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Regulations: Dividends received deduction limitation when from certain foreign corporations (text of regulations)

The U.S. Treasury Department and IRS this afternoon released for publication in the Federal Register final temporary regulations (T.D. 9865) and, by cross-reference, proposed regulations (REG-106282-18) concerning the section 245A limitation on a deduction for dividends received from certain foreign corporations and amounts eligible for the look-through exception under section 954.

Read the [temporary regulations](#) [PDF 335 KB] (27 pages) and the [proposed regulations](#) [PDF 194 KB].

The U.S. tax law enacted in December 2017—(Pub. L. No. 115-97) the law that is at times referred to as the “Tax Cuts and Jobs Act” (TCJA)—added new section 245A to establish a participation exemption system for the taxation of foreign income. Section 245A allows a domestic corporation that is a U.S. shareholder (as defined in section 951(b)) of a specified 10% foreign corporation a 100% dividends received deduction (DRD) for the foreign-source portion of dividends received from the foreign corporation (a 100% DRD). The 100% DRD is available only to domestic C corporations that are neither real estate investment trusts nor regulated investment companies

The regulations released today provide guidance under section 245A that limits the dividends received deduction available for certain dividends received from current or former controlled foreign corporations.

- The temporary regulations also include rules that limit the applicability of the exception to foreign personal holding company income for certain dividends received by upper-tier controlled foreign corporations from lower-tier controlled foreign corporations as well as guidance to facilitate administration of certain rules.

- These regulations concern U.S. domestic corporations that receive certain dividends from current or former controlled foreign corporations and United States shareholders of upper-tier controlled foreign that receive certain dividends from lower-tier controlled foreign corporations.

These regulations are scheduled to be published in the Federal Register on June 18, 2019.

The purpose of this report is to provide text of the regulations.

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