Form **8689**

Department of the Treasury
Internal Revenue Service

Allocation of Individual Income Tax to the U.S. Virgin Islands

Attach to Form 1040 or 1040-SR.
Go to *www.irs.gov/Form8689* for the latest information.

OMB No. 1545-0074

2025

Attachment Sequence No. **869**

Name(s) shown on Form 1040 or 1040-SR (your tax return) | **Your social security number**

Part I Income From the U.S. Virgin Islands (USVI)

1	Wages, salaries, tips, etc.	1	
2	Taxable interest	2	
3	Ordinary dividends	3	
4	Taxable refunds, credits, or offsets of local USVI income taxes	4	
5	Alimony received	5	
6	Business income or (loss)	6	
7	Capital gain or (loss)	7	
8	Other gains or (losses)	8	
9	IRA distributions (taxable amount)	9	
10	Pensions and annuities (taxable amount)	10	
11	Rental real estate, royalties, partnerships, S corporations, trusts, etc.	11	
12	Farm income or (loss)	12	
13	Unemployment compensation	13	
14	Social security benefits (taxable amount)	14	
15	Other income. List type and amount _____	15	
16	Add lines 1 through 15. This is your **total USVI income**	16	

Part II Adjusted Gross Income From the USVI

17	Educator expenses	17			
18	Certain business expenses of reservists, performing artists, and fee-basis government officials	18			
19	Health savings account deduction	19			
20	Moving expenses for members of the armed forces	20			
21	Deductible part of self-employment tax	21			
22	Self-employed SEP, SIMPLE, and qualified plans	22			
23	Self-employed health insurance deduction	23			
24	Penalty on early withdrawal of savings	24			
25	IRA deduction	25			
26	Student loan interest deduction	26			
27	Reserved for future use	27			
28	Reserved for future use	28			
29	Add lines 17 through 28			29	
30	Subtract line 29 from line 16. This is your **USVI adjusted gross income**			30	

Part III Allocation of Tax to the USVI

31	Enter the amount from the **total tax** line on your tax return		31	
32	Enter total of certain amounts from your tax return. See instructions on page 4 for amount to enter		32	
33	Subtract line 32 from line 31		33	
34	Enter the amount from the **adjusted gross income** line on your tax return	34		
35	Divide line 30 above by line 34. Enter the result as a decimal (rounded to at least 3 places). Do not enter more than 1.000		35	.
36	Multiply line 33 by line 35. This is your **tax allocated to the USVI**		36	

Part IV Payments of Income Tax to the USVI

37	Income tax withheld by the USVI	37			
38	2025 estimated tax payments and amount applied from 2024 return	38			
39	Amount paid with Form 4868 (extension request)	39			
40	Add lines 37 through 39. These are your **total payments to the USVI**			40	
41	Enter the smaller of line 36 or line 40. Add this amount to the "**Other refundable credits**" line on Schedule 3 (Form 1040)			41	
42	**Overpayment** to the USVI. If line 40 is more than line 36, subtract line 36 from line 40			42	
43	Amount of line 42 you want **refunded to you**			43	
44	Amount of line 42 you want **applied to your 2026 estimated tax**	44			
45	**Amount you owe** to the USVI. If line 40 is less than line 36, subtract line 40 from line 36			45	
46	Enter the amount from line 45 that you will pay when you file your income tax return. Add this amount to the "**Other refundable credits**" line on Schedule 3 (Form 1040)			46	

[This page left blank intentionally]

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

Future Developments

For the latest information about developments related to Form 8689 and its instructions, such as legislation enacted after they were published, go to *www.irs.gov/Form8689*.

Instructions

Purpose of form. Use Form 8689 to figure the amount of U.S. tax allocable to the U.S. Virgin Islands (USVI).

Who must file. If you were a U.S. citizen or resident alien (other than a bona fide resident of the USVI) and had income from sources in the USVI or income effectively connected with the conduct of a trade or business in the USVI, you may owe tax to the USVI. Your USVI tax liability is a percentage of your U.S. tax liability.

