

	U.S. source	Foreign source	
		General	Passive
15% rate group	\$1100	(\$500)
Ordinary income	(1000)	1000	\$500

(ii) In determining O's taxable income from sources outside the United States, O must reduce the \$500 capital loss in the general limitation category to \$214.29 (\$500 × 15%/35%) pursuant to paragraph (d) of this section. Taking this adjustment into account, O's foreign source taxable income in all of O's separate categories in the aggregate is \$1285.71 (\$1000 - \$214.29 + \$500).

(iii) In computing O's entire taxable income in the denominator of the section 904(a) foreign tax credit limitation fraction, O must reduce the \$600 of net capital gain for the year to \$257.14 (\$600 × 15%/35%) pursuant to paragraph (c)(2) of this section. Taking this adjustment into account, O's entire taxable income for the year is \$757.14 (\$500 + \$257.14).

(iv) Therefore, O's section 904(f)(5)(D) amount is \$528.57 (\$1285.71 - \$757.14). This amount must be allocated pro rata to O's \$500 of income in the passive category and O's \$785.71 of adjusted income in the general limitation category in accordance with section 904(f)(5)(D).

(i) *Effective date.* This section shall apply to taxable years beginning after July 20, 2004. Taxpayers may choose to apply this section and §1.904(b)-2 to taxable years ending after July 20, 2004.

[T.D. 9141, 69 FR 43308, July 20, 2004; 69 FR 61761, Oct. 21, 2004]

§ 1.904(b)-2 Special rules for application of section 904(b) to alternative minimum tax foreign tax credit.

(a) *Application of section 904(b)(2)(B) adjustments.* Section 904(b)(2)(B) shall apply for purposes of determining the alternative minimum tax foreign tax credit under section 59 (regardless of whether or not the taxpayer has made an election under section 59(a)(4)).

(b) *Use of alternative minimum tax rates—(1) Taxpayers other than corporations.* In the case of a taxpayer other than a corporation, for purposes of determining the alternative minimum tax foreign tax credit under section 59—

(i) Section 904(b)(3)(D)(i) shall be applied by using the language “section 55(b)(3)” instead of “subsection (h) of section 1”;

(ii) Section 904(b)(3)(E)(ii)(I) shall be applied by using the language “section 55(b)(1)(A)(i)” instead of “subsection (a), (b), (c), (d), or (e) of section 1 (whichever applies)”;

(iii) Section 904(b)(3)(E)(iii)(I) shall be applied by using the language “the alternative rate of tax determined under section 55(b)(3)” instead of “the alternative rate of tax determined under section 1(h)”.

(2) *Corporate taxpayers.* In the case of a corporation, for purposes of determining the alternative minimum tax foreign tax credit under section 59, section 904(b)(3)(E)(ii)(II) shall be applied by using the language “section 55(b)(1)(B)” instead of “section 11(b)”.

(c) *Effective date.* This section shall apply to taxable years beginning after July 20, 2004. See §1.904(b)-1(i) for a rule permitting taxpayers to choose to apply §1.904(b)-1 and this §1.904(b)-2 to taxable years ending after July 20, 2004.

[T.D. 9141, 69 FR 43316, July 20, 2004; 69 FR 61761, Oct. 21, 2004]

§ 1.904(f)-0 Outline of regulation provisions.

This section lists the headings for §§1.904(f)-1 through 1.904(f)-8 and 1.904(f)-12.

§ 1.904(f)-0 Outline of regulation provisions.

This section lists the headings for §§1.904(f)-1 through 1.904(f)-8 and 1.904(f)-12.

§ 1.904(f)-1 Overall foreign loss and the overall foreign loss account.

(a)(1) Overview of regulations.
 (2) [Reserved] For further guidance, see the entry for §1.904(f)-1T(a)(2) in §1.904(f)-0T.

(b) Overall foreign loss accounts.
 (c) Determination of a taxpayer's overall foreign loss.

(1) Overall foreign loss defined.
 (2) Separate limitation defined.
 (3) Method of allocation and apportionment of deductions.

(d) Additions to the overall foreign loss account.

(1) General rule.
 (2) Overall foreign losses of another taxpayer.