Table of Contents

Volume 1

PART I. CHOICE OF ENTITY

CHAPTER 1. CHOICE OF ENTITY

§ 1:1	Introduction
§ 1:2	Nontax considerations
§ 1:3	Taxation of business income
§ 1:4	Capital gains exclusion and elective rollover of gain for certain small business stock
§ 1:5	Alternative minimum tax
§ 1:6	Deductibility of losses
§ 1:7	At-risk rules
§ 1:8	Passive activity loss limitations
§ 1:9	Selection of taxable year
§ 1:10	Restrictions on use of cash method
§ 1:11	Qualified plans and fringe benefits
§ 1:12	Summary of major considerations in choice of entity
§ 1:13	Classification of entity—Prior law
§ 1:14	—"Check-the-box" regulations
§ 1:15	Recognition of corporate entity
§ 1:16	Dissolution—Shareholders' liability for taxes

PART II. FRINGE BENEFITS AND DEFERRED COMPENSATION

CHAPTER 2. FRINGE BENEFITS PROVIDED BY CLOSELY HELD CORPORATIONS

§ 2:1 Introduction

I. FRINGE BENEFITS EXCLUSION UNDER SECTION 132

§ 2:2	Exclusion Under Section 132—In general
§ 2:3	—No-additional-cost services
§ 2:4	—Qualified employee discounts
§ 2:5	—Working condition fringes
§ 2:6	—De minimis fringes
§ 2:7	—Athletic facilities
§ 2:8	—Qualified transportation fringes
§ 2:9	—Qualified moving expense reimbursements
§ 2:10	Qualified retirement planning services
§ 2:11	Employee broadly defined for Section 132
§ 2:12	Qualified tuition reductions
§ 2:13	Reproduction rights
§ 2:14	Employee Achievement Awards

§ 2:15 — "Business Purpose" requirement and "Hobby Losses"

II. MEALS AND LODGING EXCLUSION

- § 2:16 In general
- § 2:17 Status as employee
- § 2:18 In-kind requirement
- § 2:19 Furnished on employer's business premises requirement
- § 2:20 For convenience of employer requirement
- § 2:21 Planning considerations

III. ACCIDENT AND HEALTH PLANS FOR EMPLOYEES

- § 2:22 In general
- § 2:23 Contributions to accident and health plans
- § 2:24 Benefits received under employee accident and health plans—In general
- § 2:25 —Plan requirements
- § 2:26 —Medical expense reimbursements
- § 2:27 —Payments on account of bodily injury
- § 2:28 —Planning considerations
- § 2:29 Medical savings accounts
- § 2:30 Health savings accounts
- § 2:31 Health FSA (Flexible Spending Account)

IV. EMPLOYEE LIFE INSURANCE

- § 2:32 In general
- § 2:33 Group-term life insurance—Introduction
- § 2:34 —Tax consequences
- § 2:35 —Definition of group-term life insurance
- § 2:36 —Applicability of Section 79 exclusion to employees only
- § 2:37 —Coverage requirements under Section 79 Regulations
- § 2:38 —Combined permanent and group-term life insurance
- § 2:39 —Section 79 statutory exceptions
- § 2:40 —Antidiscrimination rules under Section 79(d)
- § 2:41 Life Insurance—Multi employer plans
- § 2:42 Life insurance provided under qualified plans
- § 2:43 Split-dollar life insurance

V. OTHER FRINGE BENEFITS

- § 2:44 Dependent care assistance programs
- § 2:45 Educational assistance programs
- § 2:46 Cafeteria plans
- § 2:47 —Definition and tax consequences
- § 2:48 —Antidiscrimination requirements
- § 2:49 Cafeteria Plans—Simple Cafeteria Plans for Small Businesses
- § 2:50 —Reporting requirements
- § 2:51 Funded welfare plans

VI. REPEAL OF SECTION 89 ANTIDISCRIMINATION RULES

- § 2:52 Former Section 89—Exercise in futility
- § 2:53 Native Americans

CHAPTER 3. OVERVIEW OF DEFERRED COMPENSATION

I. OVERVIEW

- § 3:1 Introduction
- § 3:2 The Pension Protection Act of 2006

II. QUALIFIED PLANS

§ 3:3 Introduction to qualified plans

A. PLAN CLASSIFICATION

- § 3:4 In general
- § 3:5 Pension plans
- § 3:6 Individual account defined benefit plans
- § 3:7 Profit-sharing plans
- § 3:8 Stock bonus plans
- § 3:9 Employee stock ownership plans
- § 3:10 Money purchase pension plans
- § 3:11 SIMPLE retirement plans
- § 3:12 Cash or deferred arrangements (Section 401(k) plans)
- § 3:13 HR 10 (Keogh) plans
- § 3:14 Subchapter S plans
- § 3:15 Qualified Equity Grants—New § 83(i)

B. PLAN QUALIFICATION REQUIREMENTS

- § 3:16 Introduction
- § 3:17 In general
- § 3:18 Nondiversion of trust assets
- § 3:19 Minimum participation and coverage requirements
- § 3:20 Nondiscrimination in contributions and benefits—In general
- § 3:21 —Integration of defined contribution plans
- § 3:22 —Integration of defined benefit plans
- § 3:23 —Matching employer contributions and employee contributions
- $\S~3:24~$ —Nondiscrimination with respect to forfeitures
- § 3:25 —Special nondiscrimination tests for Section 401(k) plans
- § 3:26 —Final Section 401(a)(4) Regulations
- § 3:27 Limitations on contributions and benefits
- § 3:28 Vesting requirements
- § 3:29 Top-heavy plans
- § 3:30 Additional qualification requirements
- § 3:31 Minimum funding requirements
- § 3:32 Minimum funding standards for pension plans after the Pension Protection Act of 2006

C. DEDUCTION FOR EMPLOYER CONTRIBUTIONS

- § 3:33 In general
- § 3:34 Reasonable compensation as overall limitation
- § 3:35 Deductibility under Section 404—Profit-sharing plans and stock bonus plans

	T BBINE THEN OF CLOSE COM ON
§ 3:36	—Pension and annuity plans
§ 3:37	Multiple plans
§ 3:38	Deduction for ESOPs
§ 3:39	Excise tax on nondeductible contributions
-	
D.	DISTRIBUTIONS FROM QUALIFIED PLANS
§ 3:40	Introduction
§ 3:41	Pre-2000 taxation of lump-sum distributions
§ 3:42	Tax free rollovers
§ 3:43	Annuity treatment
§ 3:44	Distributions of employer securities
§ 3:45	Treatment of loans as distributions
§ 3:46	Mandatory distributions during lifetime
§ 3:47	Mandatory distributions at death
§ 3:48	Early distributions—Additional taxes Excise toy for failure to make required distributions
§ 3:49	Excise tax for failure to make required distributions
III. S	IMPLIFIED PLANS AND IRAS
§ 3:50	Simplified plans—In general
§ 3:51	Individual retirement accounts (IRAs)—In general
§ 3:52	—Deductible and nondeductible employee contributions to traditional IRAs
§ 3:53	—Distributions from traditional IRAs
§ 3:54	—Roth IRAs
§ 3:55	Simplified employee pension plans—Expanded IRAs
§ 3:56	—Statutory requirements for simplified employee pension plans
§ 3:57	—Distributions from simplified employee pension plans
§ 3:58	—SEP deductions and Section 404
§ 3:59	—IRS model plan
IV. P	LAN ADMINISTRATION, DISCLOSURE AND REPORTING
R	EQUIREMENTS
§ 3:60	Plan administration—In general
A.	DISCLOSURE REQUIREMENTS
§ 3:61	Disclosure to participants and beneficiaries
§ 3:62	Summary plan description
§ 3:63	Summary annual report
§ 3:64	Other mandatory disclosure requirements
§ 3:65	Disclosure upon request
В.	REPORTING REQUIREMENTS
§ 3:66	In general
§ 3:67	ERISA labor provisions
§ 3:68	ERISA reporting requirements under Internal Revenue Code
§ 3:69	Form 5500 series—Single integrated reporting requirement
C.	FIDUCIARY RESPONSIBILITY STANDARDS

