

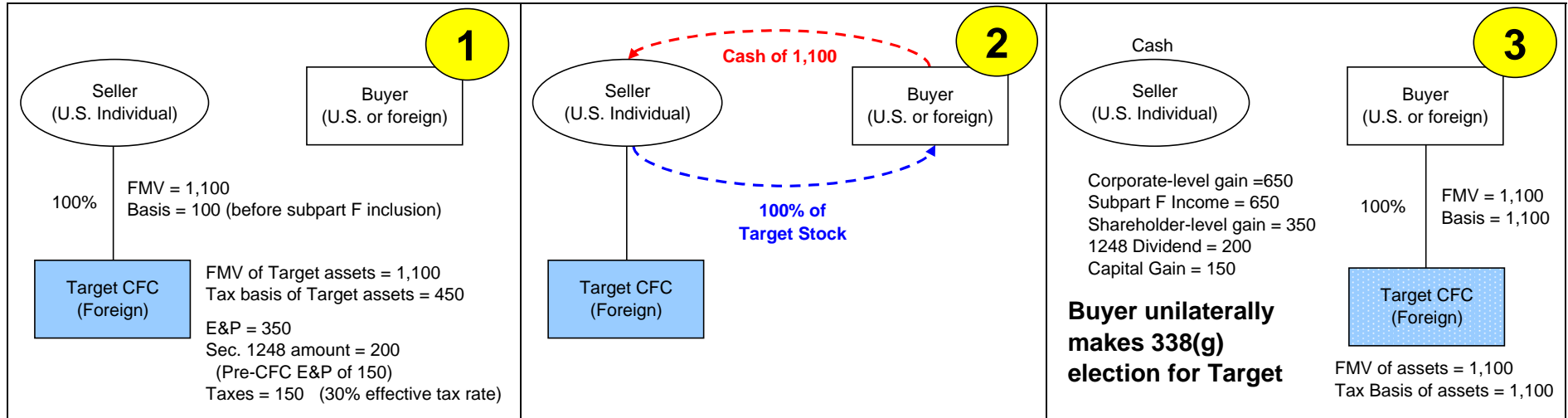
# U.S. Individual Seller of CFC - Non-QFC, 338(g), & Subpart F Income

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## Initial Structure

## Sale of Target

## Ending Point



### Assumptions

1. All amounts in U.S. dollars
2. Capital gains taxed at 15%
3. Foreign dividend is taxed at 35% [Target CFC is NOT a qualified foreign corp. - see Sec. 1(h)(11)(C) and Notice 2003-69]
4. Seller has no other income
5. No foreign taxes are paid on the sale
6. Gain on 338 election is all subpart F income which is taxed at 35% (Notice 2004-70)

Section 902 deemed paid foreign taxes - Not applicable to individual shareholders

Foreign Tax Credit limitation - Not applicable (no foreign taxes paid or deemed paid)

Worldwide Income = 1,000  
 Tax on subpart F income = 228 (650 X 35%)  
 Tax on sec. 1248 gain = 70 (200 X 35%)  
 Tax on capital gain = 23 (150 X 15%)  
 Total tentative U.S. tax = 321

Tentative U.S. tax	321
Less: Lesser of foreign taxes deemed paid or FTC limitation	--
Net U.S. tax due	321

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