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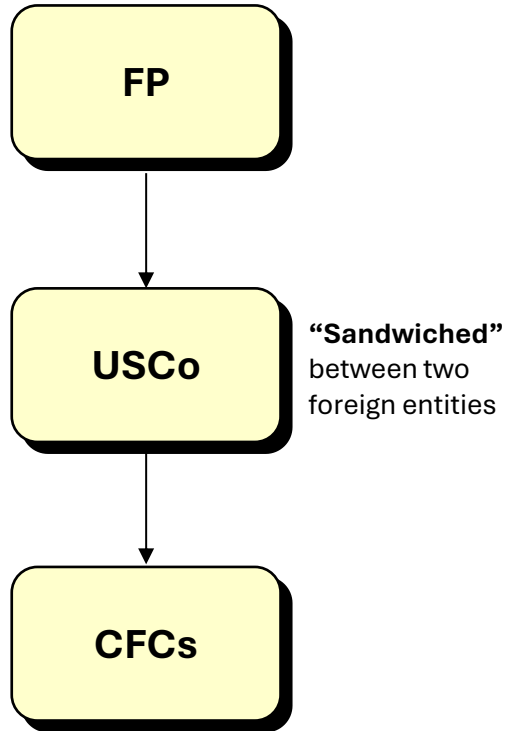
The Problems, Hopes & Dreams of Unwinding Sandwich Structures

April 20, 2026

Devon M. Bodoh, Weil, Gotshal & Manges LLP
Sam Kaywood, Alston & Bird LLP

How Do Sandwich Structures Happen?

What is a Domestic Sandwich?

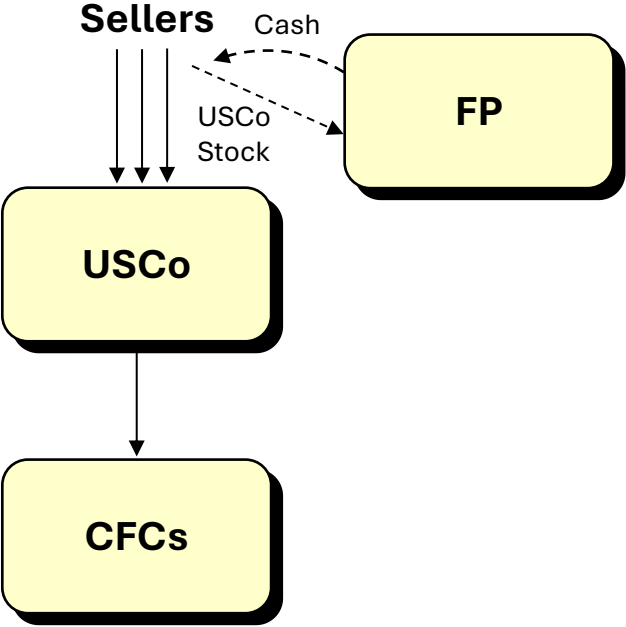


Origin of Sandwich Structures:

1. **Statutory Inversions** - when a U.S. company restructures so that a new foreign parent sits on top, but the old U.S. company still owns its foreign subsidiaries underneath.
2. **Generic Inversions** – when a foreign multinational buys a U.S. corporation that already owns foreign subsidiaries.
3. **Accident or necessity.**

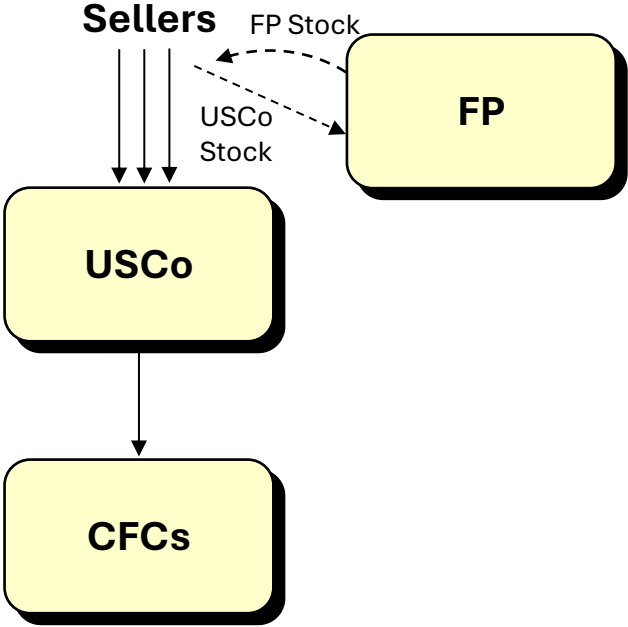
How Do Sandwich Structures Happen?

By Cash Acquisition



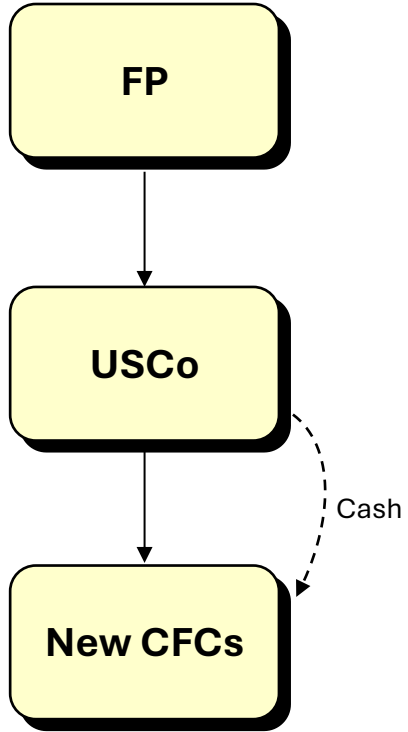
- Flexible sale of stock
- All-cash purchase of USCo by FP – no continuity of USCo shareholder interest in FP, so no §7874 inversion

By Stock Acquisition



- $\geq 80\%$: Foreign acquirer treated as U.S. corporation (§7874 “full inversion”)
- $60\% < 80\%$: Foreign acquirer respected, but “inversion gain” rules apply (§7874 limited inversion)
- 60% : §7874 does not apply

Management or Other Reasons



- Management may prefer for stock ownership to align with management responsibility

How Do Sandwich Structures Happen?

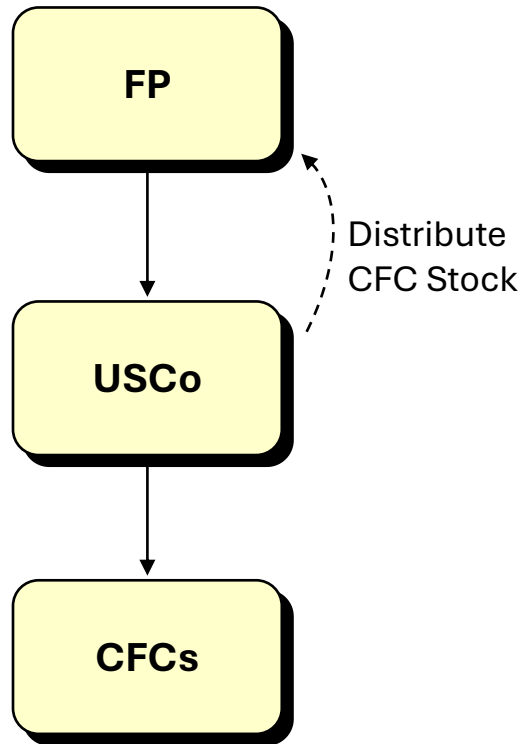
Why don't companies usually like it?

- It can create extra taxes in the U.S.
- Moving money around becomes complicated.
- It's usually not the most efficient structure.

Companies often try to **get rid of the sandwich structure** (e.g., move the foreign subsidiary out from under the U.S. company).

