

Prop. Reg. Section 1.1291-1(i)

Taxation of U.S. persons that are shareholders of section 1291 funds.

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(i) Annual reporting requirements. Except as otherwise provided in this paragraph (i), a U.S. person must file annually, with its federal income tax return for that year, a separate Form 8621, Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund, for each PFIC of which the person is a shareholder during the taxable year. Generally, an S corporation and its shareholders, a domestic partnership and its partners that are U.S. persons, and a domestic trust or estate and its beneficiaries that are U.S. persons considered to own stock of a PFIC under §1.1291-1(b)(8)(iii)(C), must file Form 8621 annually. However, an S corporation shareholder, a partner, or beneficiary is not required to file Form 8621 for its taxable year in which ends the taxable year of the S corporation, partnership, trust or estate if-

(1) The S corporation, partnership, trust or estate files Form 8621; and

(2) The S corporation shareholder, partner, or beneficiary does not have to include any amount in income under section 1291 or 1293, report a nonrecognition transfer pursuant to §1.1291-6(g), or report the status of a section 1294 election.

If a U.S. person is not required to file an income tax return or other return for the taxable year during which it was a direct or indirect shareholder of a PFIC, the shareholder files Form 8621 with the Philadelphia Service Center, P.O. 21086, Philadelphia, PA 19114, on or before the 15th day of the fourth month after the close of the shareholder's taxable year. For special reporting requirements for direct and indirect dispositions entitled to nonrecognition treatment under §1.1291-6, see §1.1291-6(g).

(j) Effective date.

(1) In general. Except as otherwise provided in this paragraph (j), §§ 1.1291-1 through 1.1291-9 and the new parts of §1.1291-10 are effective on April 1, 1992. However, sections 1291 through 1297, inclusive, are effective for taxable years of foreign corporations beginning after December 31, 1986. Accordingly, shareholders of PFICs are subject to sections 1291 through 1297 with respect to transactions occurring within those taxable years. Shareholders of section 1291 funds, in determining their liability under sections 1291 through 1297 during those years, must apply reasonable interpretations of the statute and legislative history and employ reasonable methods to preserve the interest charge.

(2) Section 1.1291-3(d)(6). For purposes of applying section 1297(b)(6), concerning a disposition resulting from the use of PFIC stock as security for a loan, the transition rule provided in §1.1291-3(d)(6) is effective for taxable years of foreign corporations beginning after 1986.

(3) Section 1.1291-8. Section 1.1291-8 is effective for taxable years of RICs ending after [INSERT DATE OF PUBLICATION OF THIS DOCUMENT AS A FINAL REGULATION]