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From:

Sent: Wednesday, September 12, 2012 9:18:08 AM

To:

Cc:

Subject: FW: 25% Omission for 6 Year Statute

We have looked into your question that deals with the 25% omission calculation under section 6501(e) with respect to the taxpayer's unreported PFIC income under section 1291. [redacted] previously responded to you and noted that the net gain on the PFIC stock is required to be shown on Form 8621 (specifically, line 10f) which must be attached to the taxpayer's return. Line 11b of Form 8621 reflects the amount of the gain that is treated as ordinary income and ultimately reported as taxable income while the remainder is subject to the deferred tax and interest computation. Accordingly, [redacted] ultimately concluded that the entire net gain is required to be included in the return.

In this context, the term "gross income" for purposes of section 6501(e) has the same meaning as the general definition under section 61(a). Based on the advice from [redacted], "gross income" for purposes of determining the 25% omission under section 6501(e), includes the entire net gain on the disposition of the stock, as defined by section 61, that is required to be shown on the return.

We hope this adequately addresses your question. If you need further assistance, please do not hesitate to contact me.

Thanks,