**Appendix B-2 PFIC Analysis Flowchart**

Investments in domestic stocks, bonds, or partnerships. Income flows through on K-1.

1) Adjust K-1 income reported by QEF amount.

2) Record adjustments in tax permanent file.

Include K-1 information on the tax return.

Has the partnership or other investment entity made the QEF election?

Yes

No

Is QEF

included

in face of

K-1?

Include distribution of accumulated earnings in tax return and adjust basis of the investment.

Is the distribution, in whole or in part, a distribution of accumulated capital gains and ordinary income of the PFIC?

Were accumulated earnings distributed?

Yes

No

No

No

Yes

Did the QEF pay a dividend during the year?

Yes

1) Take out the gain/loss recorded in the K-1

2) Compute gain/loss using basis tracking and documentation in the tax permanent file.

3) Report recomputed gain/loss on Form 8621 and Form 990-PF.

2)

Yes

Was the PFIC investment sold during the year?

Include K-1 information on tax return.

No

Has the partnership elected QEF?

The Foundation cannot make a QEF election with regard to this income.

Partner does not leverage.

A QEF election is made, and the Foundation recognizes a pro rata share of net capital gains and ordinary income annually.

Partner has leveraging, which results in income being treated as UBTI.

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Investment in Passive Foreign Investment Company (PFIC).

Meets 75% gross income test or 50% asset test