§ 3:70 In general

TABLE	of Contents	
§ 3:71	ERISA labor provisions regulating fiduciary conduct—In general	
§ 3:72	Definition of fiduciary, named fiduciary, and party in interest	
§ 3:73	General fiduciary responsibility standards	
§ 3:74	Delegation of fiduciary responsibility	
§ 3:75	Self-dealing transactions	
§ 3:76	•	
§ 3:77	—Prohibition against transactions between plan and party in interest	
§ 3:78		
§ 3:79		
§ 3:80	—Excise tax on prohibited transactions under Internal Revenue Code	
Ι	D. PLAN TERMINATION INSURANCE	
§ 3:81	In general	
§ 3:82	Functions of pension benefit guaranty corporation	
§ 3:83	Applicability of plan termination insurance requirements	
§ 3:84	Effect of coverage under pension benefit guaranty corporation	
§ 3:85	Notification requirements for plan termination	
V. NONQUALIFIED DEFERRED COMPENSATION PLANS		
§ 3:86	In general	
§ 3:87	Overview of tax aspects of nonqualified deferred compensation plans	
§ 3:88	Income realization; Cash receipts and disbursements method of accounting	
§ 3:89	Constructive receipt doctrine	
§ 3:90	Economic benefit doctrine	
§ 3:91	Treatment of nonqualified deferred compensation plans under Section 409A	
§ 3:92	Employer deductions for contributions to nonqualified plans	
§ 3:93	Gift and estate tax considerations	
§ 3:94	Application of ERISA to nonqualified plans	
VI.	CONSIDERATIONS IN PLAN SELECTION	
§ 3:95	Introduction to plan selection	
§ 3:96	Plan selection—General planning considerations	
§ 3:97	—Comparison of corporate plans with Keogh (HR-10) plans	
§ 3:98	Factors suggesting the selection of a defined contribution plan	
§ 3:99	Special considerations in establishing qualified plans for close	

8 0.00	introduction to plan selection
§ 3:96	Plan selection—General planning considerations
§ 3:97	—Comparison of corporate plans with Keogh (HR-10) plans
§ 3:98	Factors suggesting the selection of a defined contribution pla
§ 3:99	Special considerations in establishing qualified plans for clocorporations
§ 3:100	Selection of Section 401(k) plans
§ 3:101	Selection of a SIMPLE plan
§ 3:102	Selection of ESOPs
§ 3:103	—ESOP as a capital financing technique
§ 3:104	—Use of an ESOP to provide a market for the stock
§ 3:105	Inherent limitations of ESOPs for closely held corporations
§ 3:106	Factors suggesting the selection of a defined benefit plan
§ 3:107	Selection of nonqualified plans
§ 3:108	—Advantages of nonqualified plans
§ 3:109	—Disadvantages of nonqualified plans
§ 3:110	—When to select a nonqualified plan

PART III. CORPORATE FORMATION

CHAPTER 4. TAX ASPECTS OF INCORPORATION

- § 4:1 Introduction
- § 4:2 Transfer of property
- § 4:3 —Definition of property
- § 4:4 —Services as not constituting property
- § 4:5 —Definition of transfer
- § 4:6 Transfer by one or more persons
- § 4:7 Transfers resulting in total nonrecognition of gain or loss—In general
- § 4:8 —Certain preferred stock treated as boot
- § 4:9 —Exchange requirement
- § 4:10 —Policy underlying nonrecognition treatment
- § 4:11 —Stock or securities
- § 4:12 —Definition of stock
- § 4:13 —Definition of securities
- § 4:14 —Related parties (hybrid entities)
- § 4:15 Receipt of boot
- § 4:16 —Recognition and character of gain
- § 4:17 —What constitutes boot
- § 4:18 —Timing problems
- § 4:19 Assumption of liabilities—In general
- § 4:20 —Nonrecognition of gain; General rule
- § 4:21 —Tax-motivated transaction exception
- § 4:22 —Liabilities in excess of basis exception
- § 4:23 Control requirement
- § 4:24 —Immediately after exchange requirement
- § 4:25 Tax treatment of transferee corporation
- § 4:26 Determination of transferor's basis
- § 4:27 Determination of transferee corporation's basis
- § 4:28 Holding period for transferor
- § 4:29 Holding period of property acquired by transferee
- § 4:30 Sections 351 and 304 overlap
- § 4:31 Taxable incorporations
- § 4:32 —Advantages of taxable incorporations
- § 4:33 —Intentional avoidance of Section 351
- § 4:34 Special problems of incorporating existing business
- § 4:35 —Accounting elections and method
- § 4:36 —Recapture of depreciation
- § 4:37 —Midstream transfer of income items
- § 4:38 —Application of tax benefit rule
- § 4:39 —Incorporation of partnerships
- § 4:40 Relationship of Section 351 to reorganization provisions
- § 4:41 Application of Section 351 to investment companies

CHAPTER 5. CLOSELY HELD CORPORATION'S CAPITAL STRUCTURE

I. INTRODUCTION

§ 5:1 Overview

- § 5:2 Advantages of debt in capital structure
- § 5:3 Tax impact of reclassifying debt and stock
- § 5:4 Statutory authority to restructure

II. DEBT OR STOCK: OVERVIEW OF FACTORS EXAMINED BY JUDICIARY

- § 5:5 In general
- § 5:6 Formal indicia of debt
- § 5:7 Non-pro rata holding of stock and debt
- § 5:8 Secured instruments and subordination
- § 5:9 Thin capitalization doctrine
- § 5:10 Expectation of repayment
- § 5:11 Miscellaneous factors in debt-equity classification

III. NATURE OF GAIN OR LOSS ON DISPOSITION OF STOCK AND DEBT

- § 5:12 In general
- § 5:13 Loss on stock—General rule
- § 5:14 Loss on debt if security
- § 5:15 Loss on debt that is not security
- § 5:16 Loss for corporate shareholders
- § 5:17 Shareholder guarantee of third-party loans
- $\S~5{:}18$ Loss on Section 1244 stock—Introduction
- § 5:19 Eligible shareholders under Section 1244
- § 5:20 Limitation on ordinary loss deduction
- § 5:21 Definition of Section 1244 stock—Overview
- § 5:22 —Type of stock
- § 5:23 —Stock of domestic corporation
- § 5:24 —Small business corporation requirement
- § 5:25 —Stock issued before November 7, 1978
- § 5:26 —Stock issued for money or other property requirement
- § 5:27 —Gross receipts test
- § 5:28 Section 1244 stock received in corporate restructuring
- § 5:29 Section 1244 record-keeping requirements

IV. PASSIVE LOSS RULES

- § 5:30 Overview
- § 5:31 —Relationship to investment interest limitation
- § 5:32 —Issues affecting capital structure of C corporations
- § 5:33 —Issues affecting capital structure of S corporations

V. IMPUTED INTEREST RULES

- § 5:34 Overview
- § 5:35 Historical background of OID and Section 483
- § 5:36 —Close corporation context
- § 5:37 Section 1274 versus Section 483—Difference in timing
- § 5:38 Applicability of Section 483 versus Section 1274
- § 5:39 Determination of original issue discount
- § 5:40 Market discount bonds

- § 5:41 Below market rate loans under Section 7872
- § 5:42 Disqualified portion of OID on certain high-yield obligations

PART IV. CORPORATE DISTRIBUTIONS

CHAPTER 6. NONLIQUIDATING DISTRIBUTIONS OF CASH AND PROPERTY

- § 6:1 Introduction
- § 6:2 Nonliquidating distributions—Three-tiered approach
- § 6:3 Dividend defined
- § 6:4 Earnings and profits defined
- § 6:5 —Additions to taxable income in determining earnings and profits
- § 6:6 —Subtractions from taxable income in determining earnings and profits
- § 6:7 —Tax accounting rules applicable in determining earnings and profits
- § 6:8 Constructive distributions
- § 6:9 —Bargain sales or rentals
- § 6:10 —Advances to shareholders
- § 6:11 —Excessive compensation
- § 6:12 —Other constructive dividends
- § 6:13 Intercorporate dividends received deduction
- § 6:14 —Statutory restrictions on dividends received deduction
- § 6:15 Distributions of property—Overview and historical background
- § 6:16 —Corporate level gain or loss on distributions of property
- § 6:17 —Tax consequences of property distributions to shareholders
- § 6:18 Effect of distributions on earnings and profits
- § 6:19 Distribution of corporation's own obligations

