

# United States International Taxation



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FOURTH EDITION

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You teach yourselves the law, but I train your mind.  
You come in here with a skull full of mush and you  
leave thinking like a [tax] lawyer.

*The Paper Chase* (1973) — The Movie

To my Tax Colleagues:

Herb Beller  
David Cameron  
Charlotte Crane  
Sarah Lawsky  
Ajay Mehrotra  
Jeff Sheffield  
Bob Wootton

For the energy, talent, intellect, and effort, which you have brought to the Tax Program, thereby ensuring its success. Without question, our collective journey has been the most rewarding professional experience of my life, for which I can never thank you enough.

—PFP

For my mother, who taught me to read and introduced  
me to the possibilities of the written word.

And, as always, to S.T., with love.

—*GAT*

To my wife Hope  
With deepest love and affection

—*JTS*

The certainty of what each individual ought to pay is, in taxation, a matter of so great importance, that a very considerable degree of inequality, it appears, I believe, from the experience of all nations, is not near so great an evil as a very small degree of uncertainty

*The Wealth of Nations*  
By Adam Smith

To Janny, Em, and Joshy:

For all your support and encouragement over the years—often dished out in much-deserved ribbings and roastings—as I’ve struggled with the vast uncertainties found in the international provisions of our Tax Code.

—MBW



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# Preface

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This book contains teaching materials for law school courses on the United States federal income taxation of persons engaged in international transactions. It contains 15 separate Units that address fundamental concepts of residency and source, the taxation of United States persons (citizens, residents, and domestic corporations) on their activities abroad, the taxation of foreign persons (non-resident alien individuals and foreign corporations) on their activities within the United States, and the safeguard rules in place to curtail potentially abusive tax deferral in the international context.

The Units in this casebook are arranged so that instructors may assign only those that are consistent with particular course objectives and Units may be presented in an alternative order, as appropriate. Each Unit is organized in four parts:

- A. Assigned Code and Regulation Provisions
- B. Problems for Class Discussion
- C. Overview
- D. Reference Materials

Students should begin their class preparation by reading the Code and Regulation provisions set forth in Part A of the assigned Unit and working through the Problems in Part B. The overview in Part C and the reference materials in Part D (cases, rulings, and other relevant authorities) provide the context in which the Code and Regulation provisions come into play, how they relate to the assigned Problems, and offers a starting point from which students may conduct further research. Using this added context, students may then review and refine their initial answers to the Problems.

This edition has been revised to reflect recent changes to the United States international tax laws and to focus on key concepts that can be covered in a one-semester introductory course.

