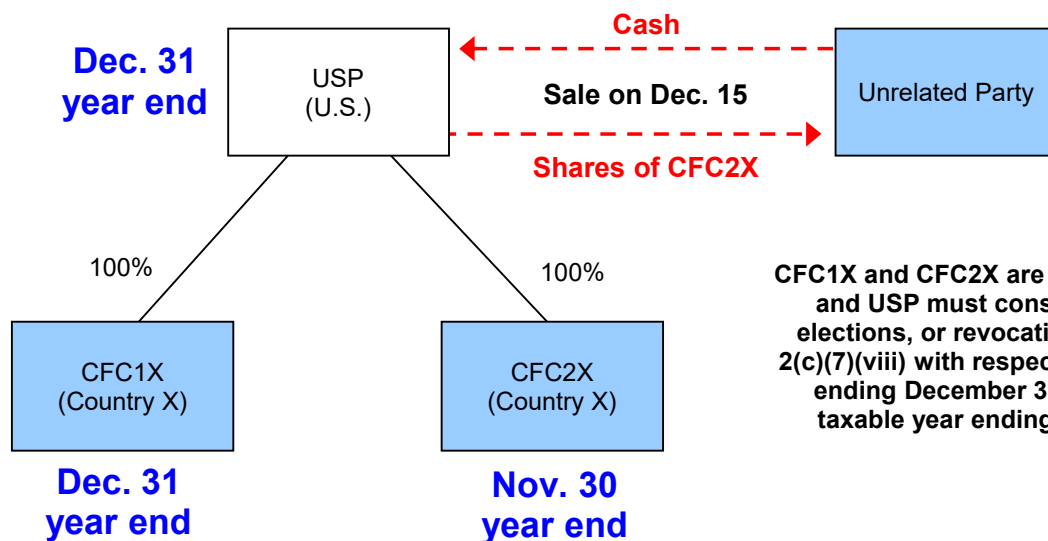


**Reg. 1.951A-2(c)(8)(iii)(E),
Example 5**

**CFC Group: CFC Has Nov.
30 Year End and Sale Is
On Dec. 15th**

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CFC1X and CFC2X are members of a CFC group, and USP must consistently make high-tax elections, or revocations, under Reg. 1.951A-2(c)(7)(viii) with respect to CFC1X's taxable year ending December 31, Year 1, and CFC2X's taxable year ending November 30, Year 1.

USP owns all the stock of CFC1X and CFC2X. CFC2X has a taxable year ending November 30. On December 15, Year 1, USP sells all the stock of CFC2X to an unrelated party for cash.

The determination of whether CFC1X and CFC2X are in a CFC group is made as of the close of their CFC inclusion years that end with or within the taxable year ending December 31, Year 1, the taxable year of USP, the controlling domestic shareholder. See Reg. 1.951A-2(c)(7)(viii)(E)(2)(ii). Under Reg. 1.951A-2(c)(7)(viii)(E)(2)(i), USP directly owns more than 50% of the stock of CFC1X as of December 31, Year 1, the end of CFC1X's CFC inclusion year. USP also directly owns more than 50% of the stock of CFC2X as of November 30, Year 1, the end of CFC2X's CFC inclusion year. Therefore, CFC1X and CFC2X are members of a CFC group, and USP must consistently make high-tax elections, or revocations, under Reg. 1.951A-2(c)(7)(viii) with respect to CFC1X's taxable year ending December 31, Year 1, and CFC2X's taxable year ending November 30, Year 1. This is the case notwithstanding that USP does not directly own more than 50% of the stock of CFC2X as of December 31, Year 1, the end of CFC1X's CFC inclusion year. See Reg. 1.951A-2(c)(7)(viii)(E)(2)(ii).

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