Treasury Announces Guidance on One-Time Repatriation Tax on Foreign Earnings

August 1, 2018

Washington – The United States Department of the Treasury today announced the release of proposed regulations relating to the section 965 transition tax, on U.S. multinational companies' overseas income, which is being repatriated under section 965 of the Tax Cuts and Jobs Act. The proposed guidance affects U.S. shareholders with direct or indirect ownership in certain specified foreign corporations, as defined in the new tax code provision.

"The Tax Cuts and Jobs Act creates a historic opportunity for American companies to bring capital back home from overseas to invest in our domestic economy and create jobs for hardworking Americans," said Secretary Steven T. Mnuchin. "Our administration's policies are focused on creating a more competitive system for business, which has already led to greater economic and wage growth."

The proposed rules address a one-time transition tax on post-1986, untaxed foreign earnings of specific foreign corporations owned by U.S. shareholders. The Tax Cuts and Jobs Act treats these foreign earnings as repatriated and places a 15.5 percent tax on cash or cash equivalents, and an 8 percent tax on the remaining earnings. Generally, the transition tax can be paid in installments over an eight-year period when a taxpayer files a timely election under section 965(h).

View the guidance.

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