



Transition Tax for Shareholders of Foreign Corporations



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One significant potential impact of the Tax Cut and Jobs Act passed on December 22, 2017 affects US persons who own 10% or more of certain foreign corporations, [a brief summary of which was published on February 10, 2018 on our website.](#)

In situations where there is a potential Transition Tax due, there is an election available to defer the payment of the Transition Tax over 8 years. Generally, this election must be filed on or before the due date of the tax return including extensions and the 1st installment payment must be made on or before April 17, 2018.

On April 2, 2018, the IRS issued Notice 2018-26 addressing questions regarding the due date of the 1st year installment payment for US citizens residing abroad. The Treasury Department and the IRS intend to issue regulations that if an individual receives an automatic 2-month extension by virtue of residing outside of the U.S., the due date for an installment payment for Transition Tax would also be June 15, 2018.

This change will provide an additional 2 months for affected taxpayers to plan and take action to mitigate or reduce the impact of the Transition Tax.

If you are a US citizen who owns more than 10% of a foreign corporation and are seeking assistance in analyzing if the new Transition Tax may apply to you, need assistance in the computations and making the right elections please [contact the Manning Elliott Tax Team](#) for

more information. To stay up to date on all future tax related articles, we invite you to [subscribe to our mailing list](#).

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