CHAPTER 7. STOCK DIVIDENDS

- § 7:1 Introduction
- § 7:2 Historical background
- § 7:3 Overview of Section 305
- § 7:4 Option to receive stock or property under Section 305(b)(1)
- § 7:5 Disproportionate distributions under Section 305(b)(2)—In general
- § 7:6 —Requisite connection
- § 7:7 —Deemed distributions
- § 7:8 —Fractional shares
- § 7:9 Distributions of common and preferred stock under Section 305(b)(3)
- § 7:10 Distributions on preferred stock under Section 305(b)(4)—In general
- § 7:11 —Redemption premiums and Section 305(b)(4) constructive distributions— In general
- § 7:12 ——Redemption premiums arising from recapitalizations
- § 7:13 Distributions of convertible preferred stock under Section 305(b)(5)
- § 7:14 Constructive distributions under Section 305(c)
- § 7:15 —Recapitalizations and Section 305(c) constructive distributions
- § 7:16 Tax consequences of nontaxable stock dividend and stock rights distributions
- § 7:17 Tax consequences of taxable stock and stock rights distributions

PART V. PENALTY TAXES

CHAPTER 8. ACCUMULATED EARNINGS TAX

- § 8:1 Corporation's motive in retaining earnings
- § 8:2 Overview of the accumulated earnings tax
- § 8:3 Corporations subject to accumulated earnings tax
- § 8:4 Forbidden purpose—In general
- § 8:5 —Factors considered
- § 8:6 Presumptions and burden of proof
- § 8:7 Reasonable needs of business
- § 8:8 —Definition of "business"
- § 8:9 —Business expansion or plant replacement
- § 8:10 —Business risks and contingencies
- § 8:11 —Retirement of debt
- § 8:12 —Working capital needs
- § 8:13 —Investments in or loans to suppliers or customers
- § 8:14 —Reasonably anticipated needs
- § 8:15 Stock redemptions as reasonable business needs
- § 8:16 —Section 303 stock redemption as reasonable business needs
- § 8:17 —Excess business holdings redemption as reasonable business needs
- § 8:18 Other business needs
- § 8:19 Earnings available to meet reasonable needs
- § 8:20 Computation of accumulated earnings tax
- § 8:21 Accumulated taxable income—Tax base
- § 8:22 —Adjustments to taxable income
- § 8:23 —Dividends paid deduction
- § 8:24 —Accumulated earnings credit

CHAPTER 9. PERSONAL HOLDING COMPANY TAX

- § 9:1 Introduction and historical background
- § 9:2 Definition of personal holding company
- § 9:3 Exempt corporations
- § 9:4 Stock ownership test
- § 9:5 —Attribution rules
- § 9:6 Sixty percent income test
- § 9:7 —Definition of ordinary gross income
- § 9:8 —Definition of adjusted ordinary gross income
- § 9:9 Personal holding company income
- § 9:10 —Dividends, interest, annuities and royalties
- § 9:11 —Exception for active business computer software royalties
- § 9:12 —Mineral, oil and gas royalties
- § 9:13 —Copyright royalties
- § 9:14 —Rents
- § 9:15 —Produced film rents
- § 9:16 —Use of corporate property by shareholders
- § 9:17 —Personal service contracts
- § 9:18 —Estates and trusts
- § 9:19 Undistributed personal holding company income—Tax base
- § 9:20 —Adjustments to taxable income
- § 9:21 —Special adjustment for companies which would have been personal holding companies

- § 9:22 —Deduction for dividends paid
- § 9:23 —Liquidations of personal holding companies
- § 9:24 Deficiency dividends
- § 9:25 Subchapter S

PART VI. REDEMPTIONS

CHAPTER 10. REDEMPTIONS UNDER SECTION 302

- § 10:1 Introduction
- § 10:2 Historical background and overview
- § 10:3 Stock attribution rules
- § 10:4 Complete termination of shareholder's interest
- § 10:5 —Waiver of family attribution rules
- § 10:6 —Waiver of family attribution rules by entities
- § 10:7 Substantially disproportionate redemptions
- § 10:8 Redemptions not essentially equivalent to dividends
- § 10:9 Partial liquidations
- § 10:10 —Contraction of business test
- § 10:11 —Termination of active business
- § 10:12 Tax consequences to corporation—Cross reference
- § 10:13 Effect of redemption on earnings and profits
- § 10:14 Computation of gain or loss to shareholder
- § 10:15 Basis of distributed property to shareholder
- § 10:16 Use of redemptions in bootstrap acquisitions and buy-sell agreements
- § 10:17 —Concerns of seller
- § 10:18 —Potential constructive dividends for buyer or continuing shareholders
- § 10:19 —Potential Section 305(b) distribution to buyer
- § 10:20 Redemptions by affiliated corporations under Section 304
- $\S~10:21$ Section 303 stock redemptions
- § 10:22 Preferred stock bailouts
- § 10:23 Stock redemptions by S corporations

CHAPTER 11. REDEMPTION TO PAY DEATH TAXES

§ 11:1 Introduction

I. REQUIREMENTS FOR SECTION 303 QUALIFICATION

- § 11:2 In general
- § 11:3 Stock included in owner-decedent's gross estate
- § 11:4 Redemption of stock required
- § 11:5 Stock eligible for redemption
- § 11:6 Property in exchange for stock—In general
- § 11:7 —Installment notes
- § 11:8 Appreciated property in exchange for stock
- § 11:9 Percentage of ownership requirements—Historical overview
- § 11:10 —Stock value in excess of 35% of adjusted gross estate
- § 11:11 —Aggregation rule

II. LIMITATIONS ON AMOUNTS THAT MAY BE REDEEMED

§ 11:12 In general

TABLE OF	Contents	
-	Death taxes defined Administrative expenses—Amount allowable —Interest on deferred taxes as administrative expense Reduced interest rule	
III. R	ELATIONSHIP OF SECTION 303 TO SECTION 6166	
§ 11:17 § 11:18 § 11:19	In general Effect of special redemption rule —Relationship of Section 303 to Section 6166 acceleration rule	
IV. TA	AX CONSEQUENCES UPON SECTION 303 REDEMPTION	
	Tax consequences to shareholder Tax consequences to redeeming corporation —Funding redemption with life insurance; Tax problems —Accumulated earnings tax problems —Recognition of corporate gain upon redemption —Effect on earnings and profits	
V. PLANNING FOR QUALIFICATION UNDER SECTION 303		
\$ 11:26 \$ 11:27 \$ 11:28 \$ 11:29 \$ 11:30 \$ 11:31	In general Adjusting ratio by inter vivos transfers Inapplicability of Section 318 attribution rules Use of holding companies Parent-subsidiary operating companies Use of alternate valuation date	
CITAD	TED 10 DEDEMOTIONS DV AFEII IATED	

CHAPTER 12. REDEMPTIONS BY AFFILIATED CORPORATIONS UNDER SECTION 304

COLU	OLULII OLI OLI OLI OLI OLI OLI OLI OLI OLI
§ 12:1	Introduction
§ 12:2	Acquisition by brother-sister corporation
§ 12:3	—Control requirement
§ 12:4	—Testing for exchange treatment under Sections 302 and 303
§ 12:5	—Treatment of stock acquisition as dividend
§ 12:6	—Collateral effects of brother-sister acquisition
§ 12:7	Acquisition of parent stock by subsidiary
§ 12:8	—Control requirement
§ 12:9	—Testing for Section 302 exchange treatment
§ 12:10	—Treatment of acquisition by subsidiary as dividend
§ 12:11	—Collateral effects of acquisition by subsidiary
§ 12:12	Application of Section 304 to holding companies
§ 12:13	—Historical background; Conflict of Sections 304 and 351
§ 12:14	—Priority Section 304 over Section 351
§ 12:15	—Exceptions to general priority of Section 304
§ 12:16	—Section 306 stock in holding company transactions—Cross-references
§ 12:17	Section 304 and mirror-subsidiary transactions

CHAPTER 13. PREFERRED STOCK BAILOUTS

- § 13:1 Introduction and historical background
- § 13:2 Overview of Section 306

§ 13:3	Definition of Section 306 stock—In general
§ 13:4	Stock received as nontaxable stock dividend
§ 13:5	Section 306(c)(2) exception where no earnings and profits
§ 13:6	Stock received in corporate reorganizations
§ 13:7	—Substantially same effect as stock dividend
§ 13:8	—Stock received in exchange for Section 306 stock
§ 13:9	Stock received in formation of holding company
§ 13:10	—Stock with transferred or substituted basis
§ 13:11	Applicability of special rules when defining Section 306 stock
§ 13:12	Basis of Section 306 stock
§ 13:13	Tax consequences to shareholder of disposition of Section 306 stock (not in redemption)—Overview
§ 13:14	—Dispositions covered by Section 306(a)(1)
§ 13:15	—Special problems in connection with Section 306(a)(1) dispositions
§ 13:16	Tax consequences to shareholders on redemption of Section 306 stock
§ 13:17	Statutory exceptions to Section 306—Overview of Section 306(b)
§ 13:18	—Termination of shareholder's interest
§ 13:19	—Complete liquidation: Section 306(b)(2) exception
§ 13:20	—Exception for nontaxable exchanges
§ 13:21	—Transactions not in avoidance of federal income tax under Section
	306(b)(4)
§ 13:22	—Application of Section 306 stock to S corporation

