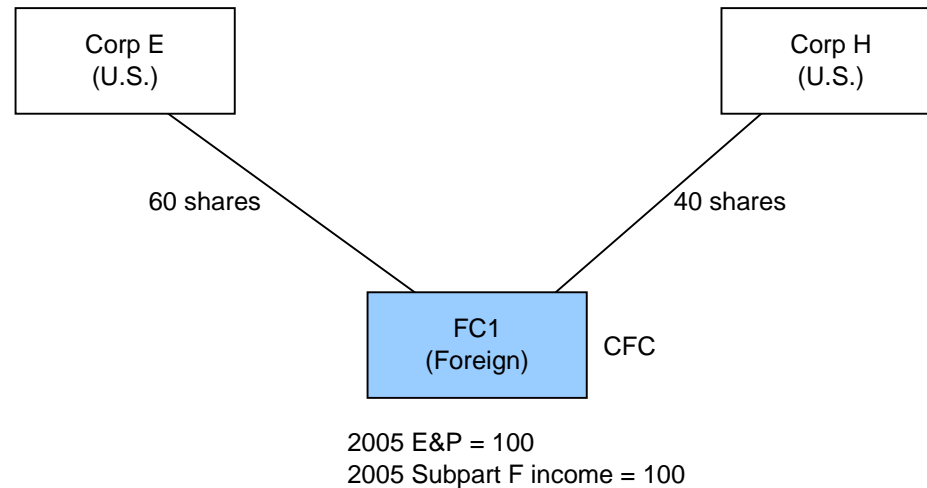


Reg. 1.951-1(e)(6), Example 1

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Pro Rata Share - One Class of Stock



FC1, a CFC, has outstanding 100 shares of one class of stock. Corp E, a domestic corporation and a United States shareholder of FC1, owns 60 shares. Corp H, a domestic corporation and a United States shareholder of FC1, owns 40 shares. Corp E and Corp H are shareholders of FC1 for its entire 2005 taxable year. For 2005, FC1 has \$100x of earnings and profits, and subpart F income of \$100x. FC1 makes no distributions during that year.

FC1's earnings and profits are allocated on a per share basis. Accordingly, for the taxable year 2005, Corp E's pro rata share of FC1's subpart F income is \$60x ($60/100 \times \$100x$) and Corp H's pro rata share of FC1's subpart F income is \$40x ($40/100 \times \$100x$).