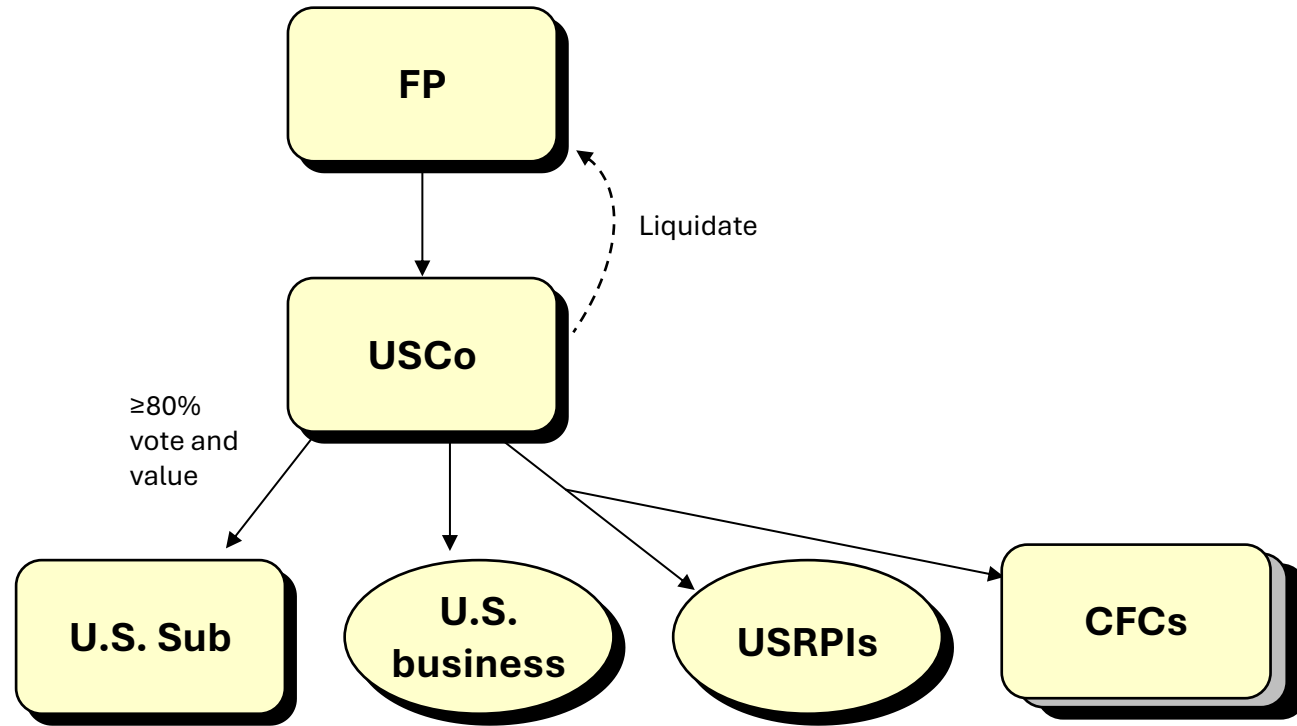
- Sell the foreign subsidiary to another foreign affiliate.
- Reduce their ownership.
- Restructure the group.
- Liquidation.

Can USCo Spin Off CFCs?



- **Not tax-free.**
- Outbound §355 distribution of foreign stock is generally **taxable at USCo level.**
- §367(e)(1) overrides §355 nonrecognition.
 - See Reg. §1.367(e)-1(b)(1).
- Even if §355 requirements are otherwise satisfied, §367(e)(1) generally causes corporate-level gain recognition.
- May reduce or eliminate withholding depending on treaty and regulatory provisions (Reg. §1.367(e)-1(b)(4)).
- Planning considerations:
 - Use of NOLs.
 - Basis planning (increase basis without increasing value).
 - Treaty-reduced withholding rates.
 - Valuation considerations (to limit recognized gain).

Liquidation Scenarios (Reg. §1.367(e)-2)




- General rule – §332 (nonrecognition), but subject to §367(e)(2) in outbound liquidations.
- Losses generally limited by the amount of gain recognized.
- Anti-abuse rules apply and numerous disclosures required.
- Liquidation is not the preferred solution.

- Exception applies.
- If USCo is a USRPHC, then US Sub must also be a USRPHC.
- Exception applies if distribute ETB for 10 years.
- Triggering event rules apply.
- Exception applies
- Taxable, but can blend losses and gains

Four Attacks on Domestic Sandwich Structures

U.S. government has tried four attempts to punish efforts to escape a domestic sandwiches:

1. §7874 inversion gain (**2004**).
 - Enacted to limit certain “expatriation” transactions.
 - Makes certain gains more heavily taxed.
2. §7701(l) Recharacterization / Reg. §1.7701(l)-4 recharacterization (**2016**).
 - General authority to write regulations against ‘conduit arrangements’ against other efforts to escape a sandwich that did not involve inversion gain but did occur after a statutory inversion.
3. Repeal of §958(b)(4) creating CFCs (**2017**).
 - Expanded ownership rules to keep foreign subsidiaries classified as CFCs (downward attribution rules).
 - Creation of “faux CFCs” around the world.
4. Section 951B / restoration of §958(b)(4) (**2025**).
 - Tries to fix the problems created in 2017.
 - May require U.S. companies to include income from foreign subsidiaries in more targeted cases.



Polling Question 1

§7874 Inversions

Background and Section 367(a)

- At the time of early Inversions, the IRS mostly relied on Section 367(a) of the Code to prevent tax-free outbound transfers of appreciated assets:

(a) Transfers of property from the United States

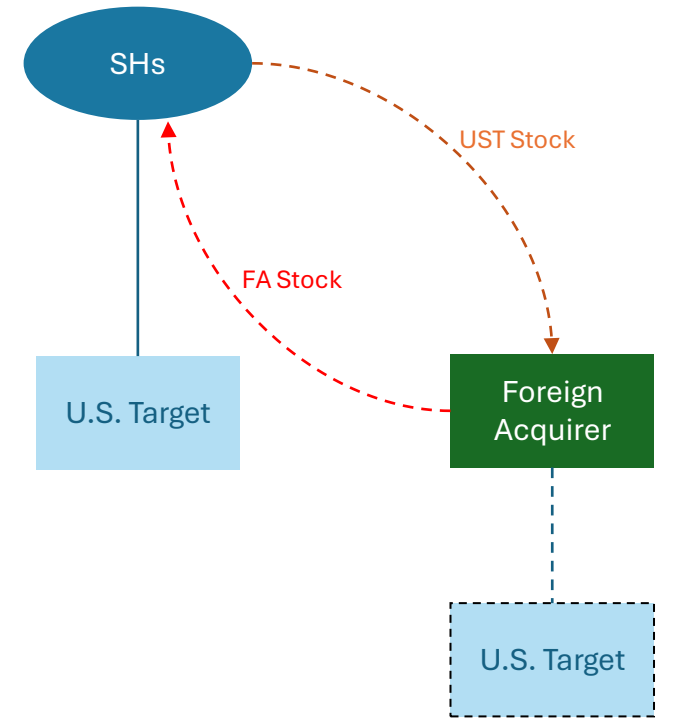
(1) General rule

If, in connection with any exchange described in section 332, 351, 354, 356, or 361, a United States person transfers property to a foreign corporation, such foreign corporation shall not, for purposes of determining the extent to which gain shall be recognized on such transfer, be considered to be a corporation.(...)

- Reg. § 1.367(a)-3(c) was issued to make an expatriation transaction taxable at the shareholder level unless certain exceptions are otherwise applicable.
 - When U.S. shareholders exchange stock of a domestic corporation for stock of a foreign corporation in a reorganization, the transfer can qualify for nonrecognition only if, among other conditions, the U.S. transferors **do not end up owning 50% or more of the vote and value** of the foreign acquiring corporation.
- Section 367 and its implementing regulations were ultimately viewed by Congress as insufficient to prevent corporate inversions.

