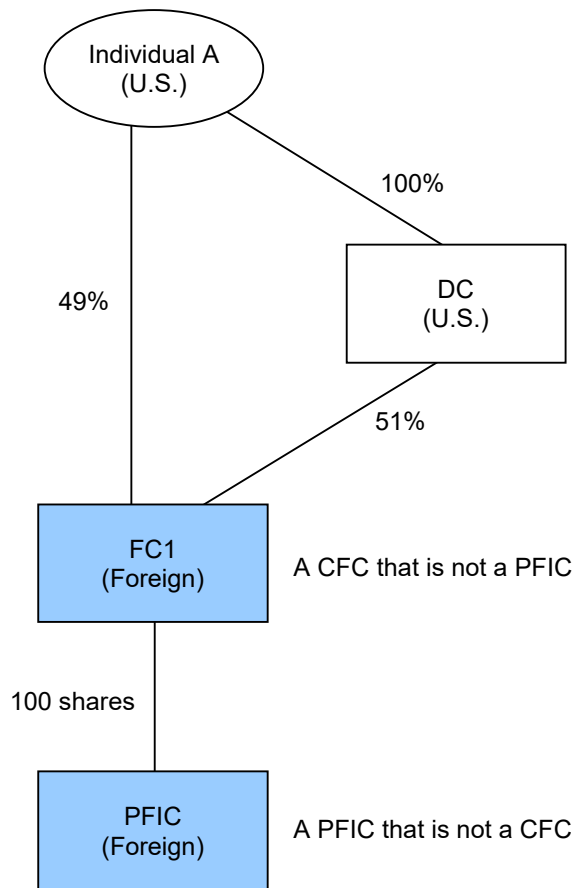


**Reg. 1.1291-1(b)(8)(iv),
Example 1**

**Indirect Ownership of a PFIC
Partly Thru a U.S. Corp**

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A is a United States person who owns 49% of the stock of FC1, a foreign corporation that is not a PFIC, and separately all the stock of DC, a domestic corporation that is not an S corporation. DC, in turn, owns the remaining 51% of the stock of FC1, and FC1 owns 100 shares of stock in a PFIC that is not a controlled foreign corporation (CFC) within the meaning of section 957(a). DC is an indirect shareholder with respect to 51% of the PFIC stock held by FC1 under Reg. 1.1291-1(b)(8)(ii)(A).



In determining whether A owns 50% or more of the value of FC1 for purposes of applying Reg. 1.1291-1(b)(8)(ii)(A), A is considered under Reg. 1.1291-1(b)(8)(ii)(C)(1) as indirectly owning all the stock of FC1 that DC directly owns. However, because 51 shares of the PFIC stock held by FC1 are indirectly owned by DC under Reg. 1.1291-1(b)(8)(ii)(A), pursuant to the limitation imposed by Reg. 1.1291-1(b)(8)(ii)(C)(2), only the remaining 49 shares of the PFIC stock are considered as indirectly owned by A under Reg. 1.1291-1(b)(8).