PART VII. LIQUIDATIONS AND RELATED TRANSACTIONS

CHAPTER 14. COMPLETE LIQUIDATIONS UNDER SECTIONS 331 AND 336

SEC I.	1011S 331 A1D 330
§ 14:1	Introduction
§ 14:2	Tax consequences to shareholders
§ 14:3	—Series of distributions
§ 14:4	—Distributions of installment obligations
§ 14:5	—Basis of property received by shareholders
§ 14:6	Tax consequences to liquidating corporation—Pre-1987 law
§ 14:7	Tax consequences to liquidating corporations after Tax Reform Act of 1986—General rule
§ 14:8	—Treatment of liabilities
§ 14:9	—Exceptions for liquidations which are part of reorganization
§ 14:10	—Limitations on recognition of losses—Distributions to related persons
§ 14:11	— — Dispositions of certain transferred basis property acquired for tax-avoidance purpose
§ 14:12	—Application of judicial principles after Tax Reform Act of 1986
§ 14:13	—Court holding company doctrine
§ 14:14	—Liquidating corporation's deductions
§ 14:15	Liquidation—Reincorporation
§ 14:16	Complete liquidation of subsidiaries—Cross-reference
§ 14:17	Deemed asset purchases under Section 338—Cross-reference
§ 14:18	Allocation of purchase price in asset acquisitions
§ 14:19	Amortization of intangible assets under Section 197
§ 14:20	—Section 197 intangible assets—Defined

- § 14:21 —Disposition of Section 197 intangibles
- § 14:22 —Nonrecognition transfers and other special rules

CHAPTER 15. COMPLETE LIQUIDATION OF SUBSIDIARIES

- § 15:1 Introduction
- § 15:2 Requirements of Section 332—In general
- § 15:3 —Eighty percent stock ownership requirement
- § 15:4 —Plan of liquidation
- § 15:5 —Time limits for distributions
- § 15:6 Tax consequences—To parent
- § 15:7 —To minority shareholders
- § 15:8 Tax consequences to subsidiary
- § 15:9 Treatment of intercorporate debt
- § 15:10 Insolvent subsidiary
- § 15:11 Mirror subsidiary transactions
- § 15:12 Regulatory authority to prevent avoidance of general utilities repeal
- § 15:13 Elections under Section 336(e)
- § 15:14 Section 338 deemed asset purchases—Cross-reference

CHAPTER 16. DEEMED ASSET PURCHASES UNDER SECTION 338

- § 16:1 Introduction
- § 16:2 Historical background
- § 16:3 Overview of Section 338
- § 16:4 Qualified stock purchase requirement
- § 16:5 Election—In general
- § 16:6 —Deemed election
- § 16:7 Section 338(h)(10) election

CHAPTER 17. COLLAPSIBLE CORPORATIONS

- § 17:1 Introduction
- § 17:2 Historical background and scope of Section 341
- § 17:3 Definition of collapsible corporations—In general
- § 17:4 —Corporation formed or availed of
- § 17:5 —Principally for manufacture, construction or production of property
- § 17:6 —Purchase of Section 341 assets
- § 17:7 —Tainted view to collapse
- § 17:8 —Before realization by corporation of two-thirds of taxable income from property
- § 17:9 —Realization by shareholders of gain attributable to property
- § 17:10 Presumption of collapsibility
- § 17:11 Exceptions to application of Section 341—Stock ownership exception; 70 percent rule; Three-year rule
- § 17:12 —Special exception for nondealers—Section 341(e)
- § 17:13 —Consent election

Volume 2

PART VIII. CORPORATE REORGANIZATIONS CHAPTER 18. ACQUISITIVE REORGANIZATIONS

I. OVERVIEW

- § 18:1 Introduction
- § 18:2 Types of reorganizations

II. JUDICIAL DOCTRINES APPLICABLE TO ACQUISITIVE REORGANIZATIONS

- § 18:3 Introduction
- § 18:4 Continuity of proprietary interest doctrine
- § 18:5 —Definition of equity under qualitative test
- § 18:6 —Quantitative test under Minnesota Tea; Percentage equity required
- § 18:7 —Remote continuity doctrine
- § 18:8 —Duration of requisite continuity prior to 1998 regulations
- § 18:9 1998 continuity of interest regulations
- § 18:10 —Current relevancy of continuity of interest doctrine
- § 18:11 Continuity of business enterprise doctrine
- § 18:12 Business purpose doctrine
- § 18:13 Step transaction doctrine

III. TYPE A REORGANIZATIONS

- § 18:14 Introduction
- § 18:15 Flexible consideration
- § 18:16 Unwanted assets
- § 18:17 Dissenting shareholders and continuity of interest
- § 18:18 Remote continuity
- § 18:19 Overlap with other code provisions

IV. TYPE B REORGANIZATIONS

- § 18:20 Introduction
- § 18:21 Solely for voting stock requirement—"Voting stock" defined
- § 18:22 —"Solely" defined
- § 18:23 —Options, warrants and conversion rights
- § 18:24 —Reorganization expenses
- § 18:25 —Assumption of liabilities
- § 18:26 —Disguised
- § 18:27 Control requirement—In general
- § 18:28 —Effect of prior redemptions and recapitalizations
- § 18:29 —Control through series of acquisitions
- § 18:30 Triangular B reorganizations
- § 18:31 Effect of liquidation of target on B reorganization status

V. TYPE C REORGANIZATIONS

§ 18:32 Introduction

§ 18:33	Substantially all of properties requirement—In general
§ 18:34	—Nature of properties retained
§ 18:35	—Retention of assets to retire liabilities
§ 18:36	—Percentage of total assets and net assets
§ 18:37	—Timing of determination of target's assets
§ 18:38	—Illustrative examples
§ 18:39	Permissible consideration—In general
§ 18:40	—Voting stock for Type C reorganizations—Cross-reference
§ 18:41	—Disregarding of liabilities in certain situations
§ 18:42	—Assumption of liabilities and reorganization expenses
§ 18:43	—Relaxing rule of Section 368(a)(2)(B)
§ 18:44	Triangular C reorganizations
§ 18:45	Requirement that target corporation must liquidate
§ 18:46	Overlap with other code provisions

VI. TRIANGULAR A MERGERS

§ 18:47	Introduction
§ 18:48	Forward Triangular A reorganizations—In general
§ 18:49	—Requirement that subsidiary be surviving corporation
§ 18:50	—Substantially all properties requirement
§ 18:51	—Continuity of interest
§ 18:52	—No stock of subsidiary allowed to be used
§ 18:53	—Illustrative examples of forward Triangular A reorganizations
§ 18:54	Reverse Triangular A reorganization—In general
§ 18:55	—Subsidiary corporations
§ 18:56	—Substantially all properties requirement
§ 18:57	—Control for parent voting stock
§ 18:58	—Permissible consideration

VII. TYPE D REORGANIZATIONS

§ 18:59 In general

VIII. TAX CONSEQUENCES OF ACQUISITIVE REORGANIZATIONS

§ 18:60	Introduction
§ 18:61	Definition of party to reorganization
§ 18:62	Plan of reorganization defined
§ 18:63	Tax consequences to corporate transferors
§ 18:64	Tax consequences to corporate transferors upon distribution to shareholders and security holders
§ 18:65	Tax consequences to corporate transferees
§ 18:66	Tax consequences to shareholder and security holders—In general
§ 18:67	—Property constituting stock and securities
§ 18:68	—Receipt of boot property
§ 18:69	—Basis of shares and securities received
§ 18:70	—Section 306 stock problems
§ 18:71	—Section 305 stock problems
§ 18:72	Variable Prepaid Forward Contracts (VPFCs)