Inversions - Section 7874 Overview

- In 2004, Section 7874 was enacted to limit certain “expatriation” transactions (together with the related regulations, “the Anti-inversion” rules).
- These rules are meant to deter certain “expatriation” transactions in which non-U.S. corporations acquire **substantially all of the assets** of a U.S. trade or business where the **former owners of the U.S. trade or business have a significant continuing interest in the non-U.S. corporate acquirer** (as these transactions are perceived to otherwise have significant potential for U.S. tax avoidance).
 - Inversion transactions may take many different forms. This may include a stock inversion, asset inversion, or a combination of the two.
 - For a transaction to be considered an inversion, two statutory tests must be met:
 - the **Acquisition Test** - a foreign corporation completes a domestic entity acquisition (DEA);
 - the **Ownership Test** - the “ownership percentage” is at least 60 percent (as measured by vote or value); and
 - A further test, the **Substantial Business Activities (“SBA”) Test**, if satisfied, may be used as an exception to the Ownership Test (rare).
- Similar rules apply for acquisitions of properties of domestic partnerships.

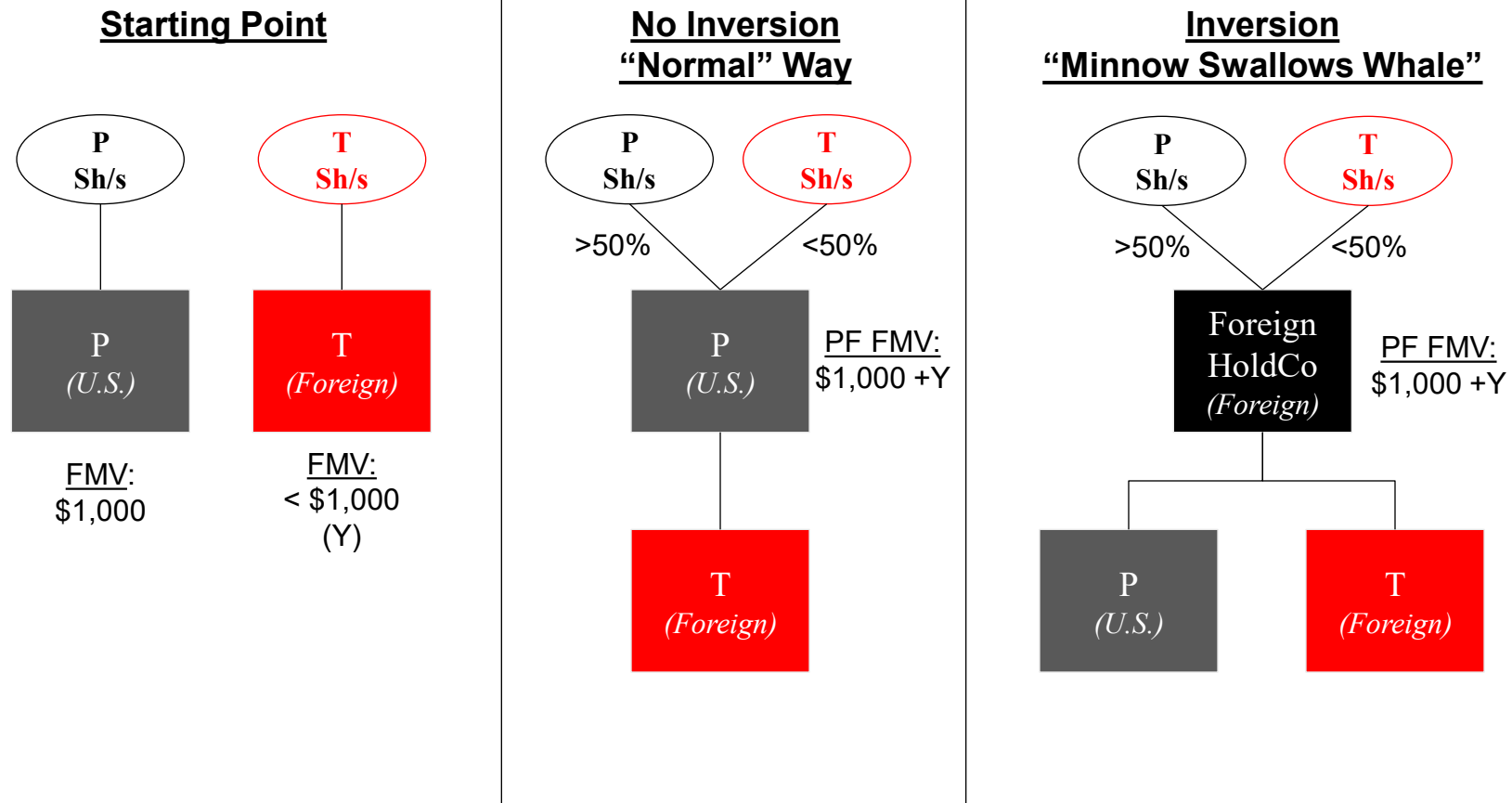


$$\frac{\text{FA Stock Held by UST SHs}}{\text{Total FA Stock}} \geq 80\%? 60\%?$$

Non-Inversion vs. Inversion

- **What is an “Inversion?”**

- An “inversion” may occur on a combination between a relatively larger U.S. company and a relatively smaller foreign company under a foreign parent company structure



Section 7874 – Two Potential Outcomes if Rule is Triggered



- Foreign Acquiror **treated as a U.S. corporation** for all U.S. tax purposes if continuing ownership by U.S. Corp's shareholders (by reason of holding U.S. Corp stock) **is $\geq 80\%$**
- No current tax to the U.S. corporation or its shareholders, but effectively negates future tax planning opportunities
- Causes existing non-U.S. subsidiaries of the Foreign Acquiror to become subsidiaries of a U.S. corporation – i.e., “controlled foreign corporations” or “CFCs”

LIMITED INVERSION

- Foreign Acquiror is treated as a foreign corporation for all U.S. tax purposes
- But, for at least 10 years, the U.S. Corp's taxable income cannot be less than gain recognized on its transfer of stock or assets plus certain royalty income from foreign affiliates
 - Tax attributes generally cannot be used to offset this income
- Generally subject to significant limits on post-deal tax planning opportunities for at least 10 years
- 20% excise tax on insiders' equity-based compensation
- Special adverse rules (no QDI for individual U.S. shareholders, COGS generally a base erosion payment for BEAT, lose 965 favored rate)
- Applies if the continuing ownership by U.S. Corp's shareholders (by reason of holding U.S. Corp stock) **is $\geq 60\%$, but $< 80\%$**

Summary of General Consequences

U.S. Target Shareholder Continuity	Section 7874 – General Consequence
80% or Greater Continuity	<ul style="list-style-type: none">Foreign acquiring corporation is treated as a U.S. corporation for all federal income tax purposes (unless SBA exception applies) – e.g., U.S. tax on worldwide income; anti-deferral regimes apply, no treaty benefits, etc.
79% to 60% Continuity	<ul style="list-style-type: none">Foreign acquiring corporation respected as foreign (i.e., will not be domesticated), but “inversion gain” is taxable to the U.S. entity and related U.S. entities, with no use of tax attributes available against inversion gains (unless SBA exception applies). Restrictions apply.
60% or Less Continuity	<ul style="list-style-type: none">Section 7874 does not apply. Foreign acquiring corporation is not domesticated.

