Moss & Barnett

International Tax Changes

Taxation of foreign income

- 100% deduction for the foreign-source portion of dividends received from "specified 10% owned foreign corporations"
- Foreign tax credit: No foreign tax credit or deduction will be allowed for any taxes paid or accrued with respect to a dividend that qualifies for the deduction
- Holding periods for the foreign stock apply for the dividend received deduction
- Deemed repatriation: U.S. shareholders of foreign stock must include pro rata share of accumulated post-1986 deferred foreign income of the corporation in its 2017 return. Excluded PFICS
- A portion of the pro rata share of foreign earnings is deductible; the amount of the deductible portion depends on whether the deferred earnings are held in cash or other assets
- The deduction results in a reduced rate of tax on income from the required inclusion of preeffective date earnings. The reduced rate of tax is 15.5% for cash and cash equivalents and 8% for all other earnings.
- The increased tax liability generally may be paid over an eight-year period.
- Definition of U.S. shareholder: The act amended the ownership attribution rules of Sec. 958(b) to expand the definition of "U.S. shareholder" to include a U.S. person who owns at least 10% of the value of the shares
- Special rules are provided for S corporations and real estate investment trusts (REITs)

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