CHAPTER 19. REORGANIZATIONS INVOLVING CORPORATE RESTRUCTURINGS

§ 19:1 Introduction

§ 19:2	Nondivisive D reorganizations
§ 19:3	Recapitalizations—Overview
§ 19:4	Requirements for Type E recapitalizations
§ 19:5	—Bazley v. Commissioner
§ 19:6	Stock-for-stock recapitalizations
§ 19:7	Securities-for-stock recapitalizations
§ 19:8	Stock-for-securities recapitalizations
§ 19:9	Securities-for-securities exchange—Overview
§ 19:10	—Boot securities
§ 19:11	—Interest arrearages
§ 19:12	—Original issue discount, unstated interest and market discount—In general
§ 19:13	— Original issue discount and unstated interest prior to 1984 rules
§ 19:14	——1984 Original issue discount rules
§ 19:15	— — Market discount
§ 19:16	—Effect of securities-for-securities exchanges at corporate level
§ 19:17	Recapitalization and estate freezes
§ 19:18	Type F reorganizations—Overview
§ 19:19	—Multiple operating companies and Type F reorganizations
§ 19:20	Type G reorganizations
§ 19:21	Liquidation reincorporation doctrine—Cross-reference
§ 19:22	Tax consequences to corporations, shareholders and security holders— Overview
§ 19:23	Party to reorganization defined
§ 19:24	Tax consequences to corporate transferors upon asset transfers
§ 19:25	—Tax consequences to corporate transferors upon distributions to shareholders and security holders
§ 19:26	Tax consequences to corporate transferees
§ 19:27	Tax consequences to shareholders and security holders—In general
§ 19:28	—Receipt of boot property
§ 19:29	—Basis of shares and securities received
§ 19:30	—Section 306 stock problems in corporate restructurings
§ 19:31	—Section 305 stock problems in corporate restructurings—Cross-reference

CHAPTER 20. CORPORATE DIVISIONS

§ 20:1 Introduction

I. REQUIREMENTS FOR NONTAXABLE CORPORATE DIVISIONS

§ 20:2	Overview of statutory provisions
§ 20:3	Controlled subsidiary requirement
§ 20:4	Tax free distribution of solely stock or securities
§ 20:5	—Extent of distribution
§ 20:6	Nonstatutory requirement of business purpose
§ 20:7	Nonstatutory requirement of continuity of interest
§ 20:8	Device test—In general
§ 20:9	—Overview of device restriction under new regulations
§ 20:10	—Device factors
§ 20:11	—Nondevice factors
§ 20:12	—Illustrative examples of device clause
§ 20:13	—Transactions ordinarily not device
§ 20:14	Active business requirement—In general

§ 20:15	—Vertical division of single business
§ 20:16	—Horizontal division of single business
§ 20:17	—Investment property
§ 20:18	—Ownership of real estate as active business
§ 20:19	—Use of independent contractors
§ 20:20	—Five-year rule
§ 20:21	—Acquisitions within five-year period—Special problems

II. TAX CONSEQUENCES UPON SECTION 355 CORPORATE DIVISIONS

§ 20:22	In general
§ 20:23	Nonrecognition of gain or loss to distributing corporation upon transfer of assets to subsidiary
§ 20:24	—Assumption of liabilities by subsidiary
§ 20:25	—Recapture of investment tax credit by transferor corporation
§ 20:26	Tax consequences to transferee subsidiary—In general
§ 20:27	—Carryover of tax attributes to controlled subsidiary
§ 20:28	Tax consequences to distributing corporation upon distribution to shareholders
§ 20:29	—Tax consequences upon a disqualified distribution
§ 20:30	—Nonqualified property in connection with morris trust transaction
§ 20:31	—Effect of distribution on tax attributes
§ 20:32	Tax consequences to shareholder—In general
§ 20:33	—Receipt of boot property
§ 20:34	—Basis and holding period of stock and securities received

III. OTHER ISSUES

§ 20:35 Section 306 stock § 20:36 Subchapter S corporations

CHAPTER 21. REORGANIZATIONS INVOLVING AFFILIATED CORPORATIONS, S CORPORATIONS AND OTHER SPECIAL REORGANIZATION PROBLEMS

§ 21:1 Introduction

I. REORGANIZATIONS INVOLVING AFFILIATED CORPORATIONS

- § 21:2 Overview
- § 21:3 Parent-subsidiary corporate combinations
- § 21:4 Brother-sister corporate combinations
- § 21:5 Asset acquisitions; Bausch & Lomb doctrine

II. UNWANTED ASSET PROBLEM

- § 21:6 In general
- § 21:7 Taxable dispositions of unwanted assets
- § 21:8 Nontaxable spin-off coupled with acquisitive reorganizations

III. LIQUIDATION-REINCORPORATION DOCTRINE

§ 21:9 In general

- § 21:10 Judicial decisions under 1939 Code
- § 21:11 Liquidation-reincorporation under 1954 and 1986 Codes—In general
- § 21:12 —Type D reorganizations
- § 21:13 —Type E and Type F reorganizations

IV. ACQUISITIONS WITH DEFERRED OR CONTINGENT CONSIDERATION

- § 21:14 Overview
- § 21:15 Contingent rights to acquire additional stock
- § 21:16 Escrow transactions

V. REORGANIZATIONS AND S CORPORATIONS

- § 21:17 Overview
- § 21:18 Pre-1982 law
- § 21:19 Post-1982 law
- § 21:20 Application of Section 1374
- § 21:21 LIFO recapture under Section 1363(d)
- § 21:22 Other problems

VI. REFORM PROPOSALS

§ 21:23 1985 Senate Finance Committee Report

CHAPTER 22. CORPORATE TAX ATTRIBUTES

- § 22:1 Introduction
- § 22:2 Survival of tax attributes prior to 1954 Code
- § 22:3 Overview of Section 381
- § 22:4 Transactions subject to Section 381
- § 22:5 Operating rules of Section 381(b)
- § 22:6 Section 381(c) carryover items—In general
- $\S~22:7$ —Net operating loss carryovers—Section 381(c)(1)
- § 22:8 —Carryover of earnings and profits—Section 381(c)(2)
- § 22:9 —Capital loss carryovers—Section 381(c)(3)
- § 22:10 ——Accounting methods—Section 381(c)(4)
- § 22:11 ——Recovery of tax benefit items—Section 381(c)(12)
- § 22:12 ——Assumption of liabilities—Section 381(c)(16)
- § 22:13 ——Carryover of certain credits—Section 381(c)(25)
- § 22:14 —Other Section 381(c) carryover items
- § 22:15 Restrictions on NOL carryovers and other tax attributes—Overview
- § 22:16 Introduction to Section 269
- § 22:17 —Scope of Section 269
- § 22:18 —Acquisitions of control—Section 269(a)(1)
- § 22:19 —Acquisitions of property with carryover basis—Section 269(a)(2)
- § 22:20 Introduction to Section 269—Section 269 and tainted purpose
- § 22:21 Overview of limitations on tax attributes in consolidated return setting
- § 22:22 Old Section 382 of 1954 Code
- § 22:23 Sections 382 and 383—A new approach
- § 22:24 Statutory overview of Section 382
- § 22:25 Definitions of loss corporation, old loss corporation and new loss corporation
- § 22:26 Ownership change—In general

