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Internal Revenue Code Section 958(b)

Rules for determining stock ownership

(a) Direct and indirect ownership.--

(1) General rule.

For purposes of this subpart (other than section 960), stock owned means--

(A) stock owned directly, and

(B) stock owned with the application of paragraph (2) .

(2) Stock ownership through foreign entities.

For purposes of subparagraph (B) of paragraph (1) , stock owned, directly or indirectly, by or for a foreign corporation, foreign partnership, or foreign trust or foreign estate (within the meaning of section 7701(a)(31)) shall be considered as being owned proportionately by its shareholders, partners, or beneficiaries. Stock considered to be owned by a person by reason of the application of the preceding sentence shall, for purposes of applying such sentence, be treated as actually owned by such person.

(3) Special rule for mutual insurance companies.

For purposes of applying paragraph (1) in the case of a foreign mutual insurance company, the term "stock" shall include any certificate entitling the holder to voting power in the corporation.

Note: Subsection (b), below, is applicable to tax years of foreign corporations beginning before Jan. 1, 2026.

(b) Constructive ownership.

For purposes of sections 951(b) , 954(d)(3) , 956(c)(2) , and 957 , section 318(a) (relating to constructive ownership of stock) shall apply to the extent that the effect is to treat any United States person as a United States shareholder within the meaning of section 951(b) , to treat a person as a related person within the meaning of section 954(d)(3) , to treat the stock of a domestic corporation as owned by a United States shareholder of the controlled foreign corporation for purposes of section 956(c)(2) , or to treat a foreign corporation as a controlled foreign corporation under section 957 , except that--

(1) In applying paragraph (1)(A) of section 318(a) , stock owned by a nonresident alien individual (other than a foreign trust or foreign estate) shall not be considered as owned by a citizen or by a resident alien individual.

(2) In applying subparagraphs (A) , (B) , and (C) of section 318(a)(2) , if a partnership, estate, trust, or corporation owns, directly or indirectly, more than 50 percent of the total combined voting power of all classes of stock entitled to vote of a corporation, it shall be considered as owning all the stock entitled to vote.

(3) In applying subparagraph (C) of section 318(a)(2) , the phrase "10 percent" shall be substituted for the phrase "50 percent" used in subparagraph (C).

Paragraph (1) shall not apply for purposes of section 956(c)(2) to treat stock of a domestic corporation as not owned by a United States shareholder.

Note: Subsection (b), below, is applicable to tax years of foreign corporations beginning after Dec. 31, 2025.

 (b) Constructive ownership.

For purposes of sections 951(b) , 954(d)(3) , 956(c)(2) , and 957 , section 318(a) (relating to constructive ownership of stock) shall apply to the extent that the effect is to treat any United States person as a United States shareholder within the meaning of section 951(b) , to treat a person as a related person within the meaning of section 954(d)(3) , to treat the stock of a domestic corporation as owned by a United States shareholder of the controlled foreign corporation for purposes of section 956(c)(2) , or to treat a foreign corporation as a controlled foreign corporation under section 957 , except that--

- (1) In applying paragraph (1)(A) of section 318(a) , stock owned by a nonresident alien individual (other than a foreign trust or foreign estate) shall not be considered as owned by a citizen or by a resident alien individual.
- (2) In applying subparagraphs (A) , (B) , and (C) of section 318(a)(2) , if a partnership, estate, trust, or corporation owns, directly or indirectly, more than 50 percent of the total combined voting power of all classes of stock entitled to vote of a corporation, it shall be considered as owning all the stock entitled to vote.
- (3) In applying subparagraph (C) of section 318(a)(2) , the phrase "10 percent" shall be substituted for the phrase "50 percent" used in subparagraph (C).
- (4) Subparagraphs (A) , (B) , and (C) of section 318(a)(3) shall not be applied so as to consider a United States person as owning stock which is owned by a person who is not a United States person.

Paragraphs (1) and (4) shall not apply for purposes of section 956(c)(2) to treat stock of a domestic corporation as not owned by a United States shareholder.