

Part III Marginal Costing (Note: If you are **not** using Marginal Costing, skip Part III and go to Part IV.)

Section A - Foreign Trade Income Using Marginal Costing Method

22	Foreign trading gross receipts. Enter the amount from line 15		22
23	Costs and expenses allocable to the amount reported on line 22:		
a	Cost of direct material attributable to property sold	23a	
b	Cost of direct labor attributable to property sold	23b	
c	Add lines 23a and 23b		23c
24	Subtract line 23c from line 22		24
25	Worldwide gross receipts from sales of the product or product line		25
26	Costs and expenses allocable to the amount reported on line 25:		
a	Cost of goods sold attributable to property sold	26a	
b	Other expenses and deductions attributable to gross income	26b	
c	Add lines 26a and 26b		26c
27	Subtract line 26c from line 25. (Note: If -0- or less, stop here. You may not use Part III to determine your qualifying foreign trade income. Go to line 37.)		27
28	Overall profit percentage. Divide line 27 by line 25. Carry the result to at least three decimal places		28
29	Overall profit percentage limitation. Multiply line 22 by line 28		29
30	Foreign trade income using marginal costing. Enter the smaller of line 24 or line 29		30

Section B - 15% of Foreign Trade Income Method

31	Multiply line 30 by 15% (.15)		31
32	Foreign trade income using full costing. Enter the amount from line 20		32
33	Enter the smaller of line 31 or line 32		33

Section C - 1.2% of Foreign Trading Gross Receipts Method

34	Multiply line 22 by 1.2% (.012)		34
35	Multiply line 30 by 30% (.30)		35
36	Enter the smallest of lines 32, 34, or 35		36

Part IV Extraterritorial Income Exclusion (Net of Disallowed Deductions)

37	Enter your foreign trade income from line 20		37
38	Multiply line 37 by 15% (.15)		38
39	Enter your foreign trading gross receipts from line 15	39	
40	Multiply line 39 by 1.2% (.012)	40	
41	Multiply line 38 by 2.0	41	
42	Enter the smaller of line 40 or line 41		42
43	Enter your foreign sale and leasing income from line 21		43
44	Multiply line 43 by 30% (.30)		44
45	Enter the greatest of lines 33, 36, 38, 42, or 44. If you are using the alternative computation, see instructions for the amount to enter		45
Note: If you do not have a reduction for international boycott operations, illegal bribes, kickbacks, etc. (see the instructions for line 50), skip lines 46 through 51 and enter on line 52 the amount from line 45.			
46	If line 44 equals line 45, divide the amount on line 45 by the amount on line 43. Otherwise, divide the amount on line 45 by the amount on line 37. Carry the result to at least three decimal places	46	
47	If line 44 equals line 45, enter the amount from line 19, column (b). Otherwise, enter the amount from line 19, column (a)	47	
48	Multiply line 46 by line 47		48
49	Add lines 45 and 48		49
50	Reduction for international boycott operations, illegal bribes, kickbacks, etc. (see instructions)		50
51	Qualifying foreign trade income. Subtract line 50 from line 49. If -0- or less, stop here. You do not qualify for the exclusion		51
52	Extraterritorial income exclusion (net of disallowed deductions). Subtract line 48 from line 51. Enter the result here and include it on the "other deductions" line of your tax return or schedule (see instructions)		52