



Textron, a domestic corporation, acquired 95% of the stock of Avdel, a U.K. corporation. Pursuant to a court order, Textron transferred the Avdel stock to a voting trust, pending resolution of potential restraint of trade issues.

The Tax Court held that the voting trust was a U.S. shareholder of Avdel and that Textron was required to include in its income the trust's share of Avdel's subpart F income.

Some commentators have criticized this decision, arguing that the voting trust should not have been treated as a separate entity, and that if Textron were treated as owning the shares of Avdel directly, it would not have owned any of the voting power of the shares. Consequently, Textron would not have been a U.S. shareholder as defined in section 951(b).