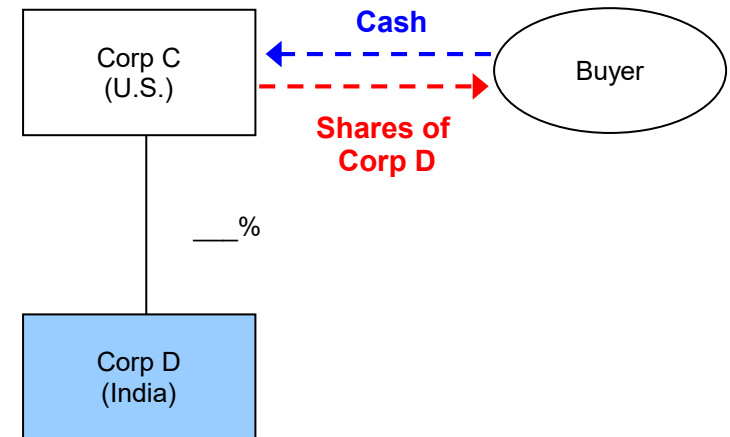


865(h)(2)(A) Election to Treat Gain on Sale of Indian Stock as Foreign Source

Corp C is a U.S. corporation. Corp C owned stock in Corp D, an Indian corporation. Corp C sold stock in Corp D. Generally, income from the sale of personal property by a U.S. resident is sourced in the U.S. Under section 865(h)(2)(A), gain from the sale of stock in a foreign corporation: (i) which would be U.S.-source income under section 865, (ii) which under a treaty obligation would be sourced outside the U.S., and (iii) with respect to which the taxpayer chooses the benefits of section 865(h), is treated as foreign-source income, but the gain is subject to its own foreign tax credit limitation.



In this PLR, Corp C had filed its U.S. tax return treating the gain on the sale of Corp D shares as U.S. source income. The IRS granted Corp C an extension of time to file an election under section 865(h)(2)(A) to treat the gain as foreign source income.