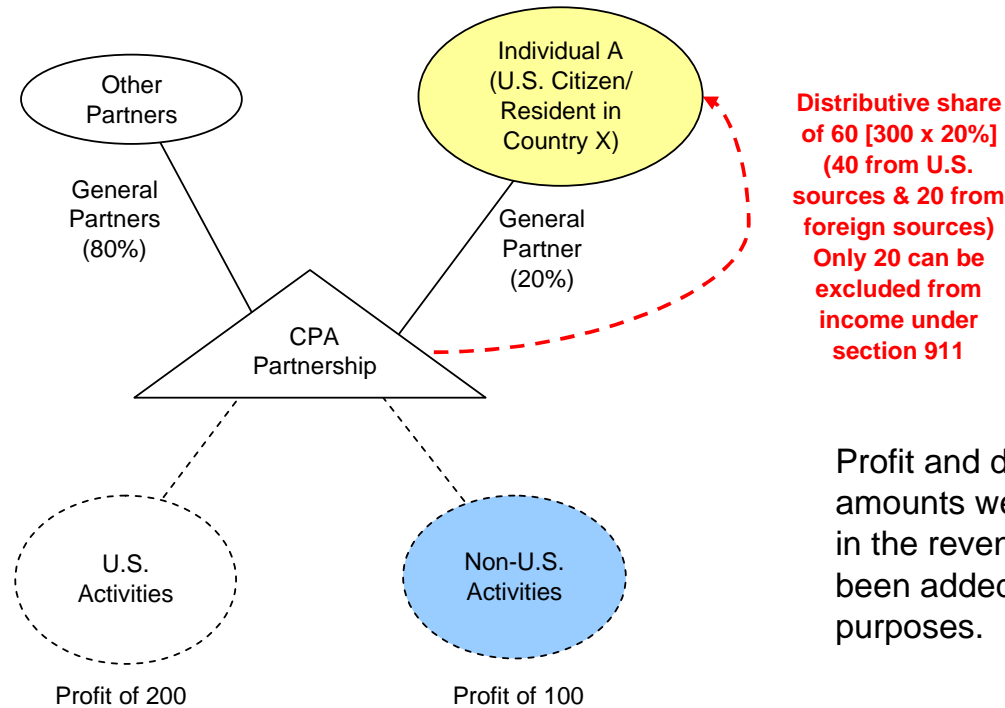


Revenue Ruling 67-158, Situation 1

Section 911 Exclusion of Partner's Distributive Share

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Profit and distributive share amounts were not included in the revenue ruling, but have been added for illustrative purposes.

Individual A, a citizen of the United States and general partner in an accounting firm, rendered his personal services during a period of several consecutive years within X, a foreign country, as resident partner in charge of the X office of the partnership. He qualified as a "bona fide resident of a foreign country" within the meaning of section 911(a) for the entire period.

The partnership is a firm of certified public accountants with offices in the major cities of the United States and in a number of foreign countries. The income of the partnership is derived from sources within and without the United States. The partnership agreement provides that the interest of each member of the firm in the firm capital and in its net profits and his obligations to meet its net losses, if any, shall be proportionate to his contribution to the firm capital. The partnership agreement does not provide that any part of taxpayer's distributive share of net partnership income is to be charged to the profits of the foreign office, nor does it provide for guaranteed payments to any partner. In each of the years, taxpayer received his distributive share of the net partnership income in accordance with the terms of the partnership agreement.

Individual A's distributive share of the partnership earned income is earned income "from sources without the United States" for the purpose of section 911(a) only in the ratio that the earned income of the partnership from foreign sources bears to its total earned income.

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