

OVDI Mark to Market Method

rev.10/04/2011

(These notes are to be used as a supplemental guide to Job Aid #9, Passive Foreign Investment Company (PFIC).

This spreadsheet shows the alternate method of computing PFIC gains and tax, known as the Mark to Market (MTM) method. It is based on Section 1296, in general, but has rules and parameters specific to the OVDI program.

MTM is based on increases or decreases in the FMV of PFIC assets from the beginning of the year to the end of the year. The ending balance of one year is the beginning balance of the next year. You do not have to have an actual sale to have MTM gains. Each year's gains are computed separately. Depending on whether the value of the asset increased or decreased you could have a gain in one year or a loss.

For OVDI purposes, the MTM gains are taxed at 20%, instead of the higher rates of Section 1291 regular PFIC. Interest is only computed at 7% in 2003, if assets were held before 2003. This method will usually result in a much lower amount of tax and interest than the regular PFIC method. Losses are allowed to offset previous year's gains, but only up to the gains. Any excess losses are carried forward.

See example below....

2012 OVDI Form 8621 Calculator Mark to Market Election

rev. 02/25/2014

About

This spreadsheet was created to easily calculate PFIC gains and applicable tax and interest under the Mark to Market Election. The results can then be used to enter adjustments into RGS. **NOTE: This calculator can only be used to calculate tax under the OVDI program since special parameters were designed for this program.**

Directions

1. In cell L9, select the first year of the applicable disclosure period. For example, if the applicable disclosure period is 2004-2011 based on CI submission date, select 12/31/2004 regardless if 2004 is part of the actual submission.

2. Enter all PFIC Holdings held between the first and last year of the taxpayer's disclosure period. The following attributes may be required to be entered:

Description *(Required)*
Date Purchased *(Required)*
Date Sold *(If applicable)*
Sales Price *(If applicable)*
Original Cost *(Required)*

3. Enter the Fair Market Value at year end for each PFIC holding. The worksheet will highlight the cell green for required entries. **IMPORTANT: Entering a value in a cell shaded gray may result in an incorrect calculation.**

4. After entering the above information, the worksheet will calculate the tax for the disclosure period. It will also calculate interest for PFIC holdings held prior to the first year of the disclosure period, if applicable. **IMPORTANT: If any year has a net ordinary loss and the negative tax is greater than all other taxes assessed for that year, contact your Technical Advisor for guidance.**

5. A sample of how PFIC MTM should be reported on Form 906. **NOTE: This represents only PFIC transactions. Other transactions may effect the presentation. All 906's with PFIC must be approved by a Technical Advisor prior to issuance.** [Form 906, PFIC Presentation](#)

Additional Changes from 2009 Version

- Set printing to two pages for easier reading with PFIC fund name column repeating for easy reference.
- Locked unused spacer columns in input area for easier tabbing to enter data.
- Added space to input TP name/ssn.
- Added ability to change disclosure period for purposes of 2012 OVDI.

Year	Adjusted Basis	Sale or MTM Price	Realized Gain/Loss	Unreversed Inclusions	Recognized Gain/Loss	Adj Basis for Next Yr	Capital Loss
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