**U.S. Corporate Seller of CFC**

### Initial Structure
- **Seller (U.S. Corporation)**
  - FMV = 1,100
  - Basis = 100
- **Target CFC (Foreign)**
  - FMV of Target assets = 1,100
  - Tax basis of Target assets = 450
  - E&P = 350
  - Sec. 1248 amount = 200
  - (Pre-CFC E&P of 150)
  - Taxes = 150  (30% effective tax rate)

### Sale of Target
- **Cash of 1,100**
- **100% of Target Stock**
  - **1** Seller (U.S. Corporation)
  - **2** Buyer (U.S. or foreign)
  - **3** Seller (U.S. Corporation)
  - **4** Buyer (U.S. or foreign)

### Ending Point
- **Cash**
- **Gain =1,000**
- **1248 Dividend = 200**
- **Capital Gain = 800**

### Assumptions
1. All amounts in U.S. dollars
2. All income (ordinary and capital gains) taxed at 35%
3. All foreign source income is in the general limitation basket
4. Seller has no other income
5. All E&P and taxes are in post-1986 pools
6. No AMT tax is due
7. Seller elects to claim foreign tax credits
8. No foreign taxes are paid on the sale

### Calculations
- **Section 902 deemed paid foreign taxes**
  \[ \text{Dividend} \times \text{Tax Pool} = \frac{200 \times 150}{350} = 86 \]

- **Foreign Tax Credit limitation**
  \[ \text{Foreign Source Income} \times \frac{\text{Tentative U.S. Tax}}{\text{Worldwide Income}} = \frac{286 \times 380}{1,086} = 100 \]

- **Worldwide Income Excluding Gross-up = 1,000**
- **Sec. 78 Gross-up = 86**
- **Worldwide Income Including Gross-up = 1,086**
- **Foreign source income = 286 (200 + 86)**
- **Tentative U.S. tax = 380 (1,086 \times 35\%)**
- **Net U.S. tax due = 294**

Note that if E&P and the section 1248 amount both equaled 350, then the net U.S. tax due would be 280.

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