\$ 22:28 —Stock ownership on basis of value \$ 22:29 —What stock is included in determining whether ownership change has occurred \$ 22:30 —Constructive ownership of stock for Section 382 purposes \$ 22:31 —Owner shift involving 5% shareholder \$ 22:32 —Definition of equity structure shift \$ 22:33 —Section 382(g)(4) special rules for aggregation and segregation \$ 22:34 —Section 382(g)(4) rules for multiple transactions \$ 22:35 —Section 382(g)(4) rules for worthless stock \$ 22:36 —Formation of holding company \$ 22:37 —Testing period \$ 22:38 —Definition of prechange losses, change date, postchange years and loss ordering rules \$ 22:40 —Value of loss corporation and Section 382 limitation \$ 22:41 —Long-term tax-exempt rate \$ 22:42 —Special rule for postchange year that includes change date \$ 22:42 —Adjustment for recognized built-in gains and Section 338 gain \$ 22:44 —Adjustment for recognized built-in gains and Section 338 gain \$ 22:45 —Treatment of built-in losses \$ 22:46 Continuity of business enterprise requirement \$ 22:47 Special Section 382 rules for certain financially distressed corporations \$ 22:49 Relationship of Section 382 to other loss limitation rules \$ 22:50 Overview of Section 384 \$ 22:51 Libson Shops doctrine \$ 22:52 Libson Shops doctrine \$ 22:53 Corporate equity reduction transactions and NOL carrybacks \$ 22:55 Inflation Reduction Act—Electric Vehicle Credits \$ Inflation Reduction Act—Transfer of eligible credits	§ 22:27	—Definition of 5% shareholder
occurred \$ 22:30 —Constructive ownership of stock for Section 382 purposes \$ 22:31 —Owner shift involving 5% shareholder \$ 22:32 —Definition of equity structure shift \$ 22:33 —Section 382(g)(4) special rules for aggregation and segregation \$ 22:34 —Section 382(g)(4) rules for multiple transactions \$ 22:35 —Section 382(g)(4) rules for worthless stock \$ 22:36 —Formation of holding company \$ 22:37 —Testing period \$ 22:38 —Definition of prechange losses, change date, postchange years and loss ordering rules \$ 22:39 Application of Section 382 limitation—In general \$ 22:40 —Value of loss corporation and Section 382 limitation \$ 22:41 —Long-term tax-exempt rate \$ 22:42 —Special rule for postchange year that includes change date \$ 22:42 —Adjustment for recognized built-in gains and Section 338 gain \$ 22:45 —Treatment of built-in losses \$ 22:46 Continuity of business enterprise requirement \$ 22:47 Special Section 382 rules for certain financially distressed corporations \$ 22:48 Regulatory authority \$ 22:49 Relationship of Section 382 to other loss limitation rules Overview of Section 384 \$ 22:50 Overview of Section 384 \$ 22:51 Libson Shops doctrine \$ 22:52 Libson Shops doctrine \$ 22:53 Corporate equity reduction transactions and NOL carrybacks \$ 1nflation Reduction Act—Electric Vehicle Credits	§ 22:28	—Stock ownership on basis of value
\$ 22:30 —Constructive ownership of stock for Section 382 purposes \$ 22:31 —Owner shift involving 5% shareholder \$ 22:32 —Definition of equity structure shift \$ 22:33 —Section 382(g)(4) special rules for aggregation and segregation \$ 22:34 —Section 382(g)(4) rules for multiple transactions \$ 22:35 —Section 382(g)(4) rules for worthless stock \$ 22:36 —Formation of holding company \$ 22:37 —Testing period \$ 22:38 —Definition of prechange losses, change date, postchange years and loss ordering rules \$ 22:39 Application of Section 382 limitation—In general \$ 22:40 —Value of loss corporation and Section 382 limitation \$ 22:41 —Long-term tax-exempt rate \$ 22:42 —Special rule for postchange year that includes change date \$ 22:43 —Unused Section 382 limitation carryover \$ 22:44 —Adjustment for recognized built-in gains and Section 338 gain \$ 22:45 —Treatment of built-in losses \$ 22:46 Continuity of business enterprise requirement \$ 22:47 —Special Section 382 rules for certain financially distressed corporations \$ 22:48 Regulatory authority \$ 22:49 Relationship of Section 382 to other loss limitation rules \$ 22:49 Overview of Section 383 \$ 22:51 Overview of Section 384 \$ 22:52 Libson Shops doctrine \$ 22:53 Corporate equity reduction transactions and NOL carrybacks \$ 21:54 Inflation Reduction Act—Electric Vehicle Credits	§ 22:29	—What stock is included in determining whether ownership change has
\$ 22:31 —Owner shift involving 5% shareholder \$ 22:32 —Definition of equity structure shift \$ 22:33 —Section 382(g)(4) special rules for aggregation and segregation \$ 22:34 —Section 382(g)(4) rules for multiple transactions \$ 22:35 —Section 382(g)(4) rules for worthless stock \$ 22:36 —Formation of holding company \$ 22:37 —Testing period \$ 22:38 —Definition of prechange losses, change date, postchange years and loss ordering rules \$ 22:39 —Application of Section 382 limitation—In general \$ 22:40 —Value of loss corporation and Section 382 limitation \$ 22:41 —Long-term tax-exempt rate \$ 22:42 —Special rule for postchange year that includes change date \$ 22:43 —Unused Section 382 limitation carryover \$ 22:44 —Adjustment for recognized built-in gains and Section 338 gain \$ 22:45 —Treatment of built-in losses \$ 22:46 —Continuity of business enterprise requirement \$ 22:47 —Special Section 382 rules for certain financially distressed corporations \$ 22:48 —Relationship of Section 382 to other loss limitation rules \$ 22:49 —Relationship of Section 382 to other loss limitation rules \$ 22:50 —Overview of Section 384 \$ 22:51 —Overview of Section 384 \$ 22:52 —Corporate equity reduction transactions and NOL carrybacks \$ 22:54 —Inflation Reduction Act—Electric Vehicle Credits		occurred
\$ 22:32 —Definition of equity structure shift \$ 22:33 —Section 382(g)(4) special rules for aggregation and segregation \$ 22:34 —Section 382(g)(4) rules for multiple transactions \$ 22:35 —Section 382(g)(4) rules for worthless stock \$ 22:36 —Formation of holding company \$ 22:37 —Testing period \$ 22:38 —Definition of prechange losses, change date, postchange years and loss ordering rules \$ 22:39 —Application of Section 382 limitation—In general \$ 22:40 —Value of loss corporation and Section 382 limitation \$ 22:41 —Long-term tax-exempt rate \$ 22:42 —Special rule for postchange year that includes change date \$ 22:43 —Unused Section 382 limitation carryover \$ 22:44 —Adjustment for recognized built-in gains and Section 338 gain \$ 22:45 —Treatment of built-in losses \$ 22:46 —Continuity of business enterprise requirement \$ 22:47 —Special Section 382 rules for certain financially distressed corporations \$ 22:48 —Relationship of Section 382 to other loss limitation rules \$ 22:49 —Relationship of Section 383 \$ 22:51 —Overview of Section 384 \$ 22:52 —Libson Shops doctrine \$ 22:53 —Corporate equity reduction transactions and NOL carrybacks \$ 21:54 —Inflation Reduction Act—Electric Vehicle Credits	§ 22:30	—Constructive ownership of stock for Section 382 purposes
\$ 22:33 —Section 382(g)(4) special rules for aggregation and segregation \$ 22:34 —Section 382(g)(4) rules for multiple transactions \$ 22:35 —Section 382(g)(4) rules for worthless stock \$ 22:36 —Formation of holding company \$ 22:37 —Testing period \$ 22:38 —Definition of prechange losses, change date, postchange years and loss ordering rules \$ 22:39 Application of Section 382 limitation—In general \$ 22:40 —Value of loss corporation and Section 382 limitation \$ 22:41 —Long-term tax-exempt rate \$ 22:42 —Special rule for postchange year that includes change date \$ 22:43 —Unused Section 382 limitation carryover \$ 22:44 —Adjustment for recognized built-in gains and Section 338 gain \$ 22:45 —Treatment of built-in losses \$ 22:46 —Continuity of business enterprise requirement \$ 22:47 —Special Section 382 rules for certain financially distressed corporations \$ 22:48 —Regulatory authority \$ 22:49 —Relationship of Section 382 to other loss limitation rules \$ 22:50 —Overview of Section 384 \$ 22:51 —Overview of Section 384 \$ 22:52 —Libson Shops doctrine \$ 22:53 —Corporate equity reduction transactions and NOL carrybacks \$ 22:54 —Inflation Reduction Act—Electric Vehicle Credits	§ 22:31	—Owner shift involving 5% shareholder
\$ 22:34 —Section 382(g)(4) rules for multiple transactions \$ 22:35 —Section 382(g)(4) rules for worthless stock \$ 22:36 —Formation of holding company \$ 22:37 —Testing period \$ 22:38 —Definition of prechange losses, change date, postchange years and loss ordering rules \$ 22:39 Application of Section 382 limitation—In general \$ 22:40 —Value of loss corporation and Section 382 limitation \$ 22:41 —Long-term tax-exempt rate \$ 22:42 —Special rule for postchange year that includes change date \$ 22:43 —Unused Section 382 limitation carryover \$ 22:44 —Adjustment for recognized built-in gains and Section 338 gain \$ 22:45 —Treatment of built-in losses \$ 22:46 —Continuity of business enterprise requirement \$ 22:47 —Special Section 382 rules for certain financially distressed corporations \$ 22:48 —Regulatory authority \$ 22:49 —Relationship of Section 382 to other loss limitation rules \$ 22:50 —Overview of Section 384 \$ 22:51 —Overview of Section 384 \$ 22:52 —Libson Shops doctrine \$ 22:53 —Corporate equity reduction transactions and NOL carrybacks \$ 22:54 —Inflation Reduction Act—Electric Vehicle Credits	§ 22:32	—Definition of equity structure shift
\$ 22:35 —Section 382(g)(4) rules for worthless stock \$ 22:36 —Formation of holding company \$ 22:37 —Testing period \$ 22:38 —Definition of prechange losses, change date, postchange years and loss ordering rules \$ 22:39 Application of Section 382 limitation—In general \$ 22:40 —Value of loss corporation and Section 382 limitation \$ 22:41 —Long-term tax-exempt rate \$ 22:42 —Special rule for postchange year that includes change date \$ 22:43 —Unused Section 382 limitation carryover \$ 22:44 —Adjustment for recognized built-in gains and Section 338 gain \$ 22:45 —Treatment of built-in losses \$ 22:46 Continuity of business enterprise requirement \$ 22:47 Special Section 382 rules for certain financially distressed corporations \$ 22:48 Regulatory authority \$ 22:49 Relationship of Section 382 to other loss limitation rules \$ 22:50 Overview of Section 384 \$ 22:51 Overview of Section 384 \$ 22:52 Libson Shops doctrine \$ 22:53 Corporate equity reduction transactions and NOL carrybacks \$ 22:54 Inflation Reduction Act—Electric Vehicle Credits	§ 22:33	—Section 382(g)(4) special rules for aggregation and segregation
\$ 22:36 —Formation of holding company \$ 22:37 —Testing period \$ 22:38 —Definition of prechange losses, change date, postchange years and loss ordering rules \$ 22:39 Application of Section 382 limitation—In general \$ 22:40 —Value of loss corporation and Section 382 limitation \$ 22:41 —Long-term tax-exempt rate \$ 22:42 —Special rule for postchange year that includes change date \$ 22:43 —Unused Section 382 limitation carryover \$ 22:44 —Adjustment for recognized built-in gains and Section 338 gain \$ 22:45 —Treatment of built-in losses \$ 22:46 Continuity of business enterprise requirement \$ 22:47 Special Section 382 rules for certain financially distressed corporations \$ 22:48 Regulatory authority \$ 22:49 Relationship of Section 382 to other loss limitation rules \$ 22:50 Overview of Section 384 \$ 22:51 Overview of Section 384 \$ 22:52 Libson Shops doctrine \$ 22:53 Corporate equity reduction transactions and NOL carrybacks \$ 1nflation Reduction Act—Electric Vehicle Credits	§ 22:34	—Section 382(g)(4) rules for multiple transactions
