

**Reg. 1.958-2(f),
Example 2**

**More Than 50% Ownership of a
Corp Thru an Entity is Treated as
100% Constructive Ownership**

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United States person C owns 10% of the one class of stock in foreign corporation N, which owns 60% of the one class of stock in foreign corporation S. Under Reg. 1.958-1(a)(2), C is considered as owning 6% (10% of 60%) of the stock in S Corporation.

Under Reg. 1.958-2(c)(1)(iii) and (2), N Corporation is considered as owning 100% of the stock in S Corporation and C is considered as owning 10% of such 100%, or 10% of the stock in S Corporation. Thus, for purposes of determining whether C is a United States shareholder with respect to S Corporation, the attribution rules of Reg. 1.958-2(c)(1)(iii) and (2) are used inasmuch as C owns a larger total percentage of the stock of S Corporation under such rules.

