

The first regime, specifically aimed at limiting deferral by U.S. persons earning income through foreign corporations, was the personal holding company provisions. These provisions were enacted to prevent the avoidance of U.S. income tax by a concentrated group of individuals through channeling passive investment income and certain other income into a corporation.

Second, Congress enacted the Subpart F provisions of the Internal Revenue Code. These provisions use the constructive dividend provisions of the Internal Revenue Code with respect to certain so-called controlled corporations. Under Subpart F, only U.S. persons holding a ten percent or greater interest in the foreign corporation's voting power count in determining whether the foreign corporation is a CFC and only such shareholders are subject to constructive dividend treatment.