

TaxNewsFlash

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IRS provides draft versions of Form 965 and Schedule H

The IRS posted an “early draft release” of two forms that, if finalized, would be used to report information about the “transition tax” imposed under section 965.

Section 965 was added to the Code by the new U.S. tax law (Pub. L. No. 115-97, enacted December 22, 2017) as a transition rule to effect the participation exemption regime. The transition rule includes a participation exemption, the net effect of which is to tax a U.S. shareholder’s “mandatory inclusion” amount at a rate of 15.5% to the extent it is attributable to the shareholder’s aggregate foreign cash position or otherwise at a rate of 8%.

The draft forms reflect a “watermark” date of August 30, 2018, and include cautionary language that they are not to be used for filing purposes, and are subject to change and to OMB approval before being officially released. Subsequently, the IRS reposted a draft version of Form 965, this time with a “watermark” date of September 24, 2018.

Read the draft versions of:

- [**Form 965**](#) [PDF 108 KB] *Inclusion of Deferred Foreign Income Upon Transition to Participation Exemption System*
- [**Schedule H \(Form 965\)**](#) [PDF 97 KB] *Amounts Reported on Forms 1116 and 1118 and Disallowed Foreign Taxes*

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