Inversions – Very High-Level Summary

U.S. Co's Sh/s Ownership Level	≤ 50%	50.01 – 59.99%	60 – 79.99%	≥ 80% (treated as domestic)
<i>Foreign Corp Respected as Foreign for U.S. Tax Purposes? (\$ 7874)</i>	• Yes	• Yes	• Yes	• No
<i>Foreign Parent for the Combined Company can be Organized Anywhere?</i>	• Yes	• Yes	No - New parent should be in country where the foreign target was already organized and tax resident (to satisfy SBA Test).	• No
<i>Sh/s Taxed on Deal? (\$ 367, based on inversion)</i>	• No	• Yes	• Yes	• No
<i>Excise Tax Applies? (\$ 4985)</i>	• No	• No	• Yes	• No*
<i>Limit on Using NOLs, FTCS Post-Inversion? (\$ 7874)</i>	• No	• No	• Yes	• No

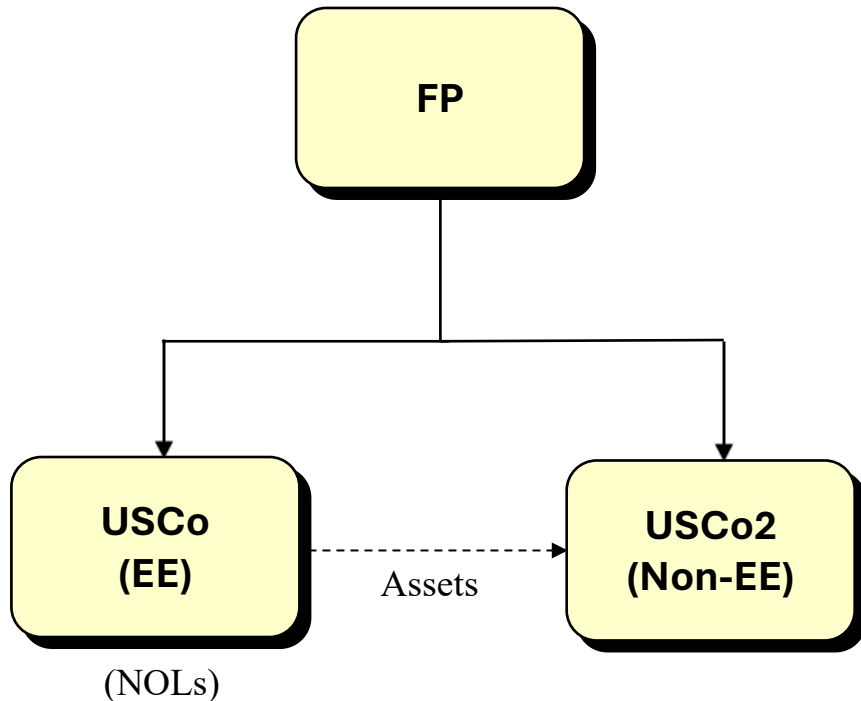
Simplified chart with many assumptions, including the foreign acquiring corporation does not have substantial business activities in the country in which it is legally organized.

*** Arguably*

Limitations on Inversion Gain

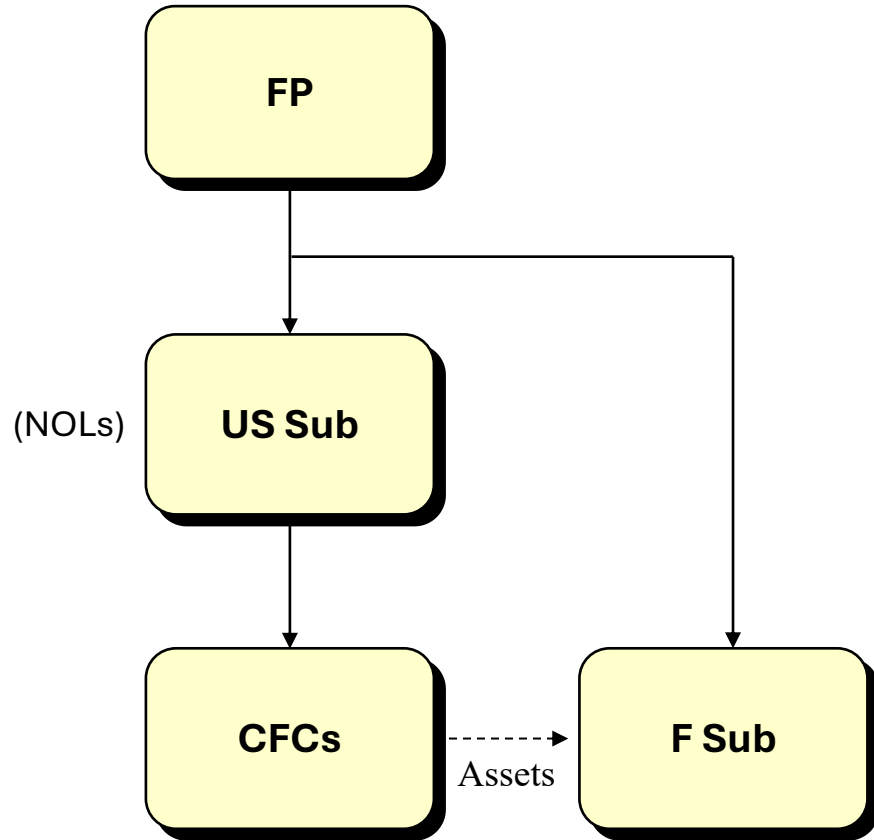
- Taxable Income of an expatriated entity cannot be less than the inversion gain for 10 years starting on first date that transfers giving rise to the inversion took place.
- Inversion gain is income or gain recognized by reason of transfers of stock or other property by an expatriated entity or income from the license of property to a related foreign person.
- The statutory definition appears to include a cross-chain sale of CFC stock by a USCo (expatriated entity).
 - Would apply to dividends or gains arising from a section 304 transaction.
 - May not apply to intercompany transfers of inventory.
- Credits (other than foreign tax credits) are allowed only to the extent they exceed 21% of the inversion gain.
- Foreign tax credits are allowed but any inversion gain is treated as US source income, effectively limiting the use of foreign tax credits on inversion gain related taxes.

Inversion Gain Rules




- Inversion gain rules generally apply to income or gain recognized by an expatriated entity from transfers/license of property, including transactions involving related foreign persons.
- However, the regulation ignores the cross-chain stock sale and substantially expands the definition of inversion gain to include sale of stock or other property by a CFC.
- N/A to transfers to domestic non-expatriated entities, such as US subsidiaries that pre-existed the inversion.
- NOLs may be available to shelter the gain on the transfer.
- Maybe helpful to step up basis in assets and then later move those assets out of USCo2.
- Watch out for §1239 which may recharacterize gain on sale of depreciable assets as ordinary income.

Inversion Gain on Indirect Transfers



- Notice 2015-79 (incorporated into Reg §1.7874-11(b)) provides that inversion gain may include subpart F income arising from indirect transfer of assets by CFCs.
 - Regulation may be inconsistent with statutory text.
- It may also extend to GILTI/NCTI inclusions.
 - Does the definition of inversion gain preclude a §250 deduction? It refers to “taxable income”.
- §7874(d)(2) refers explicitly to gain arising from a transfer by an “expatriated entity” which can only be a domestic corporation or partnership (not CFC-level transfers).
- Also, the rule treating the resulting subpart F or NCTI as US source income seems harsh.
- Valid under *Loper Bright*?



Polling Question 2

The Use Of §304 In Sandwich Structures

§304 - Redemption Through Use of Related Corporations

(a) Treatment of certain stock purchases

(1) Acquisition by related corporation (other than subsidiary)

For purposes of sections 302 and 303, if—

(A) one or more persons are in control of each of two corporations, and

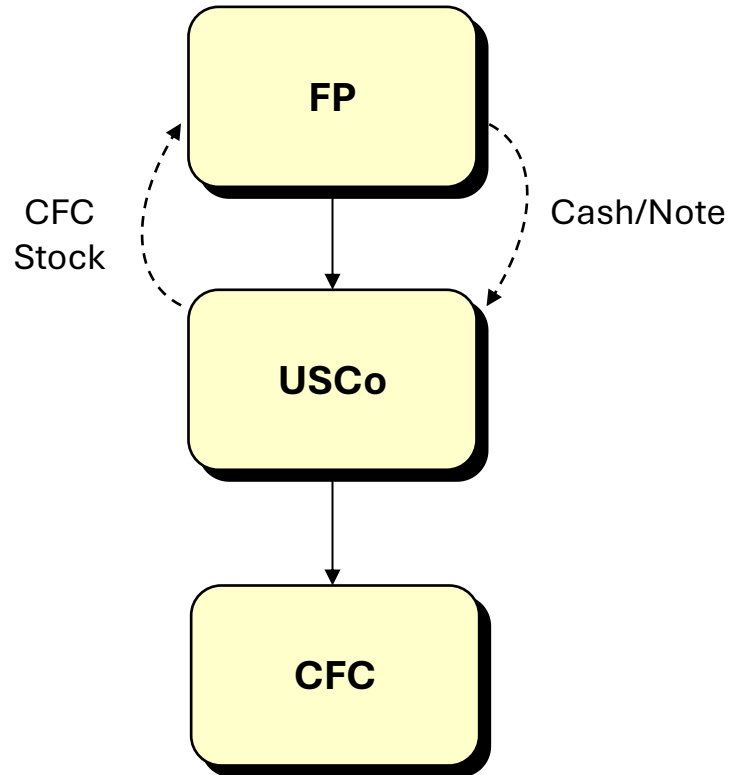
(B) in return for property, one of the corporations acquires stock in the other corporation from the person (or persons) so in control,