Caution: Do not use this form if you were a bona fide resident of the USVI during the **entire** tax year, or were considered a bona fide resident of the USVI for the entire tax year under the special rules for the year of a move (see chapter 1 of Pub. 570, Tax Guide for Individuals With Income From U.S. Territories).

***Joint returns*.** If you file jointly and only one spouse is a bona fide resident of the USVI for the entire tax year, the resident status for both spouses and subsequent tax treatment is determined by the spouse with the higher adjusted gross income (AGI) (disregarding community property laws). File Form 8689 only if the spouse with the higher AGI is not a bona fide resident of the USVI for the entire tax year.

Where to file. You must file identical tax returns with the United States and the USVI. For the U.S. address where to file, see *Form 8689* under *U.S. Citizen or Resident Alien* in chapter 3 of Pub. 570, available at *www.irs.gov/Pub570*.

File a signed copy of your tax return (with all attachments, forms, and schedules, including Form 8689) with the Virgin Islands Bureau of Internal Revenue, 6115 Estate Smith Bay, Suite 225, St. Thomas, VI 00802. They will accept a signed copy of your U.S. return and process it as an original return.

Amended returns. You can *e-file* Form 1040-X, Amended U.S. Individual Income Tax Return, using tax filing software. Go to *www.irs.gov/Filing/Amended-Return-Frequently-Asked-Questions* for more information. Or you can send your paper Form 1040-X to the IRS at the address in the Instructions for Form 1040-X. Send your Form 1040-X to the USVI at the address for the Virgin Islands Bureau of Internal Revenue under *Where to file*, earlier.

Additional information. See Pub. 570, available at *www.irs.gov/Pub570*.

Part I—Income From the U.S. Virgin Islands (USVI)

Source of income. The rules for determining the source of income are explained in sections 861 through 865 and 937, Regulations section 1.937-2, and chapter 2 of Pub. 570. Some general rules include the following.

- The source of wages, salaries, or tips is generally where the services are performed. If you worked both in and outside the USVI, include on line 1 only wages, salaries, or tips earned while you were in the USVI. However, certain income earned while temporarily performing services in the USVI will not be considered USVI source income. For details, see *De minimis exception*, later.

***Active duty U.S. Armed Forces*.** If you are a bona fide resident of the USVI and are stationed outside of the USVI, your military compensation will be sourced in the USVI under the Servicemembers Civil Relief Act (SCRA). If you are not a bona fide resident of the USVI but are stationed in the USVI, however, your military compensation will not be sourced there. For further details, see Pub. 570.

***Military spouses*.** If you are the civilian spouse of a member of the U.S. Armed Forces, work in the USVI, and retain a residence or domicile in one of the 50 states, the District of Columbia, or another U.S. territory, under the Military Spouses Residency Relief Act (MSRRA), your wages, salaries, tips, and self-employment income will not be considered income from the USVI. Under MSRRA, the military spouse must be in the USVI solely to be with their servicemember spouse who is serving in compliance with military orders. For details on MSRRA, see Pub. 570.

- The source of interest income is generally where the payer is located. For example, interest from a certificate of deposit issued by a USVI bank or a USVI branch of a U.S. bank is USVI source income.
- Generally, dividends are sourced where the paying corporation is created or organized.
- Taxable refunds, credits, or offsets of local USVI income taxes are sourced in that specific territory and include only nonmirror code income taxes.
- Alimony received from a person who is a bona fide resident of the USVI is USVI source income.
- Except as provided in regulations, income that is from sources within the United States or effectively connected with the conduct of a trade or business in the United States is not income from the USVI.
- The source of gains, profits, or income from the sale or disposition of real property (and any interest in real property) is generally where the real property is located.

***Personal property*.** The source of income from the sale of nondepreciable personal property is generally the seller's residence. For example, if you are a U.S. citizen or resident alien and not a bona fide resident of the USVI, gain from the sale or disposition of personal property is generally treated as U.S. source. Income from the sale of inventory is generally sourced where the title to the property passes. However, in some cases, such as when the taxpayer produces or purchases the inventory within a U.S. territory, and then sells the inventory within the United States, source is based on allocation. See section 865 for details.

