

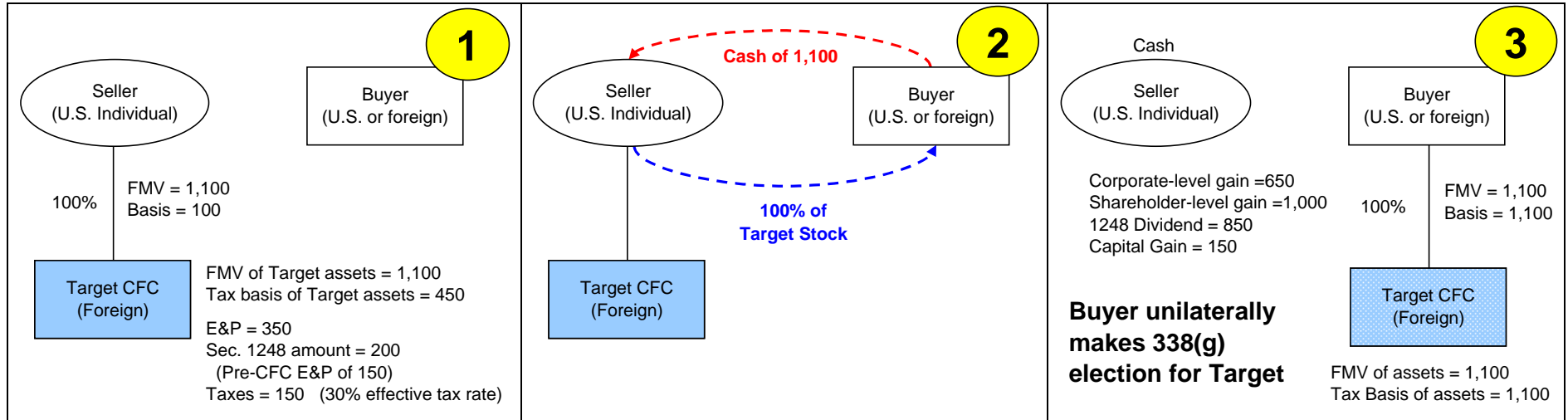
U.S. Individual Seller of CFC - Non-QFC and 338(g) Election

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Initial Structure

Sale of Target

Ending Point



Assumptions

1. All amounts in U.S. dollars
2. Capital gains taxed at 15%
3. Foreign dividend is taxed at 35% [Target CFC is **NOT** a qualified foreign corp. - see Sec. 1(h)(11)(C) and Notice 2003-69]
4. Seller has no other income
5. No foreign taxes are paid on the sale
6. No subpart F income triggered on 338 election

Section 902 deemed paid foreign taxes - Not applicable to individual shareholders

Foreign Tax Credit limitation - Not applicable (no foreign taxes paid or deemed paid)

Worldwide Income Excluding Gross-up = 1,000
 Tax on section 1248 gain = 298 (850 X 35%)
 Tax on capital gain = 23 (150 X 15%)
 Total Tentative U.S. tax = 321

Tentative U.S. tax	321
Less: Lesser of foreign taxes deemed paid or FTC limitation	--
Net U.S. tax due	321

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