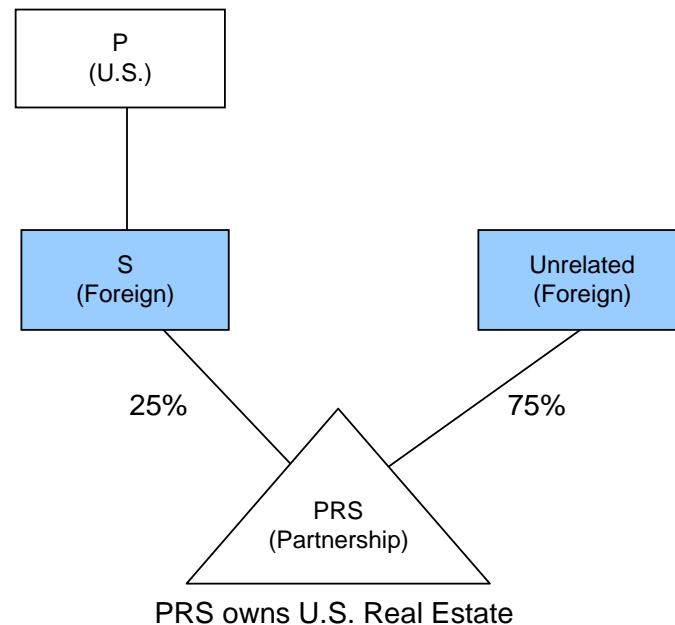


**Section 956 / Investment in U.S. Property
Partnership Interest**



Under section 956(a), the amount of earnings of a CFC invested in U.S. property is the amount of such property held, directly or indirectly, by the CFC to the extent that such amount would have constituted a dividend if it had been distributed. The inclusion is based on a quarter-end average. "U.S. property" is generally defined as tangible property located in the United States. Tangible property includes real estate.

When this revenue ruling was published, the section 956 regulations did not address the treatment of investments in U.S. property through partnerships. The ruling concluded that the 25% interest in the partnership is considered a 25% interest in the U.S. real estate. The regulations have subsequently been amended to support the "aggregate" treatment for partnerships. See Reg. 1.956-2(a)(3).