

Section	Primary Use	Family Members Attributed	Sibling Attribution	Entity Attribution	Percentage Thresholds	Purpose
267	Prevent loss sales	Yes	No	Yes	N/A	No deduction is allowed for any loss from the direct or indirect sale or exchange of property between related parties. Accrual-method taxpayers are prevented from deducting unpaid expenses or interest owed to a cash-method related party until the related party reports the income (matching principle).
318	Stock attribution	Yes	Yes	Yes	50% ownership for corporations	Used as the default attribution system in much of the tax code.
1563	Controlled groups	Yes	No	Yes	80% ownership for parent-subsiary group; 80% collective and 50% identical ownership for brother-sister group	Defines controlled groups of corporations for tax treatment, refers to Section 318 for ownership rules and uses strict percentage thresholds to determine group status.

For more details, see pages 2, 3, and 4 of this PDF. Consider keeping this PDF on your desktop for reference.

Also, see the following articles for in-depth coverage:

- [When Family Ties Cause Tax Trouble \(Section 267\)](#)
- [Do the Section 318 Attribution Rules Expose You to Trouble?](#)
- [IRC Section 1563: The Controlled Group Trap](#)

Attribution Type	Tax Code Section	Constructive Ownership via Attribution
Family	267(c)(2)	An individual's family includes their spouse (unless they are legally separated), siblings (including half-siblings), ancestors (parents and grandparents), and lineal descendants (children and grandchildren).
Entity-to-Individual	267(c)(1)	<ul style="list-style-type: none"> • Partnerships. Stock owned by a partnership is attributed to partners in proportion to their interest. • Corporations. Stock owned by a corporation is attributed to shareholders based on their stock ownership of the corporation's stock (by value). • Trusts or Estates. Stock owned by a trust or estate is attributed to beneficiaries proportionally to their actuarial interest.
Individual-to-Entity		There is no mechanism in Section 267 for attributing an individual's personal stock to an entity in which they have an ownership interest.
Option		Option positions are not attributed under Section 267.

Attribution Type	Tax Code Section	Constructive Ownership via Attribution
Family	318(a)(1)	Stock ownership is attributed among closely related family members—spouses (unless legally separated by divorce or separate maintenance decree), children (including legally adopted), grandchildren, and parents. It does not include siblings, stepchildren, stepparents, aunts, uncles, nieces, nephews, cousins, or in-laws.
Entity-to-Individual	318(a)(2)	<ul style="list-style-type: none"> • Partnerships. Stock owned by a partnership is attributed proportionately to all partners based on their ownership percentages, regardless of how small those percentages are. • Corporations. If you own at least 50 percent of a corporation’s value, the stock that it owns is attributed to you. • Trusts or Estates. If you’re a beneficiary, the stock the trust or estate owns is attributed based on your share.
Individual-to-Entity	318(a)(3)	<ul style="list-style-type: none"> • Partnerships. Stock owned by any partner is attributed to the partnership, regardless of the partner's ownership percentage. • Corporations. If you own at least 50 percent of a corporation, your personal stock is attributed to it. • Trusts or estates. Attribution is based on your role or benefit.
Option	318(a)(4)	If you have an option to buy stock (e.g., a contract for future shares), the IRS treats you as already owning that stock.

Attribution Type	Tax Code Section	Constructive Ownership via Attribution
Family	1563(e)(5); 1563(e)(6).	<p>The IRS treats stock owned by one spouse as owned by the other unless they are legally separated under a decree of divorce or separate maintenance.</p> <p>Parents own any interests owned by their children under the age of 21, and vice versa. If the individual owns more than 50 percent of the corporation, they are also treated as owning the stock in this corporation owned by their parents, grandparents, grandchildren, and children age 21 or over.</p> <p>Attribution under Section 1563 does not extend beyond grandchildren or grandparents among ancestors and descendants, and it does not include siblings.</p> <p>The IRS treats a legally adopted child as a biological child.</p>
Entity-to-Individual	1563(e)(2); 1563(e)(4)	An individual is considered to own stock owned, directly or indirectly, by the partnership or corporation in which they own 5 percent or more. The individual's ownership of stock is in proportion to the individual's ownership in the partnership or corporation.
Individual-to-Entity		There is no rule where an individual's direct or indirect ownership transfers upward to the entity under Section 1563.
Option	1563(e)(1)	If you have an option to acquire stock, you are considered to own that stock.