*then (unless paragraph (2) applies) **such property shall be treated as a distribution in redemption of the stock of the corporation acquiring such stock.** To the extent that such distribution is treated as a distribution to which section 301 applies, the transferor and the acquiring corporation shall be treated in the same manner as if the transferor had transferred the stock so acquired to the acquiring corporation in exchange for stock of the acquiring corporation in a transaction to which section 351(a) applies, and then the acquiring corporation had redeemed the stock it was treated as issuing in such transaction.*

§304 & Out-From-Under Planning

- §304 treats certain sales of stock between related corporations as a deemed redemption, which is then tested under §§302/301 and can result in a dividend, return of basis, or gain. Dividends considered:
 - First to the extent of the E&P of the acquiring company; and then
 - To the extent of the E&P of the company being sold (the “issuing company”).
- The determination of the dividend amount is hard and even more complex in the CFC cases in which earnings and profits may be PTEP.
- Applies generally to cross-chain sales of stock where one or more shareholders owns 50% or more of the stock (i.e., “control”) of both chains.
- The effectiveness of cross-chain sales is enhanced by PTEP balances and the availability of the §245A DRD.

Sale of CFC Out-From-Under

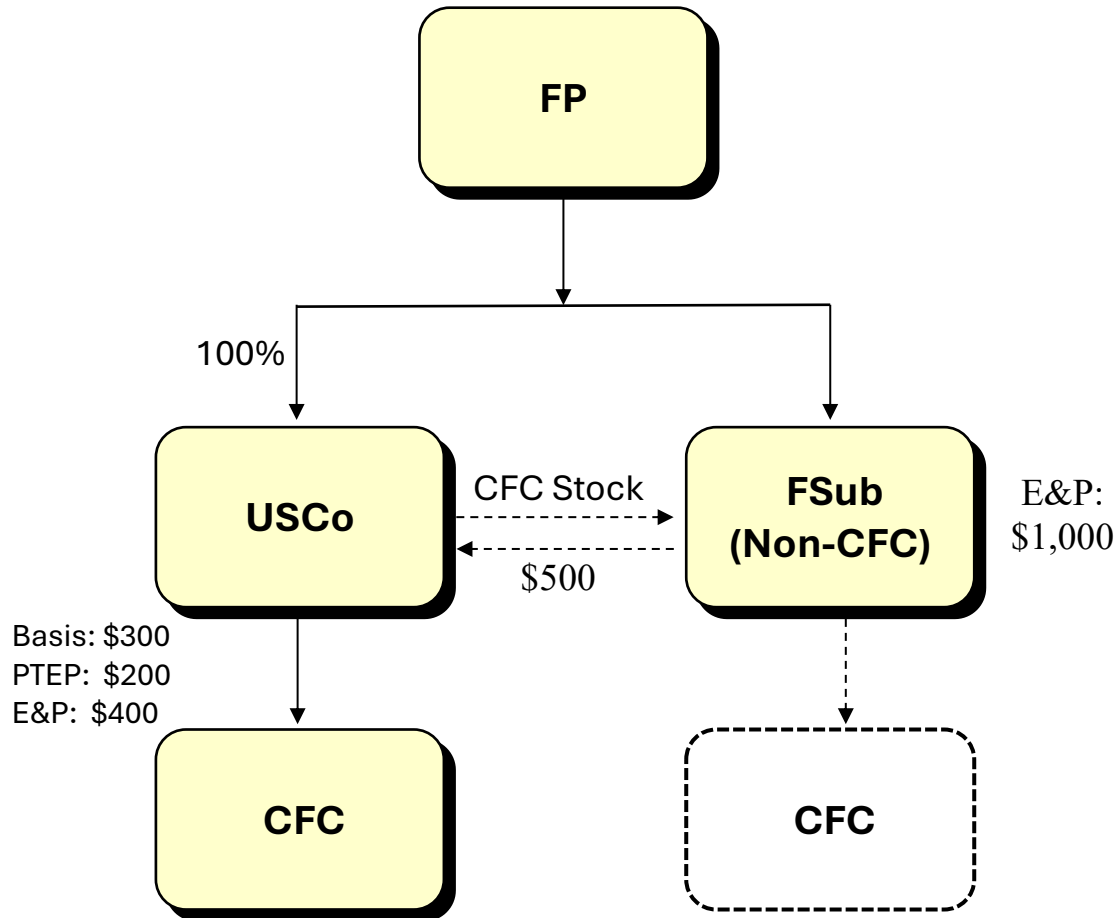


- USCo sells stock of CFCs to FP in an outright sale.
- §304 does not apply since seller (USCo) can't control its own parent (FP).
 - However, the buyer could be a sister foreign corporation and Section 304 would apply.
- If the transaction follows a §7874 inversion, the gain may constitute inversion gain (subject to limitations on NOL), unless USCo was not an expatriated entity.
- Perhaps there is a lot of PTEP basis arising from the transition tax and GILTI inclusions to reduce the amount of taxable gain.

§304(b)(5) Special E&P Rules

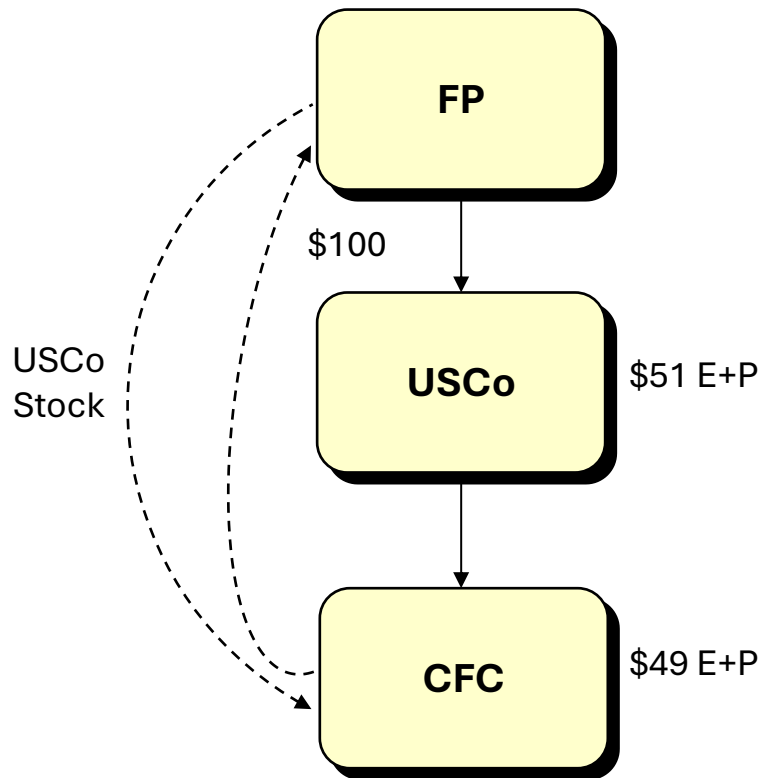
- Section 304(b)(5) limits the acquiring CFC's E&P (dividend qualification).
- §304(b)(5)(A) says to count E&P of a foreign acquiror **only** to the extent that E&P was E&P of a CFC while owned under §958(a) rules by a U.S. shareholder or a person related to a U.S. shareholder.
- §304(b)(5)(B) says don't count **any** E&P of the foreign acquiror if more than 50% of the dividends arising from the acquisition would not be either:
 - “Subject to tax under this chapter”; or
 - Includible in the E&P of another CFC.

