Structuring Global Financing and Tax-Free Repatriation of Foreign Earnings Case Study Multinational U.S. Manufacturing Company

Situation:

- Approximately 6 months before bankruptcy of U.S. parent (USP), the banks required that 100% of stock of the Group's first-tier Controlled Foreign Corporation be pledged to secure U.S. debt of USP.
- Earlier that year, USP had made 40 check-the-box elections in connection with its European reorganization tax planning strategy.
- Above two bullets taken together triggered constructive U.S. dividend of $ 65 million
- Potential permanent US tax cost: $ 23 million

Actions Taken: Strategic Tax Plan

- Created tax-efficient interplay between investment in U.S. property, check-the-box, net operating loss, bankruptcy tax, alternative minimum tax and previously taxed income tax rules.

Results:

- U.S. net operating losses of $ 65 million, which would otherwise be lost in the ensuing bankruptcy, fully offset the deemed dividend.
- Cash tax savings: $ 23 million
- Future foreign earnings up to $ 65 million may be repatriated to USP free of U.S. tax.