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Almost every form and publication also has its own page on IRS.gov. For example, the Form 1040 page is at [IRS.gov/Form1040](https://www.irs.gov/Form1040); the Publication 17 page is at [IRS.gov/Pub17](https://www.irs.gov/Pub17); the Form W-4 page is at [IRS.gov/W4](https://www.irs.gov/W4); and the Schedule A (Form 1040) page is at [IRS.gov/ScheduleA](https://www.irs.gov/ScheduleA). If typing in a link above instead of clicking on it, be sure to type the link into the address bar of your browser, not in a Search box. Note that these are friendly shortcut links that will automatically go to the actual link for the page.

If you wish, you can submit comments about draft or final forms, instructions, or publications at [IRS.gov/FormsComments](https://www.irs.gov/FormsComments). We cannot respond to all comments due to the high volume we receive. Please note that we may not be able to consider many suggestions until the subsequent revision of the product.



# Instructions for Form 8993

(Rev. December 2018)

## Section 250 Deduction for Foreign-Derived Intangible Income (FDII) and Global Intangible Low-Taxed Income (GILTI)

Section references are to the Internal Revenue Code unless otherwise noted.

### Future Developments

For the latest information about developments related to Form 8993 and its instructions, such as legislation enacted after they were published, go to [IRS.gov/Form8993](https://www.irs.gov/Form8993).

Additional guidance may be issued subsequent to this publication. Please review any additional information on the website mentioned above prior to completing Form 8993.

### Important Reminders

**Domestic corporation's deduction.** For taxable years 2018–2025, certain domestic corporations are allowed a deduction equal to 37.5% of FDII and 50% of GILTI.

**Deduction limitation.** The deduction under section 250 is subject to further limitation if the sum of FDII and GILTI exceeds taxable income.

## General Instructions

### Purpose of Form

The Tax Cuts and Jobs Act of 2017 enacted section 250 (P.L. 115-97) for the allowance of a deduction for the eligible percentage of Foreign-Derived Intangible Income (FDII) and Global Intangible Low-Taxed Income (GILTI).

Please see Form 8992 and its instructions for more information on GILTI.

Use Form 8993 to figure the amount of the eligible deduction for FDII and GILTI under section 250.

### Who Must File

All domestic corporations must use Form 8993 to determine the allowable deduction under section 250.

The deduction is allowed only to domestic corporations (not including real estate investment trusts (REITs), regulated investment companies (RICs)) and S corporations.

### When and Where To File

Attach Form 8993 to your income tax return and file both by the due date (including extensions) for that return.

### Definitions and Overview

#### Steps for Computing the Deduction under Section 250

1. Deduction Eligible Income (DEI) is determined.
2. Deemed Tangible Income Return (DTIR) is determined.
3. Deemed Intangible Income (DII) is determined.
4. Foreign-Derived Deduction Eligible Income (FDDEI) is determined.
5. Foreign-Derived Ratio (FDR) is determined.
6. Foreign-Derived Intangible Income (FDII) is determined.
7. The FDII reduction and the GILTI reduction are determined.
8. The eligible deduction under section 250 is determined.

#### Foreign-Derived Deduction Eligible Income (FDDEI)

Foreign-Derived Deduction Eligible Income (FDDEI) means, with respect to a taxpayer for its taxable year, any deduction eligible income of the taxpayer that is derived in connection with:

1. Property that is sold by the taxpayer to any person who is not a United States person and that the taxpayer establishes to the satisfaction of the Secretary is for a foreign use, or
2. Services provided by the taxpayer that the taxpayer establishes to the satisfaction of the Secretary are provided to any person, or with respect to property, not located within the United States.

Special rules for determining foreign use apply to transactions that involve property or services provided to domestic intermediaries or related parties.

#### Sale

The terms “sold,” “sells,” and “sale” include any lease, license, exchange, or other disposition of property.

#### Foreign Use

“Foreign use” is defined to mean “any use, consumption, or disposition which is not within the United States.” For the latest guidance about foreign use, go to [IRS.gov/Form8993](https://www.irs.gov/Form8993).

### Section 250 Deduction Limitation

If the sum of FDII and GILTI exceeds taxable income, the deduction under section 250 is subject to limitation.

See the instructions for Part IV, lines 6 and 7, below for additional information.

### Corrections to Form 8993

If you file a Form 8993 that you later determine is incomplete or incorrect, file a corrected Form 8993 with an amended tax return, using the amended return instructions for the return with which you originally filed Form 8993. Write “Corrected” at the top of the corrected Form 8993.

### Computer-Generated Form 8993

Generally, all computer-generated forms must receive prior approval from the IRS and are subject to an annual review. Requests for approval may be submitted electronically to [substituteforms@irs.gov](mailto:substituteforms@irs.gov), or requests may be mailed to: Internal Revenue Service, Attention: Substitute Forms Program, SE:W:CAR:MP:P:TP, 5000 Ellin Road, C6-440, Lanham, MD 20706.

## Specific Instructions

### Part I. Determining Deduction Eligible Income (DEI)

Deduction Eligible Income (DEI) means, with respect to any domestic corporation, the excess (if any) of the gross income of the corporation, less exclusions, over deductions (including taxes) properly allocable to such gross income.

#### Line 1. Gross Income

For purposes of this form, the following items of income are excluded from gross income.

#### Line 2. Exclusions

The following items of income are excluded from gross income.

1. Any amount included in the gross income of such corporation under section 951(a)(1).
2. Any amount included in the gross income of such corporation under section 951A.

3. Any financial services income (as defined under section 904(d)(2)(D)) of such corporation.

4. Any dividend received from a controlled foreign corporation (CFC) with respect to which the corporation is a U.S. shareholder as defined under section 951.

