



BDO Seidman, LLP  
Accountants and Consultants

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## Subject:

### Temporary Exception from Subpart F for Certain Dividends, Interest, Rents and Royalties

# International Tax Alert

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## Issue:

The Tax Increase Prevention and Reconciliation Act of 2005 (TIPRA), which was signed into law May 17th, provides for a temporary exception for certain types of CFC look-through income.

## Affecting:

U.S. shareholders of controlled foreign corporations (CFCs).

## Details:

The subpart F anti-deferral regime subjects certain types of income earned by CFCs, including foreign personal holding company income (FPHCI), to current taxation at the U.S. shareholder level. FPHCI includes (but is not limited to) dividends, interest, rents and royalties. The TIPRA provides a temporary exception for dividends, interest, rents and royalties received by one CFC from a related CFC to the extent attributable to non-subpart F (typically active business) income of the payer. This exception is effective for CFCs with tax years beginning after 2005 and before 2009.

## How BDO Seidman Can Help:

The temporary exception for certain types of look-through items earned by CFCs presents a great opportunity for shareholders of certain CFCs to defer taxation on such otherwise taxable subpart F passive income. BDO Seidman, LLP can assist with your tax planning.

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