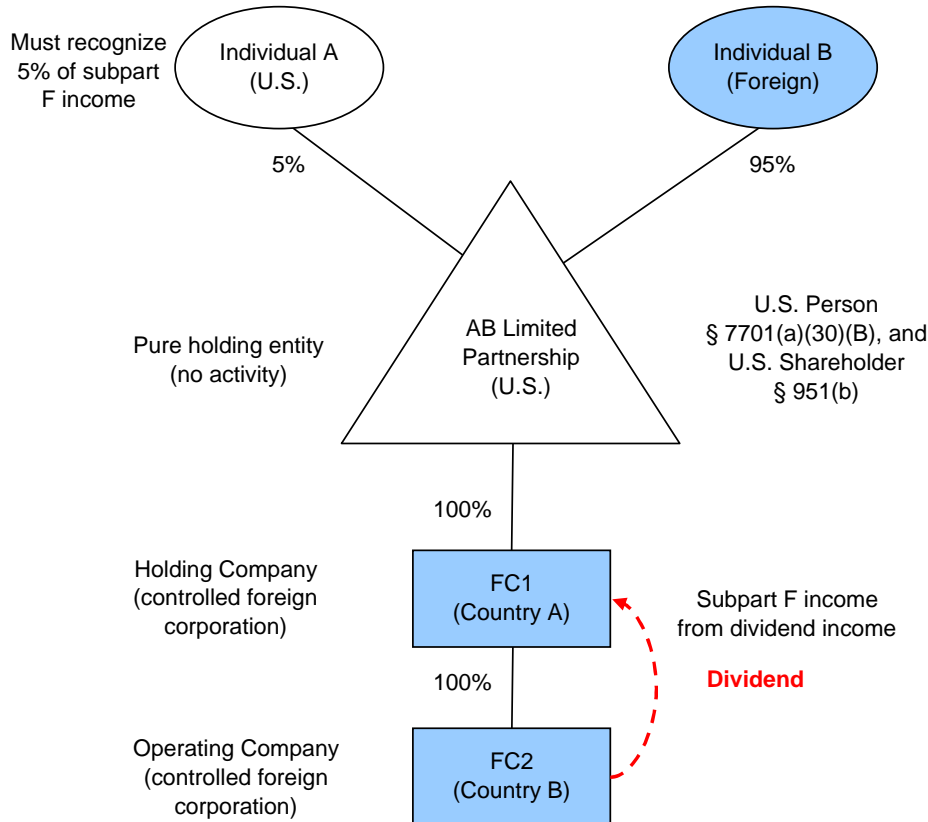


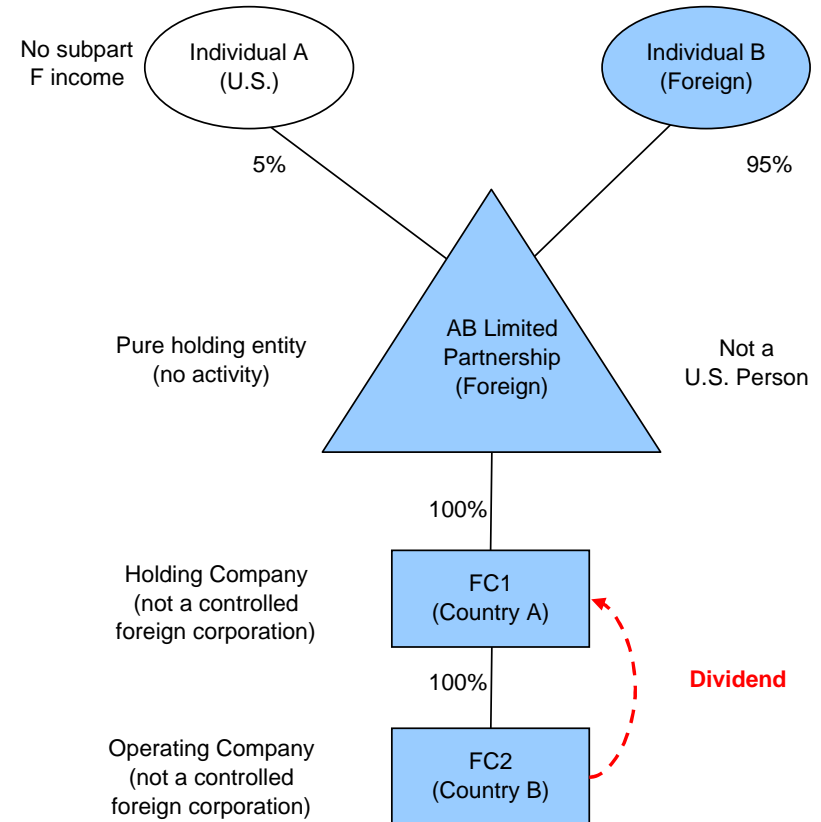
U.S. Partnership vs. Foreign Partnership (CFC vs. Non-CFC)

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U.S. Partnership



Foreign Partnership



If AB Limited partnership is formed as a partnership under U.S. law, then Partner A would be required to recognize subpart F income with respect to an entity that the partner only owns a 5% proportionate share. On the other hand, if AB Limited Partnership is formed under non-U.S. law, then no subpart F income would be recognized because FC1 and FC2 would not be controlled foreign corporations.