§ 1.992–4 Coordinating personal holding company provisions in case of certain produced film rents.

(a) In general. Section 992(d)(1)(A) provides that a personal holding company is not eligible to be treated as a DISC. Section 543(a)(5)(B) provides that, for purposes of section 543, the term “produced film rents” means payments received with respect to an interest in a film for the use of, or the right to use, such film, but only to the extent that such interest was acquired before substantial completion of production of such film. Under section 992(e), if such produced film rents are included in the ordinary gross income of a taxable year, such interest is deemed to have been acquired by such subsidiary at the time such interest was acquired by such subsidiary from its parent.

(b) Definitions—(1) Qualified subsidiary. For purposes of this section, a corporation is a qualified subsidiary for a taxable year if—

(i) such corporation was established for the purpose of becoming a DISC,

(ii) such corporation would qualify (or be treated) as a DISC for the taxable year if it is not a personal holding company, and

(iii) on every day of such taxable year on which shares of such corporation are outstanding, at least 80 percent of such shares are held directly by a second corporation.

(2) Parent. For purposes of this section, the term “parent” means a second corporation referred to in subparagraph (i)(iii) of this paragraph.

§ 1.993–1 Definition of qualified export receipts.

(a) In general. For a corporation to qualify as a DISC, at least 95 percent of its gross receipts for a taxable year must consist of qualified export receipts. Under section 993(a), the term “qualified export receipts” means any of the eight amounts described in paragraphs (b) through (i) of this section, except to the extent that any of the eight amounts is an excluded receipt within the meaning of paragraph (j) of this section. For purposes of this section and §§1.993–2 through 1.993–6—

(1) DISC. All references to a DISC mean a DISC, except when the context