

**Internal Revenue Service, Treasury**

**§ 1.981-1**

(c) The following amounts are applicable to corporations A and B for 1965:

	A(1)	B(2)	Consolidated (3)
(i) Consolidated decrease in investments in export trade assets (determined before application of § 1.970-1(c)(2))			\$150
(ii) M Corporation's pro rata share of consolidated decrease (60%)			90
(iii) M Corporation's pro rata share of earnings and profits (and deficits in earnings and profits) for 1963, 1964, and 1965 (§ 1.970-1(c)(2)(i)(a))	\$100	(\$20)	80
(iv) M Corporation's pro rata share of the net amount determined under § 1.970-1(c)(2)(i)(b) for 1963 and 1964			
(\$180 - \$45)	135		
(\$60 - \$15)		45	
Total			180
(v) Amount includible in M Corporation's gross income for 1965 (smallest of items (ii), (iii), and (iv) in column (3)).			80

Corporation M must include \$80 in its gross income for 1965 under section 951(a)(1)(A)(ii) by reason of the application of section 970(b) as its pro rata share of the consolidated decrease in investments in export trade assets; and, for purposes of determining the amount under paragraph (c)(2)(i)(b)(3) of § 1.970-1 with respect to M Corporation's interest in each of corporations A and B for a subsequent taxable year, such consolidated decrease for 1965 is allocated as follows: to M Corporation's interest in A Corporation, \$60 (\$80 times \$135/\$180); and to its interest in B Corporation, \$20 (\$80 times \$45/\$180).

(d) The following amounts are applicable to corporations A and B for 1966:

	A(1)	B(2)	Consolidated (3)
(i) Consolidated decrease in investments in export trade assets (determined before application of § 1.970-1(c)(2))			\$200
(ii) M Corporation's pro rata share of consolidated decrease (60%)			120
(iii) M Corporation's pro rata share of earnings and profits (and deficits in earnings and profits) for 1963, 1964, 1965, and 1966 (§ 1.970-1(c)(2)(i)(a))	\$120	\$50	170

	A(1)	B(2)	Consolidated (3)
(iv) M Corporation's pro rata share of the net amount determined under § 1.970-1(c)(2)(i)(b) for 1963, 1964, and 1965			
(\$180 minus [\$45+\$60])	75		
(\$60 - [\$15+\$20])		25	
Total			100
(v) Amount includible in M Corporation's gross income for 1966 (smallest of items (ii), (iii), and (iv) in column (3))			100

Corporation M must include \$100 in its gross income for 1966 under section 951(a)(1)(A)(ii) by reason of the application of section 970(b) as its pro rata share of the consolidated decrease in investments in export trade assets; and, for purposes of determining the amount under paragraph (c)(2)(i)(b)(3) of § 1.970-1 with respect to M Corporation's interest in each of corporations A and B for a subsequent taxable year, such consolidated decrease for 1966 is allocated as follows: to M Corporation's interest in A Corporation, \$75 (\$100 times \$75/\$100); and to its interest in B Corporation, \$25 (\$100 times \$25/\$100).

[T.D. 6754, 29 FR 12714, Sept. 9, 1964, as amended by T.D. 7893, 48 FR 22512, May 19, 1983]

**§ 1.981-0 Repeal of section 981; effective dates.**

The provisions of section 981 are not effective for taxable years beginning after December 31, 1976. For the treatment of the community income of aliens and their spouses for taxable years beginning after December 31, 1976, see section 879 and the regulations thereunder.

[T.D. 7670, 45 FR 6929, Jan. 31, 1980]

**§ 1.981-1 Foreign law community income for taxable years beginning after December 31, 1966, and before January 1, 1977.**

(a) *Election for special treatment*—(1) *In general.* An individual citizen of the United States who meets the requirements of section 981(a)(1) and subparagraph (2) of this paragraph for any open taxable year beginning after December 31, 1966, and before January 1, 1977, may make a binding election with his non-resident alien spouse to have section 981(b) and paragraph (b) of this section apply to their income for such year which is treated as community income