

TaxNewsFlash

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Proposed regulations: Domestic partnerships and S corporations holding PFICs and CFCs (text of regulations)

The U.S. Treasury Department and IRS today released for publication in the Federal Register a notice of proposed rulemaking (REG-118250-20) regarding the treatment of domestic partnerships and S corporations that own stock of passive foreign investment companies (PFICs, as defined in section 1297(a)) and their domestic partners and shareholders as well as other PFIC and controlled foreign corporation (CFC) issues.

The [**proposed regulations**](#) [PDF 487 KB] (30 pages as published in the Federal Register on January 25, 2022) also provide guidance regarding:

- The determination of the controlling domestic shareholders of foreign corporations
- The owner of a CFC or qualified electing fund (QEF) that makes an election under section 1411
- The treatment of S corporations with accumulated earnings and profits under subpart F of the Code
- The determination and inclusion of related person insurance income (RPII) under section 953(c)

With today's release, regulations that were proposed in April 1991 are being withdrawn.

Comments and requests for a public hearing must be received by April 25, 2022.

The purpose of this report is to provide text of the just-released proposed regulations. More details about these regulations will be provided by KPMG LLP.

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