percent assets test, or both tests, for such year and its failure to make such
distribution prior to the date on which the distribution was made if—
(1) At least 70 percent of the gross re-
cceipts of such corporation for such tax-
able year consist of qualified export re-
cceipts, and
(2) The sum of the adjusted bases of
the qualified export assets held by such
corporation on the last day of each
month of the taxable year equals or ex-
ceeds 70 percent of the sum of the ad-
justed bases of all assets held by the
corporation on each such day.

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

(a) In general. Section 992(d)(2) pro-
vides 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 “pro-
duced film rents” means payments re-
cieved 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 sub-
stantial completion of production of
such film. Under section 992(e), if such
produced film rents are included in the
ordinary gross income (as defined in
section 543(b)(1)) of a qualified sub-
sidiary for a taxable year of such sub-
sidiary, and such interest was acquired
by such subsidiary from its parent,
such interest is deemed (for purposes of
the application of sections 541,
543(b)(1), and 992(d)(2), and §1.992-1(f)
for such taxable year) to have been ac-
quired by such subsidiary at the time
such interest was acquired by such par-
ent. Thus, for example, if a parent ac-
quires an interest in a film before it is
substantially completed, then substan-
tially completes such film prior to
transferring an interest in such motion
picture to a qualified subsidiary, the
qualified subsidiary is considered as
having acquired such interest prior to
substantial completion of such motion
picture for purposes of determining
whether payments from the rental of
such motion picture will be classified
as produced film rents of such sub-
sidiary. The provisions of section 992(e)
and this section are not applicable in
determining whether payments re-
cieved with respect to an interest in a
film are included in the ordinary gross
income of a parent or a qualified sub-
sidiary. Thus, even though a qualified
subsidiary is treated pursuant to this
section as having acquired an interest
in a film at the time such interest was
acquired by such subsidiary’s parent,
payments received by such parent with
respect to such interest prior to the
transfer of such interest to such sub-
sidiary are includible in the ordinary
gross income of such parent and not in-
cludible in the ordinary gross income
of such subsidiary.

(b) Definitions—(1) Qualified sub-
sidiary. 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 such tax-
able year if it is not a personal holding
company, and
(iii) On every day of such taxable
year on which shares of such corpora-
tion are outstanding, at least 80 per-
cent of such shares are held directly by
a second corporation.

(2) Parent. For purposes of this sec-
tion, the term “parent” means a sec-
ond corporation referred to in subpara-
graph (1)(iii) of this paragraph.

[T.D. 7323, 39 FR 34409, Sept. 25, 1974

§ 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 re-
cceipts. Under section 993(a), the term
“qualified export receipts” means any
of the eight amounts described in para-
graphs (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 sec-
tion and §§1.993–2 through 1.993–6—
(1) DISC. All references to a DISC
mean a DISC, except when the context