

posed in Virgin Islands” and amended text generally. Prior to amendment, text read as follows: “This section shall not apply for purposes of determining income tax liability incurred to the Virgin Islands.”

#### Statutory Notes and Related Subsidiaries

##### EFFECTIVE DATE OF 2004 AMENDMENT

Amendment by Pub. L. 108-357 applicable to taxable years ending after Oct. 22, 2004, see section 908(d)(1) of Pub. L. 108-357, set out as an Effective Date note under section 937 of this title.

##### EFFECTIVE DATE OF 1988 AMENDMENT

Amendment by Pub. L. 100-647 effective, except as otherwise provided, as if included in the provision of the Tax Reform Act of 1986, Pub. L. 99-514, to which such amendment relates, see section 1019(a) of Pub. L. 100-647, set out as a note under section 1 of this title.

##### EFFECTIVE DATE

Enactment of section 932 and repeal of prior section 932 applicable to taxable years beginning after Dec. 31, 1986, with certain exceptions and qualifications, see section 1277 of Pub. L. 99-514, set out as an Effective Date of 1986 Amendment note under section 931 of this title.

##### REGULATIONS

Pub. L. 99-514, title XII, §1274(c), Oct. 22, 1986, 100 Stat. 2598, as amended by Pub. L. 100-647, title I, §1012(w)(4), Nov. 10, 1988, 102 Stat. 3530, provided that: “The Secretary of the Treasury or his delegate shall prescribe such regulations as may be necessary or appropriate for applying the Internal Revenue Code of 1986 [this title] for purposes of determining tax liability incurred to the Virgin Islands.”

##### AUTHORITY TO IMPOSE NONDISCRIMINATORY LOCAL INCOME TAXES

Pub. L. 99-514, title XII, §1274(b), Oct. 22, 1986, 100 Stat. 2597, provided that: “Nothing in any provision of Federal law shall prevent the Virgin Islands from imposing on any person nondiscriminatory local income taxes. Any taxes so imposed shall be treated in the same manner as State and local income taxes under section 164 of the Internal Revenue Code of 1954 [now 1986] and shall not be treated as taxes to which section 901 of such Code applies.”

#### § 933. Income from sources within Puerto Rico

The following items shall not be included in gross income and shall be exempt from taxation under this subtitle:

##### (1) Resident of Puerto Rico for entire taxable year

In the case of an individual who is a bona fide resident of Puerto Rico during the entire taxable year, income derived from sources within Puerto Rico (except amounts received for services performed as an employee of the United States or any agency thereof); but such individual shall not be allowed as a deduction from his gross income any deductions (other than the deduction under section 151, relating to personal exemptions), or any credit, properly allocable to or chargeable against amounts excluded from gross income under this paragraph.

##### (2) Taxable year of change of residence from Puerto Rico

In the case of an individual citizen of the United States who has been a bona fide resi-

dent of Puerto Rico for a period of at least 2 years before the date on which he changes his residence from Puerto Rico, income derived from sources therein (except amounts received for services performed as an employee of the United States or any agency thereof) which is attributable to that part of such period of Puerto Rican residence before such date; but such individual shall not be allowed as a deduction from his gross income any deductions (other than the deduction for personal exemptions under section 151), or any credit, properly allocable to or chargeable against amounts excluded from gross income under this paragraph.

(Aug. 16, 1954, ch. 736, 68A Stat. 293; Pub. L. 99-514, title XII, §1272(d)(3), Oct. 22, 1986, 100 Stat. 2594.)

#### Editorial Notes

##### AMENDMENTS

1986—Pub. L. 99-514 inserted “, or any credit,” in pars. (1) and (2).

#### Statutory Notes and Related Subsidiaries

##### EFFECTIVE DATE OF 1986 AMENDMENT

Amendment by Pub. L. 99-514 applicable to taxable years beginning after Dec. 31, 1986, with certain exceptions and qualifications, see section 1277 of Pub. L. 99-514, set out as a note under section 931 of this title.