De minimis exception. This is an exception to the general rule for determining the source of income earned in the USVI. Generally, income from the USVI does not include compensation for services performed in the USVI if during 2025 you:

- Were a U.S. citizen or resident;
- Were not a bona fide resident of the USVI;
- Were not employed by or under contract with an individual, partnership, or corporation that is engaged in a trade or business in the USVI;
- Temporarily performed services in the USVI for 90 days or less; **and**
- Earned $3,000 or less from such services.

Part II—Adjusted Gross Income From the USVI

Lines 21 through 23. If you had USVI source self-employment income, figure the amount to enter on each line by (1) dividing your USVI source self-employment income by your total (worldwide) self-employment income, and (2) multiplying the total amount of each deduction that applies to you by the result in (1).

Line 24. Enter the amount of penalty on early withdrawals from savings accounts in USVI banks or USVI branches of U.S. banks. The Form 1099-INT or Form 1099-OID you received will show the amount of any penalty you were charged.

Line 25. Enter the total of your and your spouse's IRA deductions attributable to USVI compensation or earned income. Figure the amount to report on line 25 by (1) dividing your USVI compensation or earned income by your total (worldwide) compensation or earned income, and (2) multiplying the amount of your IRA deduction by the result in (1). Figure the amount of your spouse's IRA deduction the same way.

Line 29. Include in the total on line 29 the amount of any other deductions included on the "Archer MSA deduction" line and the "Total other adjustments" line of Schedule 1 (Form 1040) that are attributable to your USVI income. On the dotted line next to line 29, enter the name and amount of each deduction attributable to your USVI income. On line 29, enter the total amount of deductions attributable to your USVI income. If you or your spouse had an Archer MSA deduction on Schedule 1 (Form 1040), figure the amount to report on line 29 the same way you would an IRA deduction (see *Line 25* above).

Line 30. This amount is your adjusted gross income.

Line 32. Enter the total of the amounts from the following.

Form 1040.

- Earned income credit (EIC).
- Additional child tax credit (ACTC).
- American opportunity credit.

Schedule 2 (Form 1040).

- Self-employment tax.
- Social security and Medicare tax on unreported tip income.
- Uncollected social security and Medicare tax on wages.
- Household employment tax.
- Uncollected social security and Medicare or RRTA tax on tips or group-term life insurance from box 12 of Form W-2.
- Tax on excess golden parachute payments.
- Excise tax on insider stock compensation from an expatriated corporation.
- Additional tax on excess contributions or accumulation from Form 5329.

Schedule 3 (Form 1040).

- Section 1341 credit for repayment of amounts included in income from earlier years.
- Net section 965 liability remaining to be paid in future years.
- Credit under section 960(c) with respect to an excess limitation account.

Part IV—Payments of Income Tax to the USVI

Amounts overpaid to the United States will generally not be applied to the amount you owe to the USVI. Similarly, amounts overpaid to the USVI will not be applied to the amount you owe to the United States.

Line 37. Include the amount of your USVI income tax withheld (box 2 of Form W-2VI). Do not include this amount on the federal income tax withheld lines on Form 1040.

Line 46. Enter the amount you owe to the USVI that you will pay when you file your income tax return.

Credit for U.S. tax paid to the USVI. You can take a credit on your U.S. return for the U.S. tax allocated to the USVI only if you actually paid the tax to the USVI. To take the credit, you must complete Form 8689 and attach it to your Form 1040 or 1040-SR. Add line 41 and line 46 of Form 8689 and include the amount in the total on the "**Other refundable credits**" line on Schedule 3 (Form 1040).

Penalty for Failure To Furnish Information

If you became or ceased to be a bona fide resident of a U.S. territory, you may be required to file Form 8898, Statement for Individuals Who Begin or End Bona Fide Residence in a U.S. Territory. If you fail to provide the required information, you may have to pay a $1,000 penalty for each failure unless you can show the failure was due to reasonable cause and not willful neglect. This penalty is in addition to any criminal penalty provided by law. For details, see the Instructions for Form 8898.