

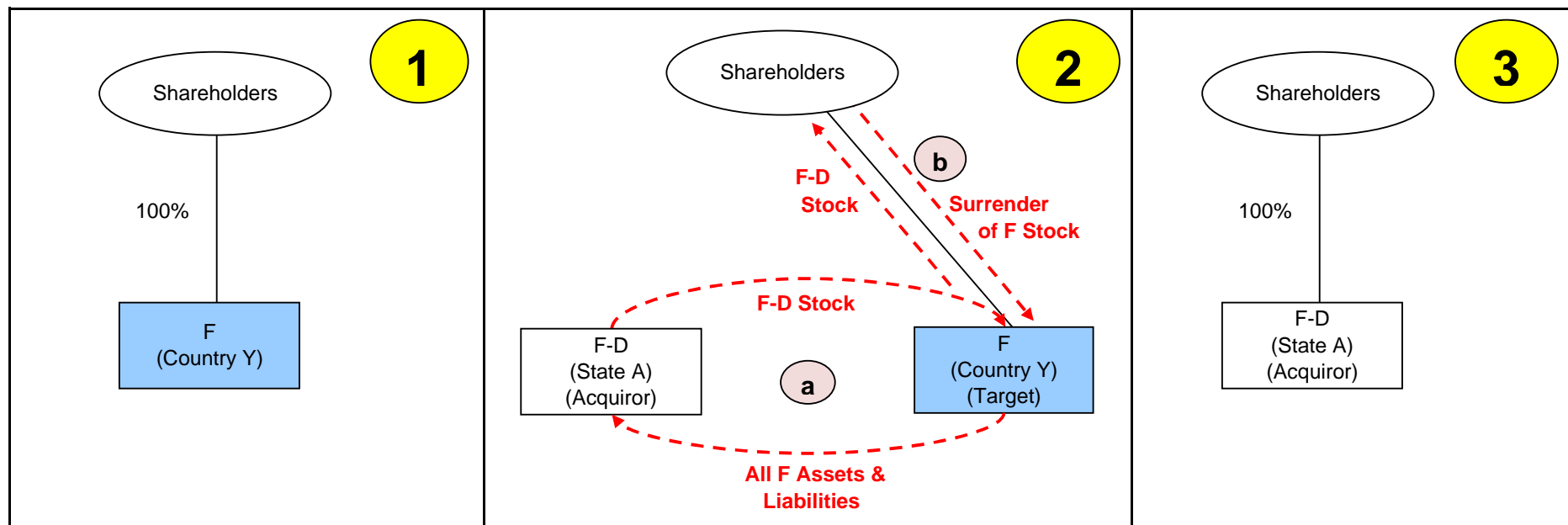
Domestication is an F Reorg

**Domestication / F Reorg
Deemed Transfers**

Initial Structure

Deemed Transfers

Ending Point



Nonrecognition Operative Provisions:

- a** Acquiror - section 1032,
Target - section 361(a)
- b** Shareholders - section 354(a)(1),
Target - section 361(c)

Upon filing the certificate of domestication and certificate of incorporation with State A, F was considered by State A to be incorporated in State A and became subject to State A law, whether or not F continued to be considered a Country Y corporation for Country Y purposes.

The deemed transfers are pursuant to Reg. 1.367(b)-2(f). In addition, F will have a closing of its taxable year upon the domestication. If the shareholders are "U.S. shareholders" (see sec. 951(b)) then they must include the all E&P amount in income. Reg. 1.367(b)-3(b)(3). Shareholders that are not U.S. shareholders (and that do not meet the de minimis exception) must recognize gain on the exchange, unless they elect to include the all E&P amount and the corporation provides them with the necessary information. Reg. 1.367(b)-3(c). A de minimis exception applies to non-"U.S. shareholders" that own stock with an FMV of less than \$50,000. Such shareholders need not recognize gain or income inclusion.