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IRS practice unit: Calculation of the section 956 inclusion

The IRS Large Business and International (LB&I) division today publicly released a "practice unit" as guidance concerning the process for calculating the section 956 inclusion.

The practice unit—part of a series of IRS examiner "job aides" and training materials intended to describe for IRS agents leading practices about tax concepts in general and specific types of transactions—explains that multiple calculations are required to determine the section 956 inclusion.

- First, the quarterly average amount of U.S. property held by a controlled foreign corporation (CFC), net of certain specific liabilities, must be determined.

- Then a series of E&P-based calculations must be performed. To complete these calculations, it is necessary to determine the amount and category, as defined in section 959(c), of both current and accumulated E&P. According to the practice unit, these calculations generally prevent multiple inclusions in income with respect to an item of U.S. property held by a CFC. They also generally prevent an income inclusion when a distribution from a CFC would not have given rise to a dividend.

The practice unit (dated December 13, 2017) is posted on the **IRS website**.

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