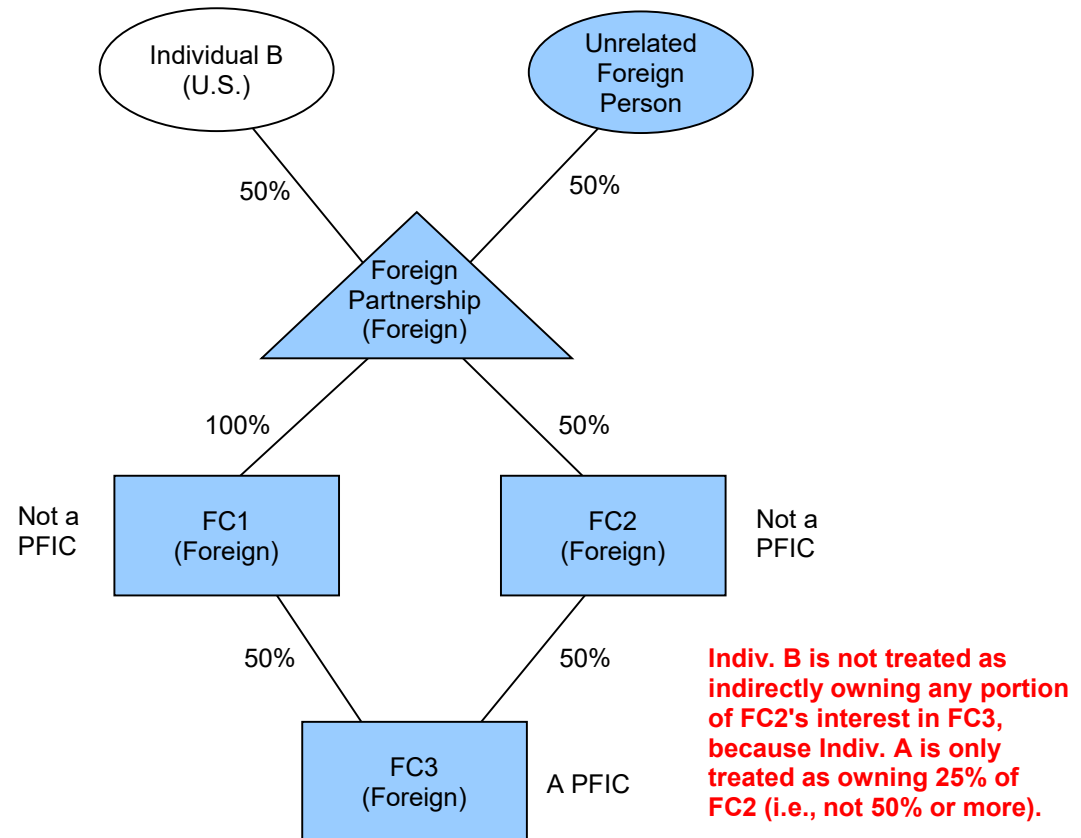


**Reg. 1.1291-1
(b)(8)(iv)(B), Example 2**

**"Top-Down" Approach For
Ownership of a PFIC Thru
Foreign Partnerships**

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B, a United States citizen, owns 50% of the interests in Foreign Partnership, a foreign partnership, the remaining interests in which are owned by an unrelated foreign person. Foreign Partnership owns 100% of the stock of FC1 and 50% of the stock of FC2, the remainder of which is owned by an unrelated foreign person. Both FC1 and FC2 are foreign corporations that are not PFICs. FC1 and FC2 each own 50% of the stock of FC3, a foreign corporation that is a PFIC.



Under Reg. 1.1291-1(b)(8)(iii)(A) and (b)(8)(iv), for purposes of determining whether B is a shareholder of FC3, B is considered to actually own 50% (50% x 100%) of the stock of FC1 and 25% (50% x 50%) of the stock of FC2. Under Reg. 1.1291-1(b)(8)(ii)(A) and (b)(8)(iv), B is then considered to own 25% (50% x 100% x 50%) of the stock of FC3 indirectly through FC1, and thus is a shareholder of FC3 for purposes of the PFIC provisions. Because B is considered to own less than 50% of FC2, B is not considered to own any stock of FC3 indirectly through FC2.