

**Reg. 1.958-2(g),
Example 1**

**Use Higher of 1.958-1 Attribution
or 1.958-2 Attribution**

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United States persons A and B own 5% and 25%, respectively, of the one class of stock in foreign corporation M. Corporation M owns 60% of the one class of stock in foreign corporation N. Under Reg. 1.958-1(a)(2), A and B are considered as owning 3% (5% of 60%) and 15% (25% of 60%), respectively, of the stock in N Corporation.

Under Reg. 1.958-2(c)(2), M Corporation is treated as owning all the stock in N Corporation, and, under Reg. 1.958-2(c)(1)(iii), B is considered as owning 25% of such 100%, or 25% of the stock in N Corporation. Inasmuch as A owns less than 10% of the stock in M Corporation, he is not considered as owning, under Reg. 1.958-2(c)(1)(iii), any of the stock in N Corporation owned by M Corporation. Thus, the attribution rules of Reg. 1.958-1(a)(2) are used with respect to A inasmuch as he owns a larger total percentage of the stock of N Corporation under such rules; and the attribution rules of Reg. 1.958-2(c)(1)(iii) and (2) of this section are used with respect to B inasmuch as he owns a larger total percentage of the stock of N Corporation under such rules.

