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**Tracking Tax News You
Need to Know**



IRS Releases Final CFC Stock Ownership Determination Regulations

The IRS issued [final regulations \(T.D. 9960\)](#) related to the treatment of domestic partnerships and S corporations that own stock of controlled foreign corporations (CFCs) for purposes of determining amounts included in the gross income of their partners and shareholders with respect to the CFCs. The regulations finalize a portion of the proposed regulations published on June 21, 2019 (REG-101828-19). The final regulations extend the aggregate approach to subpart F inclusions and Section 956 inclusions with respect to CFCs owned by a domestic partnership. A domestic partnership is not treated as owning stock of a foreign corporation within the meaning of Section 958(a). (Section references are to the Internal Revenue Code of 1986, as amended (the Code).) A domestic partnership is instead treated in the same manner as a foreign partnership for purposes of determining the persons that own stock of a CFC under Section 958(a). Under this rule, a domestic partnership cannot have subpart F or Section 956 inclusions; instead, partners in a domestic partnership are treated as owning proportionately the stock of a CFC owned by the partnership, and a partner that is a U.S. shareholder with respect to the CFC determines its pro rata share of the subpart F inclusion and Section 956 inclusion. These rules also apply to S corporations and their shareholders because S corporations are treated as partnerships, and S corporation shareholders are treated as partners for subpart F purposes. The final regulations continue to treat domestic partnerships as entities for purposes of determining whether a foreign corporation is a CFC, determining whether a U.S. person is a U.S. shareholder of a CFC, applying Section 1248, defining “U.S. property” for purposes of Section 956, including for purposes of pledges and guarantees, and determining whether a U.S. shareholder is a controlling domestic shareholder of a CFC for purposes of making certain elections with respect to a CFC.

IRS Releases Proposed PFIC Regulations

The IRS issued [proposed regulations \(REG-118250-20\)](#) regarding the treatment of domestic partnerships and S corporations that own stock of passive foreign investment companies and their domestic partners and shareholders. The proposed regulations also provide guidance regarding the determination of the controlling domestic shareholders of foreign corporations, the owner of a CFC or qualified electing fund that makes an election under Section 1411, the treatment of S corporations with accumulated earnings and profits under subpart F of the Code, and the determination and inclusion of related person insurance income under Section 953(c).



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