\$ 22:37 —Testing period \$ 22:38 —Definition of prechange losses, change date, postchange years and loss ordering rules \$ 22:39 Application of Section 382 limitation—In general \$ 22:40 —Value of loss corporation and Section 382 limitation \$ 22:41 —Long-term tax-exempt rate \$ 22:42 —Special rule for postchange year that includes change date \$ 22:43 —Unused Section 382 limitation carryover \$ 22:44 —Adjustment for recognized built-in gains and Section 338 gain \$ 22:45 —Treatment of built-in losses \$ 22:46 Continuity of business enterprise requirement \$ 22:47 Special Section 382 rules for certain financially distressed corporations \$ 22:48 Regulatory authority \$ 22:49 Relationship of Section 382 to other loss limitation rules \$ 22:50 Overview of Section 383 \$ 22:51 Overview of Section 384 \$ 22:52 Libson Shops doctrine \$ 22:53 Corporate equity reduction transactions and NOL carrybacks \$ Inflation Reduction Act—Electric Vehicle Credits	§ 22:35	—Section 382(g)(4) rules for worthless stock
\$ 22:38 —Definition of prechange losses, change date, postchange years and loss ordering rules \$ 22:39 Application of Section 382 limitation—In general \$ 22:40 —Value of loss corporation and Section 382 limitation \$ 22:41 —Long-term tax-exempt rate \$ 22:42 —Special rule for postchange year that includes change date \$ 22:43 —Unused Section 382 limitation carryover \$ 22:44 —Adjustment for recognized built-in gains and Section 338 gain \$ 22:45 —Treatment of built-in losses \$ 22:46 Continuity of business enterprise requirement \$ 22:47 Special Section 382 rules for certain financially distressed corporations \$ 22:48 Regulatory authority \$ 22:49 Relationship of Section 382 to other loss limitation rules \$ 22:50 Overview of Section 384 \$ 22:51 Libson Shops doctrine \$ 22:52 Libson Shops doctrine \$ 22:53 Corporate equity reduction transactions and NOL carrybacks \$ Inflation Reduction Act—Electric Vehicle Credits	§ 22:36	—Formation of holding company
ordering rules § 22:39 Application of Section 382 limitation—In general § 22:40 —Value of loss corporation and Section 382 limitation § 22:41 —Long-term tax-exempt rate § 22:42 —Special rule for postchange year that includes change date § 22:43 —Unused Section 382 limitation carryover § 22:44 —Adjustment for recognized built-in gains and Section 338 gain § 22:45 —Treatment of built-in losses § 22:46 Continuity of business enterprise requirement § 22:47 Special Section 382 rules for certain financially distressed corporations § 22:48 Regulatory authority § 22:49 Relationship of Section 382 to other loss limitation rules § 22:50 Overview of Section 384 § 22:51 Overview of Section 384 § 22:52 Libson Shops doctrine § 22:53 Corporate equity reduction transactions and NOL carrybacks § 1nflation Reduction Act—Electric Vehicle Credits	§ 22:37	—Testing period
\$ 22:39 Application of Section 382 limitation—In general \$ 22:40 —Value of loss corporation and Section 382 limitation \$ 22:41 —Long-term tax-exempt rate \$ 22:42 —Special rule for postchange year that includes change date \$ 22:43 —Unused Section 382 limitation carryover \$ 22:44 —Adjustment for recognized built-in gains and Section 338 gain \$ 22:45 —Treatment of built-in losses \$ 22:46 Continuity of business enterprise requirement \$ 22:47 Special Section 382 rules for certain financially distressed corporations \$ 22:48 Regulatory authority \$ 22:49 Relationship of Section 382 to other loss limitation rules \$ 22:50 Overview of Section 383 \$ 22:51 Overview of Section 384 \$ 22:52 Libson Shops doctrine \$ 22:53 Corporate equity reduction transactions and NOL carrybacks \$ 21:54 Inflation Reduction Act—Electric Vehicle Credits	§ 22:38	—Definition of prechange losses, change date, postchange years and loss
\$ 22:40 —Value of loss corporation and Section 382 limitation \$ 22:41 —Long-term tax-exempt rate \$ 22:42 —Special rule for postchange year that includes change date \$ 22:43 —Unused Section 382 limitation carryover \$ 22:44 —Adjustment for recognized built-in gains and Section 338 gain \$ 22:45 —Treatment of built-in losses \$ 22:46 Continuity of business enterprise requirement \$ 22:47 Special Section 382 rules for certain financially distressed corporations \$ 22:48 Regulatory authority \$ 22:49 Relationship of Section 382 to other loss limitation rules \$ 22:50 Overview of Section 383 \$ 22:51 Overview of Section 384 \$ 22:52 Libson Shops doctrine \$ 22:53 Corporate equity reduction transactions and NOL carrybacks \$ 1nflation Reduction Act—Electric Vehicle Credits		ordering rules
\$ 22:41 —Long-term tax-exempt rate \$ 22:42 —Special rule for postchange year that includes change date \$ 22:43 —Unused Section 382 limitation carryover \$ 22:44 —Adjustment for recognized built-in gains and Section 338 gain \$ 22:45 —Treatment of built-in losses \$ 22:46 Continuity of business enterprise requirement \$ 22:47 Special Section 382 rules for certain financially distressed corporations \$ 22:48 Regulatory authority \$ 22:49 Relationship of Section 382 to other loss limitation rules \$ 22:50 Overview of Section 383 \$ 22:51 Overview of Section 384 \$ 22:52 Libson Shops doctrine \$ 22:53 Corporate equity reduction transactions and NOL carrybacks \$ 22:54 Inflation Reduction Act—Electric Vehicle Credits	§ 22:39	Application of Section 382 limitation—In general
\$ 22:42 —Special rule for postchange year that includes change date \$ 22:43 —Unused Section 382 limitation carryover \$ 22:44 —Adjustment for recognized built-in gains and Section 338 gain \$ 22:45 —Treatment of built-in losses \$ 22:46 —Continuity of business enterprise requirement \$ 22:47 —Special Section 382 rules for certain financially distressed corporations \$ 22:48 —Regulatory authority \$ 22:49 —Relationship of Section 382 to other loss limitation rules \$ 22:50 —Overview of Section 383 \$ 22:51 —Overview of Section 384 \$ 22:52 —Libson Shops doctrine \$ 22:53 —Corporate equity reduction transactions and NOL carrybacks \$ 22:54 —Inflation Reduction Act—Electric Vehicle Credits	§ 22:40	—Value of loss corporation and Section 382 limitation
 § 22:43 —Unused Section 382 limitation carryover § 22:44 —Adjustment for recognized built-in gains and Section 338 gain § 22:45 —Treatment of built-in losses § 22:46 Continuity of business enterprise requirement § 22:47 Special Section 382 rules for certain financially distressed corporations § 22:48 Regulatory authority § 22:49 Relationship of Section 382 to other loss limitation rules § 22:50 Overview of Section 383 § 22:51 Overview of Section 384 § 22:52 Libson Shops doctrine § 22:53 Corporate equity reduction transactions and NOL carrybacks § 22:54 Inflation Reduction Act—Electric Vehicle Credits 	§ 22:41	
\$ 22:44 —Adjustment for recognized built-in gains and Section 338 gain \$ 22:45 —Treatment of built-in losses \$ 22:46 Continuity of business enterprise requirement \$ 22:47 Special Section 382 rules for certain financially distressed corporations \$ 22:48 Regulatory authority \$ 22:49 Relationship of Section 382 to other loss limitation rules \$ 22:50 Overview of Section 383 \$ 22:51 Overview of Section 384 \$ 22:52 Libson Shops doctrine \$ 22:53 Corporate equity reduction transactions and NOL carrybacks \$ 22:54 Inflation Reduction Act—Electric Vehicle Credits	§ 22:42	—Special rule for postchange year that includes change date
\$ 22:45 —Treatment of built-in losses \$ 22:46 Continuity of business enterprise requirement \$ 22:47 Special Section 382 rules for certain financially distressed corporations \$ 22:48 Regulatory authority \$ 22:49 Relationship of Section 382 to other loss limitation rules \$ 22:50 Overview of Section 383 \$ 22:51 Overview of Section 384 \$ 22:52 Libson Shops doctrine \$ 22:53 Corporate equity reduction transactions and NOL carrybacks \$ 22:54 Inflation Reduction Act—Electric Vehicle Credits	§ 22:43	—Unused Section 382 limitation carryover
 § 22:46 Continuity of business enterprise requirement § 22:47 Special Section 382 rules for certain financially distressed corporations § 22:48 Regulatory authority § 22:49 Relationship of Section 382 to other loss limitation rules § 22:50 Overview of Section 383 § 22:51 Overview of Section 384 § 22:52 Libson Shops doctrine § 22:53 Corporate equity reduction transactions and NOL carrybacks § 22:54 Inflation Reduction Act—Electric Vehicle Credits 	§ 22:44	—Adjustment for recognized built-in gains and Section 338 gain
 § 22:47 Special Section 382 rules for certain financially distressed corporations § 22:48 Regulatory authority § 22:49 Relationship of Section 382 to other loss limitation rules § 22:50 Overview of Section 383 § 22:51 Overview of Section 384 § 22:52 Libson Shops doctrine § 22:53 Corporate equity reduction transactions and NOL carrybacks § 22:54 Inflation Reduction Act—Electric Vehicle Credits 	§ 22:45	—Treatment of built-in losses
\$ 22:48 Regulatory authority \$ 22:49 Relationship of Section 382 to other loss limitation rules \$ 22:50 Overview of Section 383 \$ 22:51 Overview of Section 384 \$ 22:52 Libson Shops doctrine \$ 22:53 Corporate equity reduction transactions and NOL carrybacks \$ 22:54 Inflation Reduction Act—Electric Vehicle Credits	§ 22:46	Continuity of business enterprise requirement
 § 22:49 Relationship of Section 382 to other loss limitation rules § 22:50 Overview of Section 383 § 22:51 Overview of Section 384 § 22:52 Libson Shops doctrine § 22:53 Corporate equity reduction transactions and NOL carrybacks § 22:54 Inflation Reduction Act—Electric Vehicle Credits 	§ 22:47	Special Section 382 rules for certain financially distressed corporations
 § 22:50 Overview of Section 383 § 22:51 Overview of Section 384 § 22:52 Libson Shops doctrine § 22:53 Corporate equity reduction transactions and NOL carrybacks § 22:54 Inflation Reduction Act—Electric Vehicle Credits 	§ 22:48	Regulatory authority
 § 22:51 Overview of Section 384 § 22:52 Libson Shops doctrine § 22:53 Corporate equity reduction transactions and NOL carrybacks § 22:54 Inflation Reduction Act—Electric Vehicle Credits 	§ 22:49	Relationship of Section 382 to other loss limitation rules
 § 22:52 Libson Shops doctrine § 22:53 Corporate equity reduction transactions and NOL carrybacks § 22:54 Inflation Reduction Act—Electric Vehicle Credits 	§ 22:50	Overview of Section 383
§ 22:53 Corporate equity reduction transactions and NOL carrybacks § 22:54 Inflation Reduction Act—Electric Vehicle Credits	§ 22:51	Overview of Section 384
§ 22:54 Inflation Reduction Act—Electric Vehicle Credits	§ 22:52	Libson Shops doctrine
ē	§ 22:53	Corporate equity reduction transactions and NOL carrybacks
§ 22:55 Inflation Reduction Act—Transfer of eligible credits	§ 22:54	Inflation Reduction Act—Electric Vehicle Credits
	§ 22:55	Inflation Reduction Act—Transfer of eligible credits

