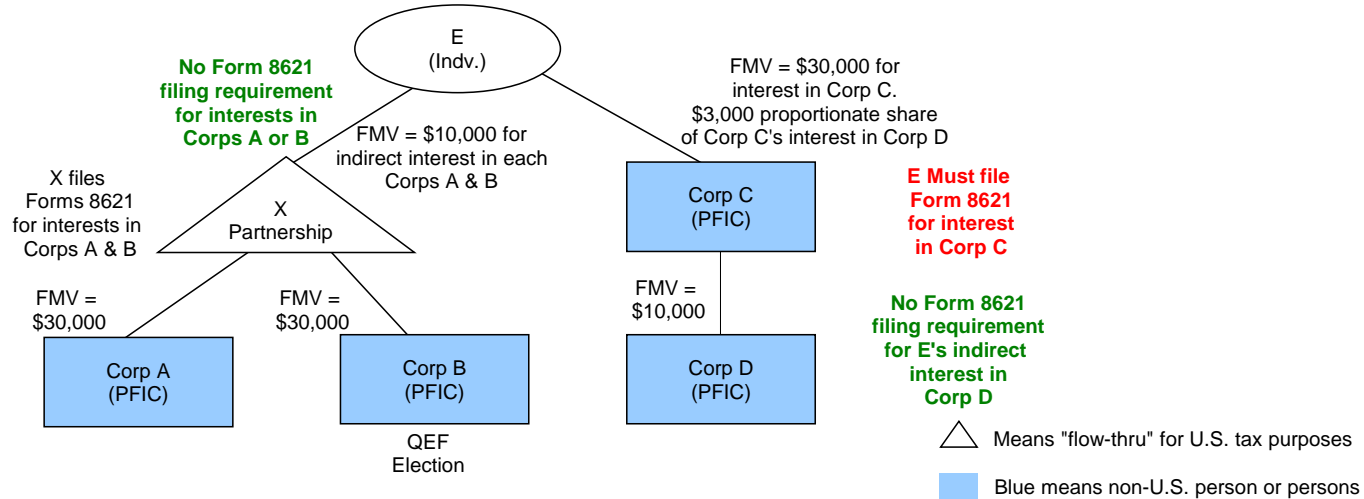


**Treasury Regulation  
1.1298-1T(g) Example 4**

**Form 8621: PFIC Annual Filing -- \$5,000  
Indirect De Minimis Exception**

Copyright © 2014 Andrew Mitchel LLC  
International Tax Services  
www.andrewmitchel.com



E, a United States citizen, directly owns an interest in Partnership X, a domestic partnership. Partnership X, in turn, directly owns an interest in Corp A and Corp B, both of which are passive foreign investment companies ("PFICs"). Partnership X timely filed an election under Code §1295 to treat Corp B as a qualified electing fund ("QEF") for the first year in which Corp B qualified as a PFIC. In addition, E directly owns an interest in Corp C, which is a PFIC. Corp C, in turn, owns an interest in Corp D, which is a PFIC. E has not made a qualified electing fund election under Code §1295 or a mark to market election under Code §1296 with respect to Corp A, Corp C, or Corp D. As of the last day of 2013, the value of Partnership X's interest in Corp A is \$30,000, the value of Partnership X's interest in Corp B is \$30,000, the value of E's indirect interest in Corp A is \$10,000, the value of E's indirect interest in Corp B is \$10,000, the value of E's interest in Corp C is \$30,000, the value of Corp C's interest in Corp D is \$10,000, and the value of E's indirect interest in Corp D is \$3,000. During 2013, E did not receive an excess distribution, or recognize gain treated as an excess distribution, with respect to Corp A, Corp C, or Corp D. Partnership X timely files Forms 8621 under Code §1298(f) and Treas. Reg. §1.1298-1T(b)(1) with respect to Corp A and Corp B for 2013.

Under Treas. Reg. §1.1298-1T(b), E does not have to file a Form 8621 under Code §1298(f) and the regulations with respect to Corp A because E is not the United States person that is at the lowest tier in the chain of ownership with respect to Corp A and E did not receive an excess distribution or recognize gain treated as an excess distribution with respect to Corp A. Furthermore, under Treas. Reg. §1.1298-1T(b)(2)(ii), E does not have to file a Form 8621 under Code §1298(f) and the regulations with respect to Corp B because Partnership X timely filed a Form 8621 with respect to Corp B. In addition, under Treas. Reg. §1.1298-1T(c)(2)(ii)(A), E does not take into account the value of Corp A and Corp B, which E owns through Partnership X, in determining whether E qualifies for the \$25,000 exception. Further, under Treas. Reg. §1.1298-1T(c)(2)(ii)(B), E does not take into account the value of Corp D in determining whether E qualifies for the \$25,000 exception. E does not qualify for the \$25,000 exception set forth in Treas. Reg. §1.1298-1T(c)(2)(i)(A)(1) and must file a Form 8621 under Code §1298(f) and the regulations with respect to Corp C. However, E does qualify for the \$5,000 exception under Treas. Reg. §1.1298-1T(c)(2)(i)(A)(2) with respect to Corp D, and thus does not have to file a Form 8621 with respect to Corp D.