

Reg. 1.7874-7T(g)  
Example 2

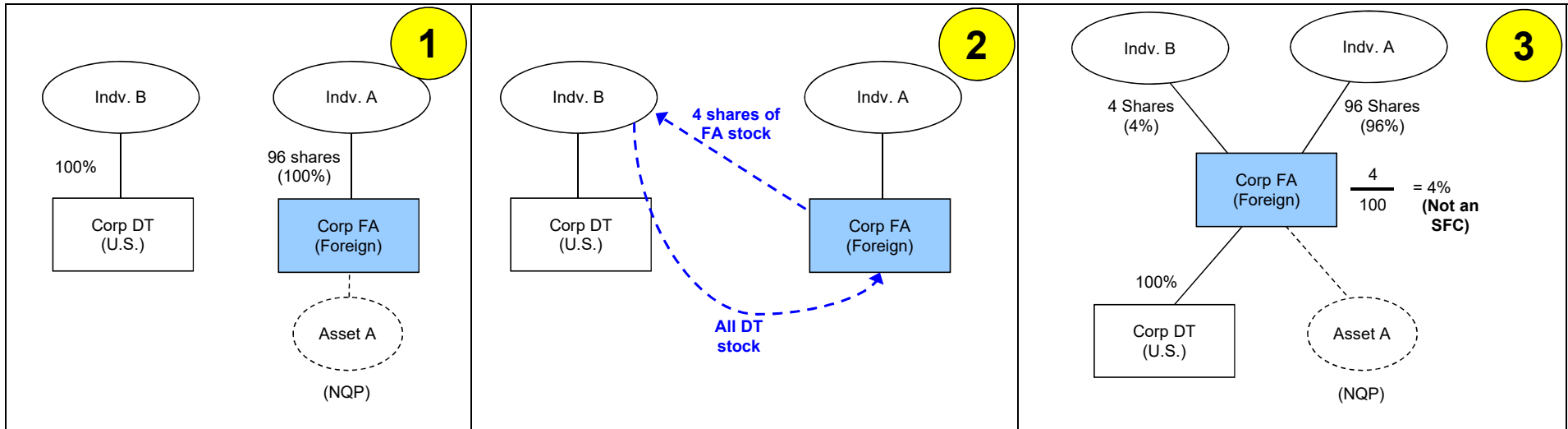
**Application of *De Minimis* Exception**

Copyright © 2016 Andrew Mitchel LLC  
International Tax Services  
www.andrewmitchel.com

Initial Structure

Stock Acquisition

Ending Point



Individual A owns all 96 shares of the sole class of stock of FA, a foreign corporation. Individual B wholly owns DT, a domestic corporation. Individuals A and B are not related. FA acquires all the stock of DT solely in exchange for 4 shares of newly issued FA stock (DT acquisition). On the completion date, in addition to all of the stock of DT, FA holds Asset A, which is nonqualified property (within the meaning of Treas. Reg. §1.7874-4T(i)(7)).

Without regard to the application of Treas. Reg. §§1.7874-4T(b) and 1.7874-10T(b) and Treas. Reg. §1.7874-7T(b), the ownership percentage described in Code §7874(a)(2)(B)(ii) would be less than 5 (by vote and value), or 4 (4/100, or 4 shares of FA stock held by Individual B by reason of owning the DT stock, determined under Treas. Reg. §1.7874-2(f)(2), over 100 shares of FA stock outstanding after the DT acquisition).