PART IX. AFFILIATED CORPORATIONS

CHAPTER 23. MULTIPLE CORPORATIONS

§ 23:1	Introduction
§ 23:2	Nontax advantages of multiple corporations
§ 23:3	Tax advantages of multiple corporations
§ 23:4	Overview of statutory and judicial restrictions on use of multiple corporations
§ 23:5	Section 1561 restrictions on certain multiple benefits—In general
§ 23:6	—Certain stock excluded for purposes of Section 1563(a)
§ 23:7	—Constructive ownership rules of Section 1563(e)
§ 23:8	—Section 1563(b) definition of component members
§ 23:9	—Dividing Section 1561 multiple benefits among group
§ 23:10	Multiple benefits—Section 1551
§ 23:11	Section 269 restrictions
§ 23:12	Section 482 reallocation of income and deductions—In general
§ 23:13	—Two or more organizations, trades or businesses requirement
§ 23:14	—Common control or common ownership
§ 23:15	—Determination by service

PART X. Subchapter S

CHAPTER 24. S CORPORATIONS

§ 24:1	Introduction
§ 24:2	Overview of statutory provisions
§ 24:3	Eligibility requirements
§ 24:4	Number and types of shareholders
§ 24:5	Eligible corporations
§ 24:6	One class of stock requirement
§ 24:7	Election
§ 24:8	Revocation of election
§ 24:9	Termination other than by revocation
§ 24:10	S termination year
§ 24:11	Permitted year requirements
§ 24:12	Qualified plans and fringe benefits
§ 24:13	Computation of S corporation's taxable income
§ 24:14	Pass through of income or loss items to shareholders
§ 24:15	Adjustments to basis in stock and indebtedness
§ 24:16	Limitations on losses—Basis limitation rules
§ 24:17	—At-risk rules
§ 24:18	—Passive loss rules
§ 24:19	Distributions to S shareholders
§ 24:20	Family income splitting
§ 24:21	Taxes imposed on S corporations
§ 24:22	—Tax on built-in gains
§ 24:23	—Applicability of pre-1987 Version of Section 1374
§ 24:24	—Tax imposed on excess passive investment income
§ 24:25	—LIFO recapture upon conversion from C corporation to S corporation
§ 24:26	Stock redemptions by S corporations—Cross-reference
§ 24:27	Liquidations of S corporations
§ 24:28	Sales of S corporations
§ 24:29	—Taxable sale of assets followed by liquidation
§ 24:30	—Taxable sale of stock
§ 24:31	Miscellaneous

APPENDICES

APPENDIX A. IRS Forms and Instructions

Table of Laws and Rules

Table of Cases

Index