§304(b)(5)(A) Example



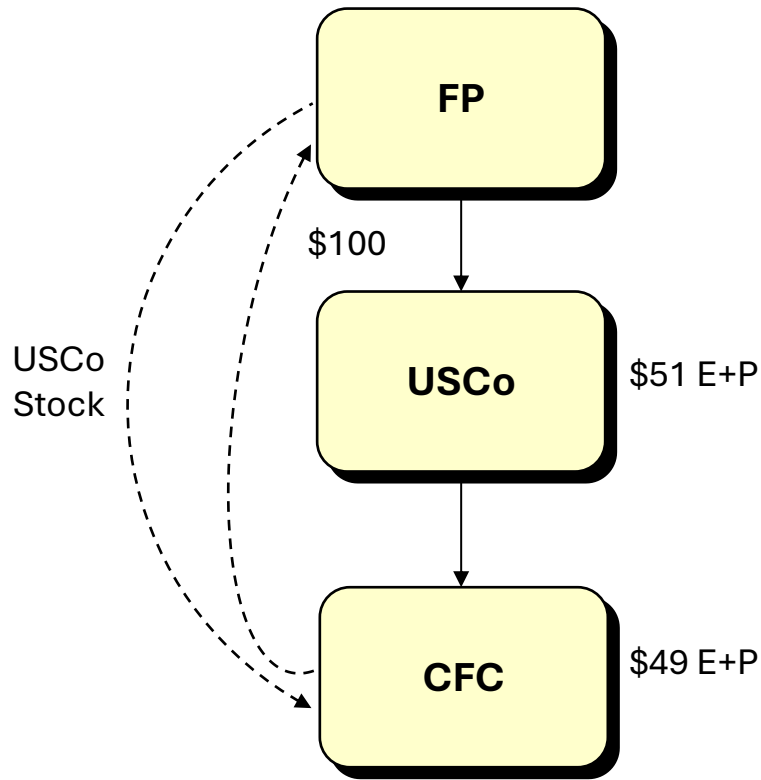
- USCo sells CFC stock to FSub for \$500.
- FSub has significant E&P, more than enough needed to support a dividend.
- Under §304(a), \$500 of the payment to USCo would be a dividend, potentially subject to the §245A DRD.
- However, §304(b)(5)(A) ignores the E&P of FSub, the foreign acquiring company.
- Consequently, look only to the E&P of CFC (the issuing corporation) to characterize the deemed distribution from FSub.
 - CFC has total E&P of \$400 including \$200 of PTEP. Consequently, USCo is treated as receiving a \$200 dividend from CFC.
- §245A DRD?
 - Possible to treat the transaction as an extraordinary reduction under Reg. §1.245A-5; if USCo elects to close the CFC's tax year, certain limitations on the §245A DRD may not apply.

§304(b)(5)(B) - Sale of USCo to CFC



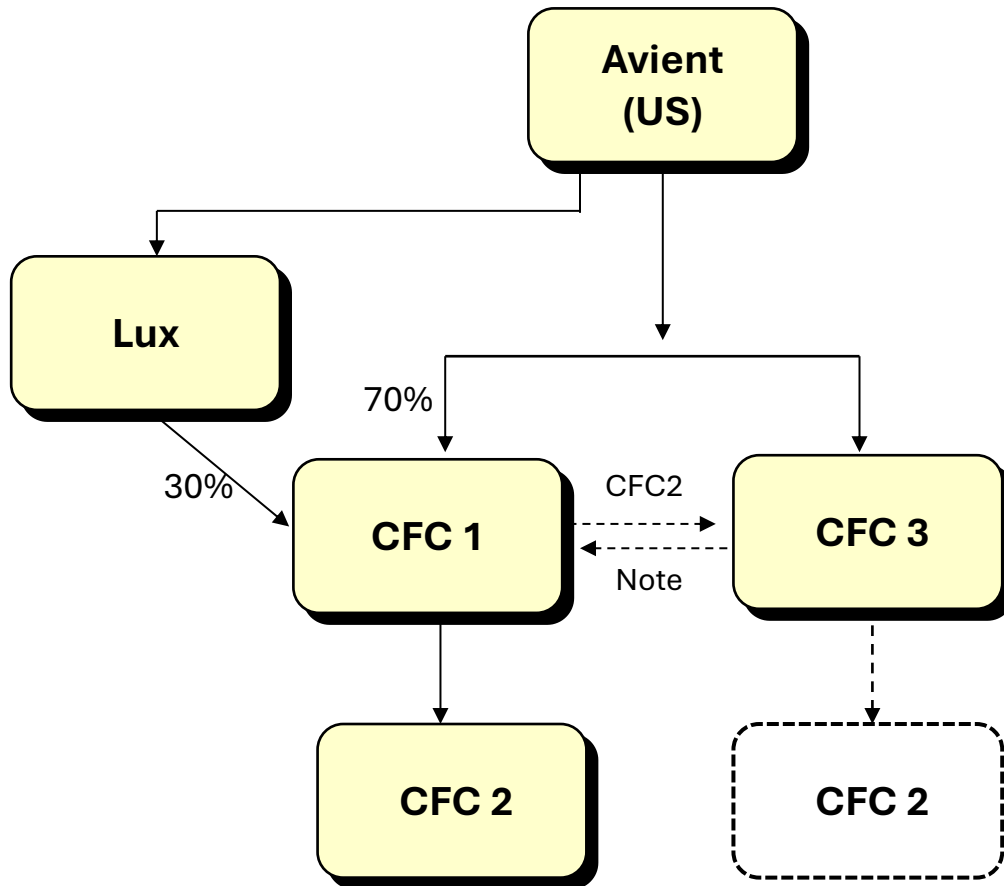
- FP sells USCo stock to CFC in exchange for \$100.
- Parent/subsidiary rule of §304(a)(2) treats the \$100 as a redemption by USCo.
- §304(a)(2) does not change the E&P ordering rule of §304(b)(2) which prioritizes the E&P of the acquiring Corp, in this case CFC.
- §304(b)(5)(B) says to ignore the E&P of foreign acquiring if more than 50% of the dividend from such acquisition would neither be subject to US tax nor be includable in the E&P of a CFC.
- Assume that a dividend from USCo would be subject to 5% withholding tax under the relevant treaty.
- However, Notice 2014-52 (incorporated into Reg. §1.304-7(b)) looks to only to the E&P of foreign acquiring in performing the 50% test. Consequently, in this example, only the E&P of CFC is counted for purposes of the 50%. Since it is not subject to US tax, it is ignored.
- See Reg § 1.304-7(d), Example 1.
- Possible to sustain that limiting the E&P to which the more than 50 percent test applies to the buyer's E&P is contrary to the statute – regulation would be invalid.

§304(b)(5)(B) – So What?



- Structure may produce a U.S.-source dividend with little or no residual tax.
- In the prior example, assume that FP has a zero basis in the shares of USCo.
- Under §304(b)(5)(B), USCo has distributed a US source dividend of \$51.
- Then FP has gain on the deemed redemption of USCo’s shares.
- If there is a tax treaty in place with FP’s jurisdiction (with zero withholding), then there is no withholding tax on the dividend.
- In addition, FP’s gain isn’t taxed absent FIRPTA.
- Practical constraints.
 - Benefit depends on having sufficient E&P in the “right” entity.
 - Economic substance / step-transaction risk.
 - IRS may recharacterize under §302 instead of §304 (as in *Avient*); challenge ordering / sourcing assumptions.
 - IRS position that §304(b)(6) is not self-executing.
 - Requires favorable treaty treatment and satisfaction of limitation-on-benefits (LOB) provisions to eliminate withholding.
 - If undertaken post-inversion, §7874 inversion gain rules may override intended benefits.
- These constraints are most acute in post-§7874 inversion cases; in non-§7874 foreign-parented groups, a cross-chain sale may remain the preferred exit.

