**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. All gain on 338 election is subpart F income
9. No foreign taxes are paid on the sale

**Section 902 deemed paid foreign taxes**

\[
\text{Section 902 deemed paid foreign taxes} = \frac{\text{Dividend}}{\text{Pool of E&P}} \times \text{Tax Pool} = \frac{850}{1,000} \times 150 = 128
\]

**Foreign Tax Credit limitation**

\[
\text{Foreign Tax Credit limitation} = \frac{\text{Foreign Source Income}}{\text{Worldwide Income}} \times \frac{\text{Tentative U.S. Tax}}{\text{Tentative U.S. Tax}} = \frac{978}{1,128} \times 395 = 342
\]

Foreign source income in these circumstances is not perfectly clear. See section 338(h)(16).

**Tentative U.S. tax**

\[
\begin{align*}
\text{Tentative U.S. tax} & = 395 \\
\text{Less: Lesser of foreign taxes} & = (128) \\
\text{deemed paid or FTC limitation} & \\
\text{Net U.S. tax due} & = 267
\end{align*}
\]