

## CLIENT ALERT

### *De facto* Debarment: Broad Contracting Prohibitions For Many Expatriate Corporations

July 10, 2009

On July 1st, the FAR Council issued a broad-reaching prohibition on using fiscal year 2006-2009 appropriated funds for contracting with any corporation (or subsidiary of a corporation) that is an inverted domestic for the purposes of the Internal Revenue Code (26 USC 7874) or would be considered an inverted domestic under the Code except for the fact that the inversion transactions were completed on or before March 4, 2003. This new rule contains a much broader prohibition on federal contracting than any previous statute or regulation, applying the tax law definition of inverted domestic (and eliminating the 2003 grandfather provision), instead of the narrower definition contained in the Department of Homeland Security statute (6 USC 395).

For more information, please contact the professional(s) listed below, or your regular Crowell & Moring contact.

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