Avient Case



- Avient purchased Clariant, a Swiss company along with a chain of foreign companies. Clariant became a CFC of Avient (depicted as CFC1).
- CFC3 had been previously owned by Avient and had **significant PTEP**.
- The taxpayer treated the cross-chain rule as a §304 transaction resulting in a dividend to CFC1. Avient claims:
 - §304 dividend was sheltered by the significant PTEP of CFC3; and
 - That PTEP resulted in a large basis increase to Avient's stock in CFC1 under §961.
- Avient presumably recovered that basis with a *Granite Trust* liquidation of CFC1.
- The issue of the *Avient* case was what that PTEP movement increased the basis of the stock in CFC1.
- IRS claims that (1) the transaction was a §302 redemption (produced gain rather than a dividend); or (2) PTEP arising at CFC3 did not create outside basis in the stock of CFC1 sufficient to support a loss.


Avient Case

- Avient relies on §304(b)(6), which provides:

*In the case of any acquisition to which subsection (a) applies in which the acquiring corporation or the issuing corporation is a foreign corporation, **the Secretary shall prescribe such regulations** as are appropriate in order to eliminate a multiple inclusion of any item in income by reason of this subpart and to provide appropriate basis adjustments (including modifications to the application of sections 959 and 961).*

- IRS claims that §304(b)(6) is **not self-executing**.
- Regulations were proposed in 2006 and withdrawn in 2018.
- Joint Committee on Taxation stated:

This provision, according to the relevant Joint Committee on Taxation report, “prevents [a] foreign acquiring corporation's E&P from permanently escaping U.S. taxation while being deemed to be distributed directly to a foreign person (i.e., the [foreign parent] transferor).” Joint Committee on Taxation, Technical Explanation of the Revenue Provisions of the Senate Amendment to H.R. 1565, Scheduled for Consideration by the House of Representatives on 8/10/10 (JCX-46-10). It should be included as PTEP. Section 959(b) excludes the distribution from the gross income of the recipient for purposes of applying Section 951(a) with respect to the U.S. shareholder. Therefore the limit on use of Y PTEP will not apply. Korenblatt, IRS REVISES ITS APPROACH ON APPLYING SECTION 367 TO SECTION 304 TRANSACTIONS, Corporate Taxation (WG&L), Jul/Aug 2012



Polling Question 4

§7701(I) Recharacterization

§7701(l) Recharacterization

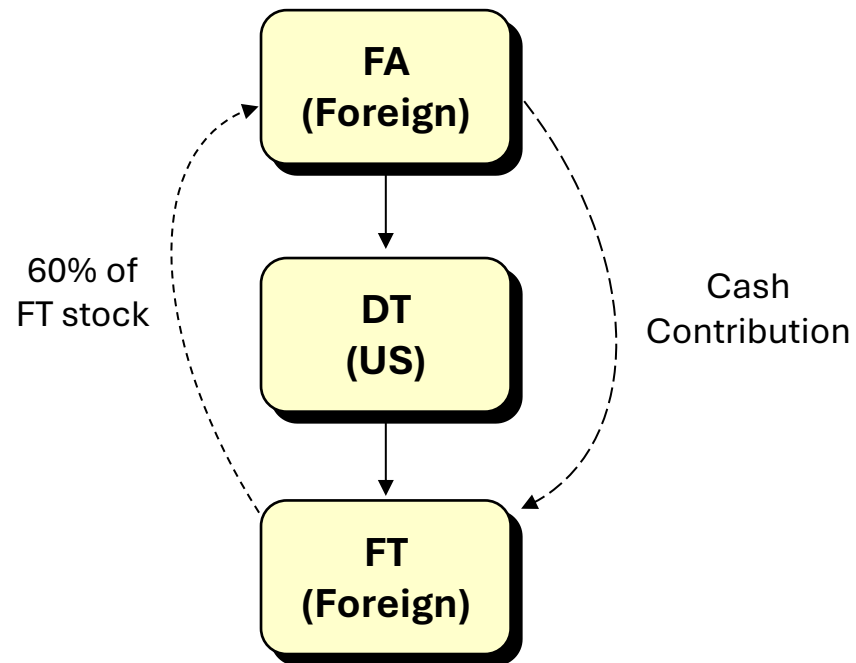
- In post-§7874 inversion dilution / hopscotch cases, reg. §1.7701(l)-4 can recharacterize the transaction and treat USCo as continuing to own the relevant stock.
- Applies to a “specified transaction” with respect to an “expatriated foreign subsidiary”.
- An expatriated foreign subsidiary is a foreign subsidiary that is a CFC owned by an expatriated entity (i.e., a US shareholder that engaged in a limited inversion).
- A specified transaction is a new stock issuance or a stock transfer of stock in the expatriated foreign subsidiary if the recipient of the stock is related person (a “specified related person”).
- Reg. §1.7701(l)-4(c) recharacterizes certain stock issuances or transfers as occurring through the U.S. expatriated entity, effectively treating it as continuing to own the relevant stock for U.S. tax purposes.

(c) Recharacterization of specified transactions—(1) In general. Except as otherwise provided, a specified transaction that is recharacterized under this paragraph (c) is recharacterized for all purposes of the Internal Revenue Code as of the date on which the specified transaction occurs, unless and until the rules of paragraph (d) of this section apply to alter or terminate the recharacterization. For purposes of paragraphs (c)(2) and (3) and (d) of this section, stock is considered owned by a section 958(a) U.S. shareholder if it is owned within the meaning of section 958(a) by the section 958(a) U.S. shareholder.

- Only applies to CFCs of US expatriated entities (i.e., the subject of a §7874 limited inversion).

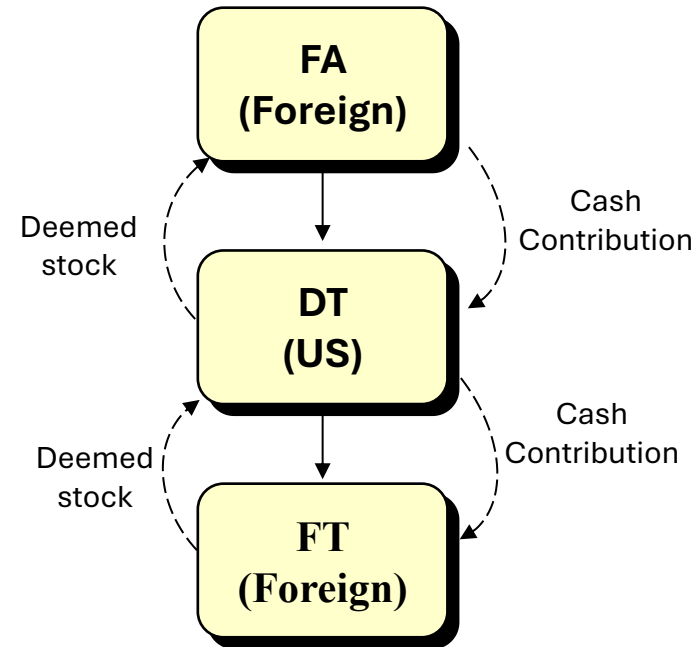
§7701(1) Recharacterization

Actual Transaction



- FT is an “expatriated foreign subsidiary”
- DT was the subject of a limited inversion
- FA contributes cash to FT in exchange for 60% of FT stock

Recharacterized Transaction



- Under Reg. §1.7701(l)- 4, the hopscotched contribution is treated as successive contributions for all purposes of the Code.
- Distributions to FA are treated as distributions to DT.
- When this applies, DT will continue to include subpart F income/tested income of CFC.

