Foreign tax credit -- option for no exclusion</td>
</tr>
<tr>
<td>TRATACO</td>
<td>Tax after credits -- option for no exclusion</td>
</tr>
</tbody>
</table>

Ribicoff Proposal:

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>RHOUS</td>
<td>Excess housing deduction</td>
</tr>
<tr>
<td>RED</td>
<td>Education Expense Deduction (Tuition, books and fees)</td>
</tr>
</tbody>
</table>
Definitions (continued)

Ribicoff Proposal (continued):

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>EDBASE</td>
<td>Education expenses including room and board, books and fees but not travel (State Department data)</td>
</tr>
<tr>
<td>MOVE</td>
<td>Moving expense deduction</td>
</tr>
<tr>
<td>RAGI</td>
<td>Adjusted gross income</td>
</tr>
<tr>
<td>RTI</td>
<td>Taxable income</td>
</tr>
<tr>
<td>RTBC</td>
<td>Tax before credits</td>
</tr>
<tr>
<td>RTAC</td>
<td>Tax after credits</td>
</tr>
<tr>
<td>RLIM</td>
<td>Foreign tax credit limitation</td>
</tr>
<tr>
<td>RDED</td>
<td>Total deductions for excess housing costs, cost of living, education and moving expenses</td>
</tr>
<tr>
<td>RFTC</td>
<td>Foreign tax credit</td>
</tr>
</tbody>
</table>

Tax Expenditure:

<table>
<thead>
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<th>Abbreviation</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>EAGI</td>
<td>Adjusted gross income</td>
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<tr>
<td>ETI</td>
<td>Taxable income</td>
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<tr>
<td>ETBC</td>
<td>Tax before credits</td>
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<td>ETAC</td>
<td>Tax after credits</td>
</tr>
<tr>
<td>ELIM</td>
<td>Foreign tax credit limitation</td>
</tr>
<tr>
<td>EFTC</td>
<td>Foreign tax credit</td>
</tr>
<tr>
<td>TE75</td>
<td>Tax expenditure, 1975 law</td>
</tr>
<tr>
<td>TE76</td>
<td>Tax expenditure, 1976 Tax Reform Act</td>
</tr>
<tr>
<td>TERIB</td>
<td>Tax expenditure, Ribicoff Proposal</td>
</tr>
</tbody>
</table>