

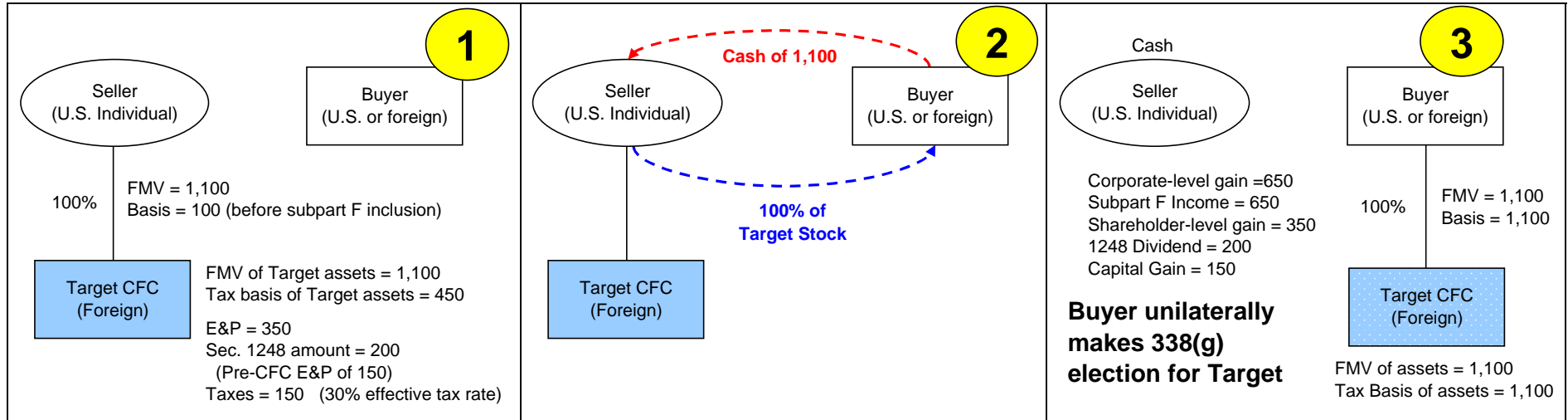
U.S. Individual Seller of CFC - QFC, 338(g), & Subpart F Income

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Initial Structure

Sale of Target

Ending Point



Assumptions

- All amounts in U.S. dollars
- Capital gains taxed at 15%
- Foreign dividend is taxed at 15% [Target CFC is a qualified foreign corp. - see Sec. 1(h)(11)(C) and Notice 2003-69]
- Seller has no other income
- No foreign taxes are paid on the sale
- Gain on 338 election is all subpart F income which is taxed at 35% (Notice 2004-70)

Section 902 deemed paid foreign taxes - Not applicable to individual shareholders

Foreign Tax Credit limitation - Not applicable (no foreign taxes paid or deemed paid)

Worldwide Income = 1,000
 Tax on subpart F income = 228 (650 X 35%)
 Tax on sec. 1248 gain = 30 (200 X 15%)
 Tax on capital gain = 23 (150 X 15%)
 Total tentative U.S. tax = 281

Tentative U.S. tax	281
Less: Lesser of foreign taxes deemed paid or FTC limitation	--
Net U.S. tax due	<u>281</u>

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