#### § 934. Limitation on reduction in income tax liability incurred to the Virgin Islands

##### (a) General rule

Tax liability incurred to the Virgin Islands pursuant to this subtitle, as made applicable in the Virgin Islands by the Act entitled “An Act making appropriations for the naval service for the fiscal year ending June 30, 1922, and for other purposes”, approved July 12, 1921 (48 U.S.C. 1397), or pursuant to section 28(a) of the Revised Organic Act of the Virgin Islands, approved July 22, 1954 (48 U.S.C. 1642), shall not be reduced or remitted in any way, directly or indirectly, whether by grant, subsidy, or other similar payment, by any law enacted in the Virgin Islands, except to the extent provided in subsection (b).

##### (b) Reductions permitted with respect to certain income

###### (1) In general

Except as provided in paragraph (2), subsection (a) shall not apply with respect to so much of the tax liability referred to in subsection (a) as is attributable to income derived from sources within the Virgin Islands or income effectively connected with the conduct of a trade or business within the Virgin Islands.

###### (2) Exception for liability paid by citizens or residents of the United States

Paragraph (1) shall not apply to any liability payable to the Virgin Islands under section 932(b).

###### (3) Special rule for non-United States income of certain foreign corporations

###### (A) In general

In the case of a qualified foreign corporation, subsection (a) shall not apply with re-

spect to so much of the tax liability referred to in subsection (a) as is attributable to income which is derived from sources outside the United States and which is not effectively connected with the conduct of a trade or business within the United States.

**(B) Qualified foreign corporation**

For purposes of subparagraph (A), the term “qualified foreign corporation” means any foreign corporation if less than 10 percent of—

- (i) the total voting power of the stock of such corporation, and
- (ii) the total value of the stock of such corporation, is owned or treated as owned (within the meaning of section 958) by 1 or more United States persons.

**(4) Determination of income source, etc.**

The determination as to whether income is derived from sources within the United States or is effectively connected with the conduct of a trade or business within the United States shall be made under regulations prescribed by the Secretary.

(Added Pub. L. 86-779, §4(a)(1), Sept. 14, 1960, 74 Stat. 998; amended Pub. L. 94-455, title XIX, §§1901(a)(118), 1906(b)(13)(A), Oct. 4, 1976, 90 Stat. 1784, 1834; Pub. L. 97-248, title II, §213(b), Sept. 3, 1982, 96 Stat. 463; Pub. L. 97-455, §1(c), Jan. 12, 1983, 96 Stat. 2498; Pub. L. 98-369, div. A, title VIII, §801(d)(7), July 18, 1984, 98 Stat. 996; Pub. L. 99-514, title XII, §1275(a)(2)(A), (c)(1), (2), title XVIII, §1876(f)(2), Oct. 22, 1986, 100 Stat. 2598, 2900; Pub. L. 108-357, title VIII, §908(c)(3), Oct. 22, 2004, 118 Stat. 1656.)

**Editorial Notes**

**AMENDMENTS**

2004—Subsec. (b)(4). Pub. L. 108-357 struck out “the Virgin Islands or” before “the United States” in two places.

1986—Subsec. (a). Pub. L. 99-514, §1275(c)(2)(A), struck out “or (c) or in section 934A” after “subsection (b)”.

Subsec. (b). Pub. L. 99-514, §1275(c)(1), (2)(B), added subsec. (b) and struck out former subsec. (b) which excepted from subsec. (a) domestic or Virgin Islands corporations to the extent they derived income from sources without the United States under certain conditions.

Subsec. (c). Pub. L. 99-514, §1275(c)(1), struck out subsec. (c) which provided an exception to subsec. (a) of this section for individual citizens of the United States residing in the Virgin Islands to the extent their income is derived from sources within the Virgin Islands.

Subsec. (d). Pub. L. 99-514, §1275(c)(1), struck out subsec. (d) which related to requirement to supply information.

