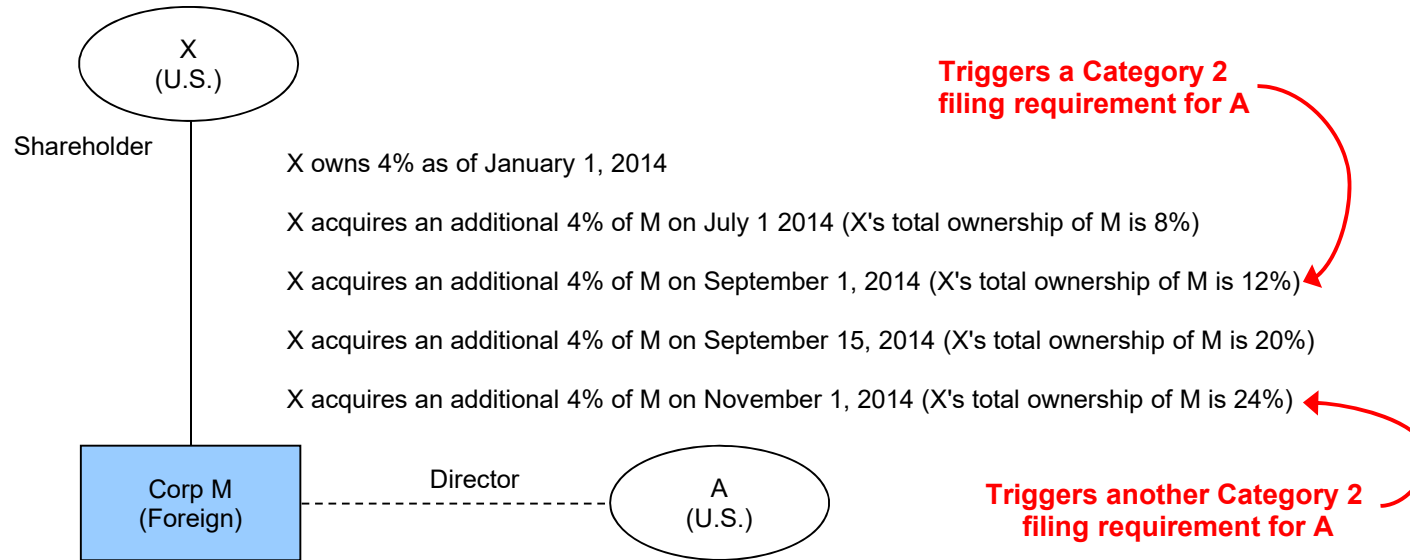


**Reg. 1.6046-1(a)(3),
Examples 2 & 3**

Form 5471: Category 2 Filer

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A, a United States citizen, is, on January 1, 2014, a director of M Corporation, a foreign corporation. X, on January 1, 2014, is a United States person owning 4% of the outstanding stock of M Corporation. On July 1, 2014, X acquires 4% of the outstanding stock of M Corporation and on September 1, 2014, he acquires an additional 4% of such stock.

The July 1, 2014, transaction does not give rise to liability for A to file a return; however, A must file a return as a result of the September 1, 2014 transaction because X's holdings now exceed 10%.

On September 15, 2014, X acquires an additional 8% of the outstanding stock of M Corporation. (X's total holdings are now 20%.) On November 1, 2014, X acquires an additional 4% of the outstanding stock of M Corporation.

The September 15, 2014, transaction does not give rise to liability to file a return since X has not acquired 10% of the outstanding stock of M Corporation since A last became liable to file a return. However, A must file a return as a result of the November 1, 2014 transaction because X has now acquired an additional 10% of the outstanding stock of M Corporation.

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