The PLR did not include any numbers for profits or taxes. The amounts included in the charts above were created for illustrative purposes. A German tax rate of 40% is assumed.

Corporation A is treated as a disregarded entity for U.S. tax purposes. For German tax purposes, Corporation A, Subsidiary B, and Subsidiary C have elected to be included in an Organschaft. As a condition of filing the Organschaft, the German subsidiaries are required to transfer their pre-tax profits and losses to Corporation A, and Corporation A is obligated to compensate the subsidiaries for any losses they incur.

Corporation A is liable for German taxes on its own profits, as well as taxes on the profits of its subsidiaries. Pursuant to a corporate resolution, any payment by Subsidiary B or C to Corporation A in satisfaction of its payable under the Organschaft agreement will be contributed to such corporation's capital to the extent such payment exceeds its allocable share of the Organschaft's tax liability.

The PLR held that 1) Corporation A's share of the Organschaft's tax liability [zero in the example above] is a creditable tax under section 901, 2) a payment from each of the subsidiaries to Corporation A up to the amount of such subsidiary's share of the Organschaft's taxes [80 for Sub. B & 40 for Sub. C in the example above] will not be treated as a dividend, 3) payment from the subsidiaries to Corporation A in excess of such subsidiary's share of the Organschaft's taxes will be treated as a 301 distribution, except to the extent the corporate resolution is in existence. Note that if the corporate resolution were not in existence, then the Organschaft would create deemed distributions from the subsidiaries to Corporation A for U.S. tax purposes.

⚠️ Means "flow-thru" for U.S. tax purposes

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