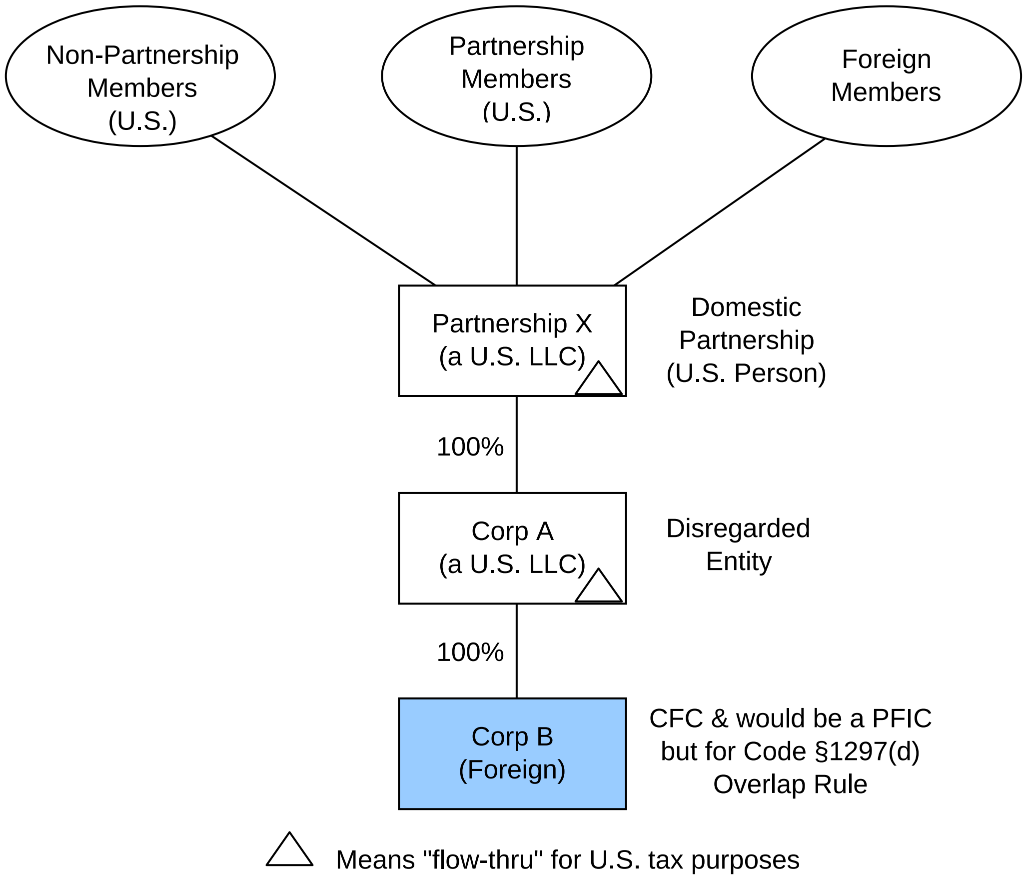
PLR 201106003

CFC/PFIC Overlap Rule For a U.S. Partnership

Partnership X is a limited liability company and treated as a partnership for U.S. federal tax purposes. The partnership is owned by U.S. and non-U.S. members. The U.S. Members consist of U.S. individuals and a domestic corporation (collectively, "Non-Partnership Members") that each own less than 10% of Partnership X, and domestic partnerships ("Partnership Members") that each own more than 10% of Partnership X. Partnership X wholly-owns Corporation A, a U.S. limited liability company that is disregarded as an entity separate from Partnership X for U.S. federal tax purposes. Corporation A, in turn, wholly-owns Corporation B, an entity formed under the laws of Country, which is treated as a corporation for U.S. federal tax purposes.



Corporation B will earn income that is expected to be passive income within the meaning of section 1297(a). Corporation B qualifies as a controlled foreign corporation ("CFC"), as defined under section 957(a), because Partnership X is a domestic partnership that wholly owns Corporation B for U.S. federal tax purposes. In addition, Corporation B expects to qualify as a passive foreign investment company ("PFIC") (without taking into account the application of section 1297(d)), as defined under section 1297(a).

Partnership X will not be subject to the PFIC regime with respect to Corporation B pursuant to the Overlap Rule in section 1297(d)(1). The Non-Partnership Members will take into account their distributive shares of Partnership X's income, including any section 951 inclusion with respect to Corporation B. The Partnership Members will take into account their distributive share of their respective Partnership Member's distributive share of Partnership X's income, including any section 951 inclusion with respect to Corporation B.