Subsec. (e). Pub. L. 99-514, §1275(a)(2)(A), struck out subsec. (e) which provided for tax treatment of intangible property income of certain domestic corporations.

Subsec. (f). Pub. L. 99-514, §1275(a)(2)(A), struck out subsec. (f) which provided a transitional rule for applying subsec. (b)(2) of this section with respect to taxable years beginning after Dec. 31, 1982, and before Jan. 1, 1985.

Pub. L. 99-514, §1876(f)(2), struck out subsec. (f) which provided that subsec. (a) of this section not apply in the case of a Virgin Islands corporation which is a FSC.

1984—Subsec. (f). Pub. L. 98-369 added subsec. (f) relating to FSC.

1983—Subsec. (a). Pub. L. 97-455 inserted “or in section 934A” after “subsection (b) or (c)”.

1982—Subsec. (b)(2). Pub. L. 97-248, §213(b)(1), substituted “65 percent” for “50 percent”.

Subsec. (e). Pub. L. 97-248, §213(b)(2), added subsec. (e).

Subsec. (f). Pub. L. 97-248, §213(b)(2), added a temporary subsec. (f) which provided that in applying subsec. (b)(2) with respect to taxable years beginning after December 31, 1982, and before January 1, 1985, “55 percent” shall be substituted for “65 percent” for taxable years beginning in calendar year 1983 and “60 percent” shall be substituted for “65 percent” for taxable years beginning in calendar year 1984.

1976—Subsec. (b). Pub. L. 94-455, §1901(a)(118), struck out “For the purposes of this subsection, all amounts received by such corporation within the United States, whether derived from sources within or without the United States, shall be considered as being derived from sources within the United States”.

Subsec. (d). Pub. L. 94-455, §1906(b)(13)(A), struck out “or his delegate” after “Secretary” in two places.

**Statutory Notes and Related Subsidiaries**

**EFFECTIVE DATE OF 2004 AMENDMENT**

Amendment by Pub. L. 108-357 applicable to taxable years ending after Oct. 22, 2004, see section 908(d)(1) of Pub. L. 108-357, set out as an Effective Date note under section 937 of this title.

**EFFECTIVE DATE OF 1986 AMENDMENT**

Amendment by section 1275(a)(2)(A), (c)(1), (2) of Pub. L. 99-514 applicable to taxable years beginning after Dec. 31, 1986, with certain exceptions and qualifications, see section 1277 of Pub. L. 99-514, set out as a note under section 931 of this title.

Amendment by section 1876(f)(2) of Pub. L. 99-514 effective, except as otherwise provided, as if included in the provisions of the Tax Reform Act of 1984, Pub. L. 98-369, div. A, to which such amendment relates, see section 1881 of Pub. L. 99-514, set out as a note under section 48 of this title.

**EFFECTIVE DATE OF 1984 AMENDMENT**

Amendment by Pub. L. 98-369 applicable to transactions after Dec. 31, 1984, in taxable years ending after such date, see section 805(a)(1) of Pub. L. 98-369, as amended, set out as a note under section 245 of this title.

**EFFECTIVE DATE OF 1983 AMENDMENT**

Pub. L. 97-455, §1(e), Jan. 12, 1983, 96 Stat. 2498, provided that:

“(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section [enacting section 934A and amending this section] shall apply to amounts received after the date of the enactment of this Act [Jan. 12, 1983] in taxable years ending after such date.

“(2) WITHHOLDING.—The amendment made by subsection (b) [enacting section 1444 of this title] shall apply to payments made after the date of the enactment of this Act.”

**EFFECTIVE DATE OF 1982 AMENDMENT**

Amendment by Pub. L. 97-248 applicable to taxable years beginning after Dec. 31, 1982, except that so much of this section to which former section 936(h)(6) applied by reason of subsec. (e)(4) of this section was applicable to taxable years ending after July 1, 1982, see section 213(e)(1), (2) of Pub. L. 97-248 set out as a note under section 246 of this title.

