

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

**Use Higher of 1.958-1 Attribution
or 1.958-2 Attribution,
Thru Domestic C Corp**

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United States person C owns 60% of the one class of stock in domestic corporation P; corporation P owns 60% of the one class of stock in foreign corporation Q; and corporation Q owns 60% of the one class of stock in foreign corporation R. Under Reg. 1.958-1(a)(2), P Corporation is considered as owning 36% (60% of 60%) of the stock in R Corporation, and C is considered as owning none of the stock in R Corporation inasmuch as the chain of ownership stops at the first United States person and P Corporation is such a person.

Under Reg. 1.958-2(c)(2), Q Corporation is treated as owning 100% of the stock in R Corporation, and under Reg. 1.958-2(c)(1)(iii), P Corporation is considered as owning 60% of such 100%, or 60% of the stock in R Corporation. For purposes of determining the amount of stock in R Corporation which C is considered as owning, P Corporation is treated under Reg. 1.958-2(c)(2) as owning 100% of the stock in R Corporation; therefore, C is considered as owning 60% of the stock in R Corporation. Thus, the attribution rules of Reg. 1.958-2(c)(1)(iii) and (2) are used with respect to C and P Corporation inasmuch as they each own a larger total percentage of the stock of R Corporation under such rules.

C is treated as owning
60% of R (higher of
0% or 60%)

