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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.