Cheat Sheet: Reviewing Form 5471 for an Individual Owning a CFC With a GILTI Inclusion and no Subpart F Income

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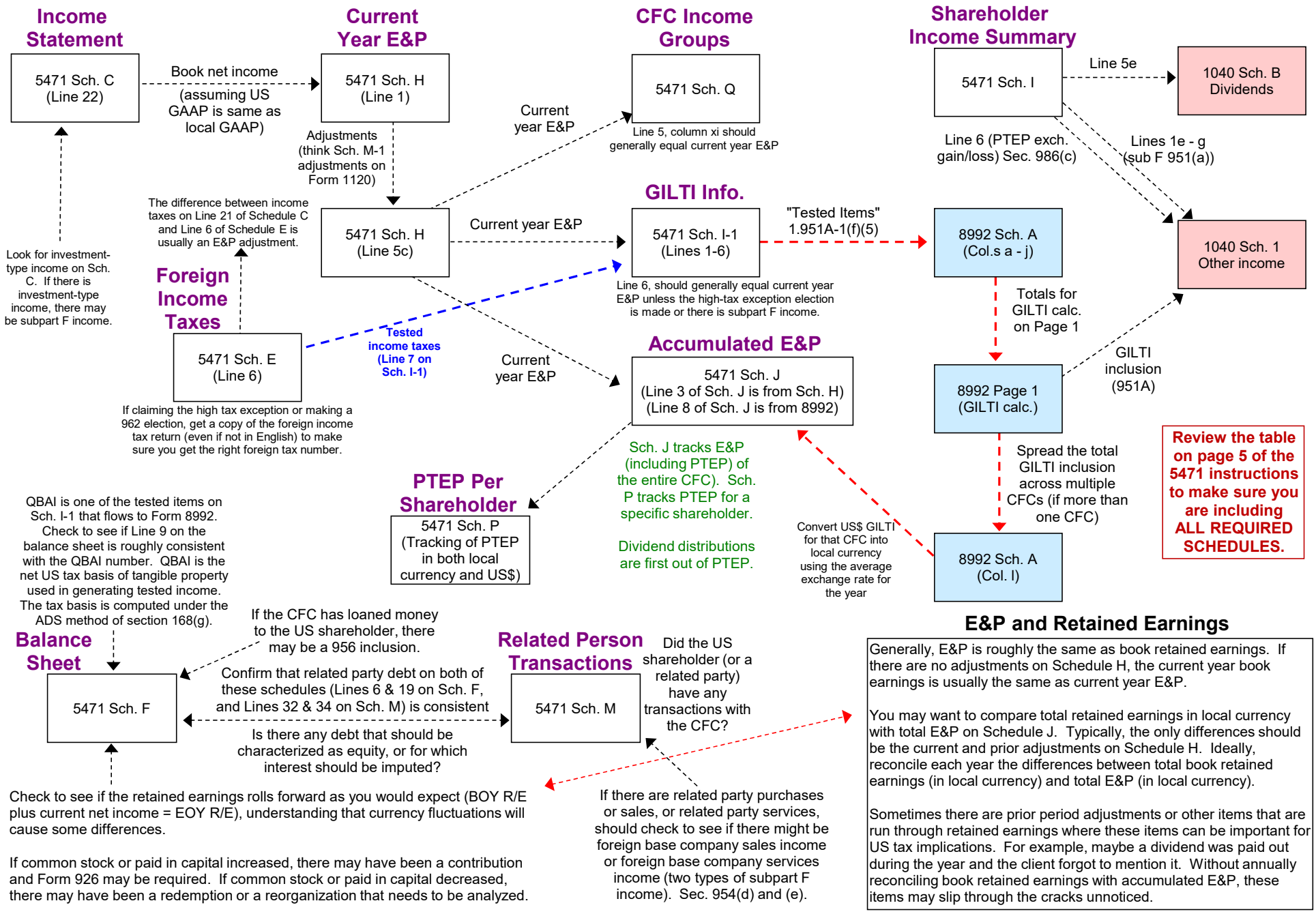

E&P and Retained Earnings

Generally, E&P is roughly the same as book retained earnings. If there are no adjustments on Schedule H, the current year book earnings is usually the same as current year E&P.

You may want to compare total retained earnings in local currency with total E&P on Schedule J. Typically, the only differences should be the current and prior adjustments on Schedule H. Ideally, reconcile each year the differences between total book retained earnings (in local currency) and total E&P (in local currency).

Sometimes there are prior period adjustments or other items that are run through retained earnings where these items can be important for US tax implications. For example, maybe a dividend was paid out during the year and the client forgot to mention it. Without annually reconciling book retained earnings with accumulated E&P, these items may slip through the cracks unnoticed.

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