§7701(l) Recharacterization

- Possibility of **questioning** the validity of Reg. § 1.7701(l)-4 in the context of § 7701(l):

(l)Regulations relating to conduit arrangements

*The Secretary may prescribe regulations recharacterizing any **multiple-party financing transaction** as a transaction directly among any 2 or more of such parties where the Secretary determines that such recharacterization is appropriate to prevent avoidance of any tax imposed by this title.*

- A sale of CFC stock is not a “financing.”

TCJA and OBBBA Changes to Downward Attribution Rules

TCJA and OBBBA Changes to Downward Attribution Rules

- The **TCJA repealed §958(b)(4)**, which prevented “downward attribution” of stock owned by a foreign person to a U.S. person. Senate Finance Committee explained:

"The Committee is aware of certain transactions used to avoid subpart F provisions. One such transaction involves effectuating “de-control” of a foreign subsidiary, by taking advantage of the section 958(b)(4) rule that effectively turns off the constructive stock ownership rules of 318(a)(3) when to do otherwise would result in a U.S. person being treated as owning stock owned by a foreign person. Accordingly, such a transaction converts former CFCs to non-CFCs, despite continuous ownership by U.S. shareholders. The Committee believes this provision is necessary to render de-controlling transactions ineffective as a means of avoiding the subpart F provisions.”

- Although not expressly stated, it affected inversions dependent on the lack of downward attribution.
- The repeal was overly broad in its application and created unintended “faux CFCs.”

TCJA and OBBBA Changes to Downward Attribution Rules

- Effective for tax years of foreign corporations beginning after December 31, 2025, the OBBBA restores §958(b)(4), generally prohibiting downward attribution from a foreign person for purposes of determining U.S. shareholder and CFC status, except in applying new §951B.
- The OBBBA added new §951B, which would retain the downward attribution rule to “foreign controlled US shareholders (FCUSS)” of “foreign controlled foreign corporations (FCFC).”
- This new provision is designed to target ‘de-control’ structures more broadly - including but not limited to post-inversion structures - by applying a modified CFC regime to FCUSS.
- Being classified as an FCUSS does not itself trigger tax. The FCUSS is taxable only if and to the extent it directly owns FCFC stock.

TCJA and OBBBA Changes to Downward Attribution Rules

Definitions:

(b) Foreign controlled United States shareholder

For purposes of this section, the term “foreign controlled United States shareholder” means, with respect to any foreign corporation, any United States person which would be a United States shareholder with respect to such foreign corporation if—

(1) section 951(b) were applied by substituting “more than 50 percent” for “10 percent or more”, and

(2) section 958(b) were applied without regard to paragraph (4) thereof.

(c) Foreign controlled foreign corporation

For purposes of this section, the term “foreign controlled foreign corporation” means a foreign corporation, other than a controlled foreign corporation, which would be a controlled foreign corporation if section 957(a) were applied—

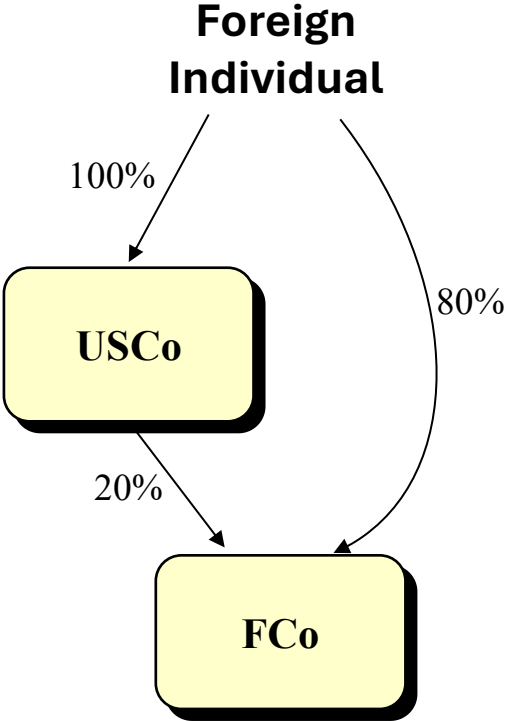
(1) by substituting “foreign controlled United States shareholders” for “United States shareholders”, and

(2) by substituting “section 958(b) (other than paragraph (4) thereof)” for “section 958(b)”.

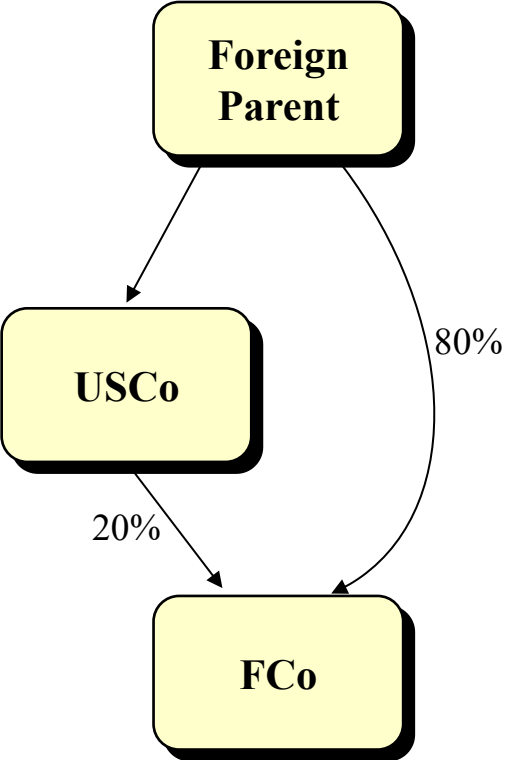
TCJA and OBBBA Changes to Downward Attribution Rules

- Section §951B is not limited to scenarios involving limited inversions - it applies more broadly.
- No sign that Treasury will back off the Reg. §7701(l) rules with §951B in place.
- The 2017 amendments and the new section 951B **restore the CFC status**, but the 2025 version is supposed to be **more targeted**. It can effectively preserve CFC status in structures specifically designed to 'de-control' CFCs after inversions.
- Section 951B can also create 'faux CFCs' through downward attribution, but only taxes U.S. persons to the extent of their direct ownership of such entities.
- Generally, § 951B will not apply in a cross-chain sale where USCo fully disposes of the CFC, because USCo will not retain any of the CFC stock. Once USCo owns no CFC stock, there is no inclusion. If FP invests in the CFC and reduce USCo's ownership, reg. § 1.7701(l)-4 would not apply because USCo is not an expatriated entity.

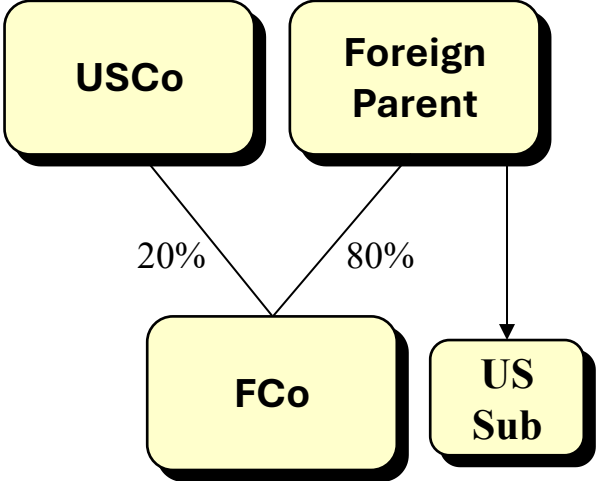
OBBBA Re-Institutes Downward Attribution Examples



- Downward attribution applies
- FCo is a CFC



- Downward attribution applies
- FCo is a CFC



- Under 951B, downward attribution still applies to US Sub but US Sub would not have subpart F/NCTI because no direct/indirect ownership.

Key Takeaways

- Domestic sandwich structures are common but considered tax inefficient.
- The U.S. has made four attempts to prevent “escape”.
- Most rules apply only in specific contexts (especially inversions).
- Section 951B is narrower than the previous regime.
- Full cross-chain sale remains a planning strategy.

QUESTIONS?