5. Any domestic oil and gas extraction income. The term “domestic oil and gas extraction income” means income described in section 907(c)(1) determined by substituting “within the United States” for “without the United States.”

6. Any foreign branch income (as defined in section 904(d)(2)(J)).

### Line 5. Deductions Properly Allocable to the Amount on Line 4

Allocable deductions include all deductions (including taxes) properly allocable to gross income less total exclusions on line 4.

## Part II. Determining Deemed Intangible Income (DII)

Deemed Intangible Income (DII) is the excess (if any) of the corporation’s deduction eligible income over 10% of its qualified business asset investment.

A domestic corporation’s Qualified Business Asset Investment (QBAI) is the average of the aggregate of its adjusted bases, determined as of the close of each quarter of the taxable year, in specified tangible property used in its trade or business and of a type with respect to which a deduction is allowable under section 167.

Specified tangible property means any tangible property used in the production of the gross income included in deduction eligible income. If such property was used in the production of deduction eligible income and income that is not deduction eligible income (such as dual-use property), the property is treated as specified tangible property in the same proportion that the amount of the gross income included in deduction eligible income produced with respect to the property bears to the total amount of gross income produced with respect to the property.

### Line 2. Deemed Tangible Income Return (10% of QBAI)

The calculations for Part II, line 2, are as follows.

- First, compute QBAI (defined above).
- Then, multiply QBAI by 10%.
- Finally, enter this result on Form 8993, Part II, line 2.

## Part III. Determining Foreign-Derived Ratio

The Foreign-Derived Ratio (FDR) is determined by computing the ratio of Foreign-Derived Deduction Eligible Income (FDDEI) over Deduction Eligible Income (DEI). See *Definitions and Overview* for discussion of FDDEI.

### Line 1a. Deduction Eligible Income (DEI) Derived from Sales, Leases, Exchanges, or Other Dispositions (but not Licenses) of Property to a Foreign Person for a Foreign Use

Include DEI derived from the sale, lease, exchange, or other disposition (other than license) of property to any person who is not a United States person which is established to the satisfaction of the Secretary is for a foreign use (as described under *Definitions and Overview*).

### Line 1b. Deduction Eligible Income (DEI) Derived from a License of Property to a Foreign Person for a Foreign Use

Include DEI derived from the license of property to any person who is not a United States person and which is established to the satisfaction of the Secretary is for a foreign use (as described under *Definitions and Overview*).

### Line 1c. Deduction Eligible Income (DEI) Derived from Services Provided to a Person or with Respect to Property Located Outside of the United States

Include DEI derived from services that are established to the satisfaction of the Secretary are provided to any person, or with respect to property, not located within the United States.

## Part IV. Determining FDII and/or GILTI Deduction

### Line 3b. Global Intangible Low-Taxed Income (GILTI)

Additional guidance may be issued after the publication of these instructions. Please review any additional information on [IRS.gov/Form8993](https://www.irs.gov/Form8993) prior to completing Form 8993.

### Line 4. Taxable Income

Enter the taxable income of the domestic corporation (determined without regard to section 250).

## Line 5. Excess Foreign-Derived Intangible Income (FDII) and Global Intangible Low-Taxed Income (GILTI) Over Taxable Income

Subtract line 4 from line 3c (FDII and GILTI).

If the result reported on line 5 is zero or negative, then the deduction under section 250 is not subject to further limitation.

If the result reported on line 5 is a positive number, then the FDII and GILTI applied in computing the deduction under section 250 are reduced proportionately.

### Line 6. Foreign-Derived Intangible Income (FDII) Reduction

The reduction in FDII for which a deduction is allowed equals such excess multiplied by a percentage equal to the corporation’s FDII divided by the sum of its FDII and GILTI.

Use the Worksheet to compute the FDII reduction.

### Part IV, Line 6 Worksheet

Line A	Enter the amount from Part IV, line 5. If zero or less, enter -0- on line E of this worksheet and stop.	
Line B	Enter the amount from Part IV, line 3a.	
Line C	Enter the amount from Part IV, line 3c.	
Line D	Divide line B by line C.	
Line E	Multiply line A by line D. Enter this line E amount on Form 8993, Part IV, line 6.	

**Line 7. Global Intangible Low-Taxed Income (GILTI) Reduction**

The reduction in GILTI is determined by the excess amount less the FDII reduction.

Use the Worksheet to compute the FDII reduction.

**Part IV, Line 7 Worksheet**

Line F	Enter the amount from Part IV, line 5. If zero or less, enter zero on line H of this worksheet and stop.	
Line G	Enter the amount from line E in the worksheet above, as reported on Part IV, line 6, of Form 8993.	
Line H	Subtract line G from line F. Enter this line H amount on Form 8993, Part IV, line 7.	

**Line 8. Foreign-Derived Intangible Income (FDII) Deduction**

To calculate the FDII deduction, subtract the amount from Part IV, line 6, from the amount on Part IV, line 3a.

Multiply FDII by 37.5% and enter this FDII deduction amount on line 8.

**Line 9. Global Intangible Low-Taxed Income (GILTI) Deduction**

To calculate the GILTI deduction, subtract the amount from Part IV, line 7, from the amount on Part IV, line 3b.

Multiply GILTI by 50% and enter this GILTI deduction amount on line 9.

Enter the sum of lines 8 and 9 on Form 1120, Schedule C, or on the comparable schedules of other corporate returns.

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The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for business taxpayers filing this form is approved under OMB control number

1545-0123 and is included in the estimates shown in the instructions for their business income tax return.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.

DRAFT AS OF  
October 19, 2018