**EFFECTIVE DATE OF 1976 AMENDMENT**

Amendment by section 1901(a)(118) of Pub. L. 94-455 applicable with respect to taxable years beginning after Dec. 31, 1976, see section 1901(d) of Pub. L. 94-455, set out as a note under section 2 of this title.

**EFFECTIVE DATE**

Pub. L. 86-779, §4(e)(1), Sept. 14, 1960, 74 Stat. 1000, provided that: “The amendments made by subsection

(a) [enacting this section] shall apply to tax liability incurred with respect to taxable years beginning on or after January 1, 1960.”

PLAN AMENDMENTS NOT REQUIRED UNTIL  
JANUARY 1, 1989

For provisions directing that if any amendments made by subtitle A or subtitle C of title XI [§§ 1101–1147 and 1171–1177] or title XVIII [§§ 1800–1899A] of Pub. L. 99–514 require an amendment to any plan, such plan amendment shall not be required to be made before the first plan year beginning on or after Jan. 1, 1989, see section 1140 of Pub. L. 99–514, as amended, set out as a note under section 401 of this title.

**[§ 934A. Repealed. Pub. L. 99–514, title XII, § 1275(c)(3), Oct. 22, 1986, 100 Stat. 2599]**

Section, added Pub. L. 97–455, § 1(a), Jan. 12, 1983, 96 Stat. 2497, related to income tax rate on Virgin Islands source income.

**Statutory Notes and Related Subsidiaries**

EFFECTIVE DATE OF REPEAL

Repeal applicable to taxable years beginning after Dec. 31, 1986, with certain exceptions and qualifications, see section 1277 of Pub. L. 99–514, set out as an Effective Date of 1986 Amendment note under section 931 of this title.

**[§ 935. Repealed. Pub. L. 99–514, title XII, § 1272(d)(2), Oct. 22, 1986, 100 Stat. 2594]**

Section, added Pub. L. 92–606, § 1(a), Oct. 31, 1972, 86 Stat. 1494; amended Pub. L. 108–357, title VIII, § 908(c)(4), Oct. 22, 2004, 118 Stat. 1656, related to coordination of United States and Guam individual income taxes.

**Statutory Notes and Related Subsidiaries**

AMENDMENT SUBSEQUENT TO REPEAL

Pub. L. 108–357, title IX, § 908(c)(4), (d), Oct. 22, 2004, 118 Stat. 1656, 1657, applicable to taxable years ending after Oct. 22, 2004, amended section, as in effect before the effective date of its repeal, in introductory provisions of subsec. (a), by substituting “who, during the entire taxable year” for “for the taxable year who”, in subsections (a)(1) and (b)(1)(B), by inserting “bona fide” before “resident”, in subsec. (b)(1)(A), by inserting “(other a bona fide resident of Guam during the entire taxable year)” after “United States”, and, in subsection (b)(2), by striking out “residence and” before “citizenship”.

EFFECTIVE DATE OF REPEAL

Repeal applicable to taxable years beginning after Dec. 31, 1986, with certain exceptions and qualifications, see section 1277 of Pub. L. 99–514, set out as an Effective Date of 1986 Amendment note under section 931 of this title.

