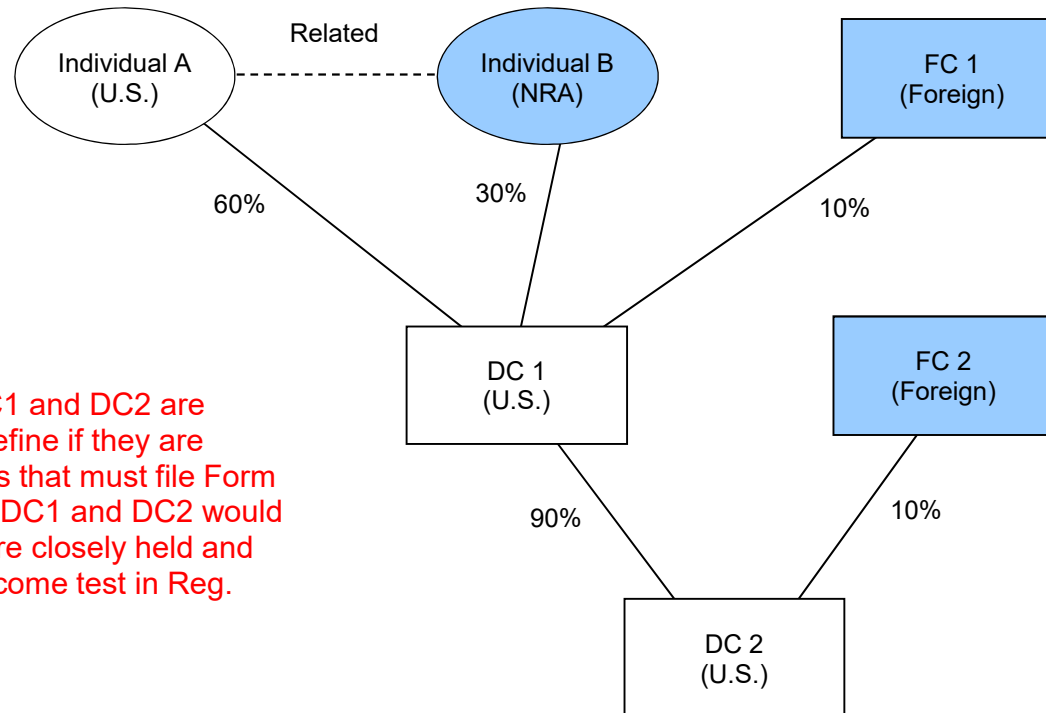


## Reg. 1.6038D-6(b)(4), Example 1

### Form 8938: Closely Held & Constructive Ownership

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This example only defines whether DC1 and DC2 are considered closely held. It does not define if they are specified domestic entities (i.e., entities that must file Form 8938 if they meet certain thresholds). DC1 and DC2 would be specified domestic entities if they are closely held and they also meet the passive asset or income test in Reg. 1.6038D-6(b)(1)(ii).

DC1 is a domestic corporation the total value of the stock of which is owned 60% by A, a specified individual, 30% by B, a member of A's family for purposes of section 267(c)(2) who is not a specified individual, and 10% by FC1, a foreign corporation. DC1 owns 90% of the total value of the stock of DC2, a domestic corporation. FC2, a foreign corporation, owns 10% of DC2. Neither A nor B owns, directly, indirectly, or constructively, any stock in FC1 or FC2.

A is considered to own 90% and 81% of the total value of DC1 and DC2, respectively, by application of the rules of section 267(c) and section 6038D. DC1 and DC2 are closely held by A within the meaning of Reg. 1.6038D-6(b)(2) because A, a specified individual, is considered to own more than 80% of their total value.