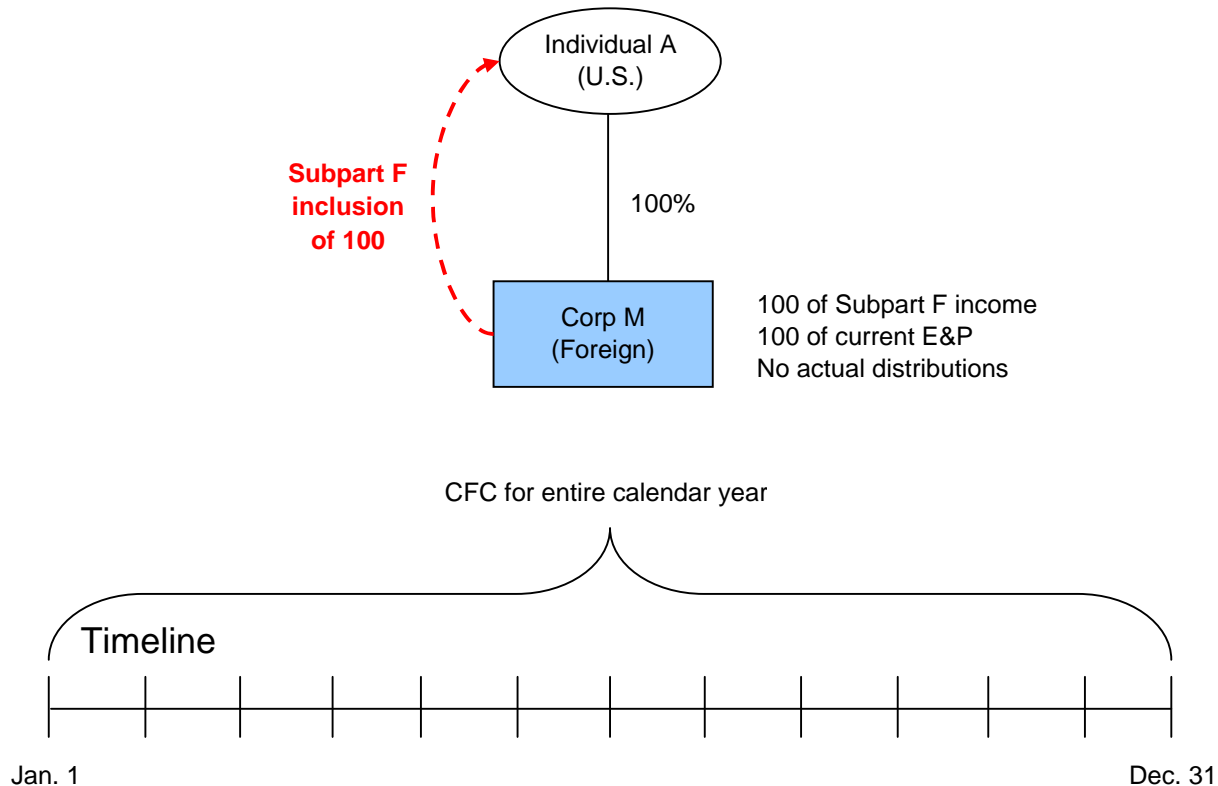


Reg. 1.951-1(b)(2), Example 1

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Subpart F Income: CFC for Full Year



A, a United States shareholder, owns 100 percent of the only class of stock of M, a controlled foreign corporation throughout 1963. Both A and M Corporation use the calendar year as a taxable year. For 1963, M Corporation derives \$100 of subpart F income, has \$100 of earnings and profits, and makes no distributions. A must include \$100 in his gross income for 1963 under section 951(a)(1)(A)(i).