**[§ 936. Repealed. Pub. L. 115–141, div. U, title IV, § 401(d)(1)(C), Mar. 23, 2018, 132 Stat. 1206]**

Section, added Pub. L. 94–455, title X, § 1051(b), Oct. 4, 1976, 90 Stat. 1643; amended Pub. L. 94–455, title XIX, § 1901(b)(37)(B), Oct. 4, 1976, 90 Stat. 1803; Pub. L. 95–600, title VII, § 701(u)(11)(A), (B), Nov. 6, 1978, 92 Stat. 2917; Pub. L. 97–248, title II, § 201(d)(8)(B), formerly § 201(c)(8)(B), § 213(a), Sept. 3, 1982, 96 Stat. 420, 452, renumbered § 201(d)(8)(B), Pub. L. 97–448, title III, § 306(a)(1)(A)(i), Jan. 12, 1983, 96 Stat. 2400; Pub. L. 98–369, div. A, title IV, § 474(r)(22), title VII, § 712(g), title VIII, § 801(d)(11), July 18, 1984, 98 Stat. 843, 947, 997; Pub. L. 99–499, title V, § 516(b)(1)(B), Oct. 17, 1986, 100 Stat. 1770; Pub. L. 99–514, title II, § 231(d)(3)(G), title VII, § 701(e)(4)(I), title XII, §§ 1231(a)–(d), (f), 1275(a)(1), title

XVIII, § 1812(c)(4)(C), Oct. 22, 1986, 100 Stat. 2179, 2343, 2561–2563, 2598, 2835; Pub. L. 100–647, title I, §§ 1002(h)(3), 1012(h)(2)(B), (j), (n)(4), (5), title VI, § 6132(a), Nov. 10, 1988, 102 Stat. 3370, 3502, 3512, 3515, 3721; Pub. L. 101–382, title II, § 227(a), Aug. 20, 1990, 104 Stat. 661; Pub. L. 101–508, title XI, § 11704(a)(11), Nov. 5, 1990, 104 Stat. 1388–518; Pub. L. 103–66, title XIII, § 13227(a), (b), Aug. 10, 1993, 107 Stat. 489, 490; Pub. L. 104–188, title I, §§ 1601(a), 1704(t)(37), (80), Aug. 20, 1996, 110 Stat. 1827, 1889, 1891; Pub. L. 108–357, title IV, § 402(b)(2), Oct. 22, 2004, 118 Stat. 1492; Pub. L. 110–172, § 11(g)(12), Dec. 29, 2007, 121 Stat. 2490; Pub. L. 113–295, div. A, title II, § 221(a)(12)(G), Dec. 19, 2014, 128 Stat. 4038; Pub. L. 115–97, title I, § 14221(a), Dec. 22, 2017, 131 Stat. 2218, related to Puerto Rico and possession tax credit.

**Statutory Notes and Related Subsidiaries**

SAVINGS PROVISION

For provisions that nothing in repeal by Pub. L. 115–141 be construed to affect treatment of certain transactions occurring, property acquired, or items of income, loss, deduction, or credit taken into account prior to Mar. 23, 2018, for purposes of determining liability for tax for periods ending after Mar. 23, 2018, see section 401(e) of Pub. L. 115–141, set out as a note under section 23 of this title.

**§ 937. Residence and source rules involving possessions**

**(a) Bona fide resident**

For purposes of this subpart, section 865(g)(3), section 876, section 881(b), paragraphs (2) and (3) of section 901(b), section 957(c), section 3401(a)(8)(C), and section 7654(a), except as provided in regulations, the term “bona fide resident” means a person—

(1) who is present for at least 183 days during the taxable year in Guam, American Samoa, the Northern Mariana Islands, Puerto Rico, or the Virgin Islands, as the case may be, and

(2) who does not have a tax home (determined under the principles of section 911(d)(3) without regard to the second sentence thereof) outside such specified possession during the taxable year and does not have a closer connection (determined under the principles of section 7701(b)(3)(B)(ii)) to the United States or a foreign country than to such specified possession.

For purposes of paragraph (1), the determination as to whether a person is present for any day shall be made under the principles of section 7701(b).

**(b) Source rules**

Except as provided in regulations, for purposes of this title—

(1) except as provided in paragraph (2), rules similar to the rules for determining whether income is income from sources within the United States or is effectively connected with the conduct of a trade or business within the United States shall apply for purposes of determining whether income is from sources within a possession specified in subsection (a)(1) or effectively connected with the conduct of a trade or business within any such possession, and

(2) any income treated as income from sources within the United States or as effectively connected with the conduct of a trade or business within the United States shall not