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The Internal Revenue Service and the Department of the Treasury have issued proposed regulations on [section 965](#) of the Internal Revenue Code. The proposed regulations affect United States shareholders, as defined under section 951(b) of the Code, with direct or indirect ownership in certain specified foreign corporations, as defined under section 965(e) of the Code.

Section 965, enacted in December 2017, levies a transition tax on post-1986 untaxed foreign earnings of specified foreign corporations owned by United States shareholders by deeming those earnings to be repatriated. For domestic corporations, foreign earnings held in the form of cash and cash equivalents are generally intended to be taxed at a 15.5 percent rate for 2017 calendar years, and the remaining earnings are intended to be taxed at an 8 percent rate for 2017 calendar years.

The lower effective tax rates applicable to section 965 income inclusions are achieved by way of a participation deduction set out in section 965(c) of the Code. A reduced foreign tax credit also applies with respect to the inclusion under section 965(g) of the Code.

Taxpayers may generally elect to pay the transition tax in installments over an eight-year period under section 965(h) of the Code. The proposed regulations contain detailed information on the calculation and reporting of a United States shareholder's section 965(a) inclusion amount, as well as information for making the elections available to taxpayers under section 965.

Written or electronic comments and requests for a public hearing on this proposed regulation must be received within 60 days of publication in the Federal Register, which is forthcoming.

More information regarding the Tax Cuts and Jobs Act, as well as Section 965, can be

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