

Part I

Section 355.--Distribution of Stock and Securities of a
Controlled Corporation

26 CFR 1.355-2: Limitations.
(Also § 7805; 301.7805-1.)

Rev. Rul. 98-44

Rev. Rul. 70-225, 1970-1 C.B. 80, modified by Rev. Rul. 98-27, 1998-22 I.R.B. 4, addresses a distribution of the stock of a newly formed controlled corporation followed by an acquisition of the stock of the controlled corporation. Rev. Rul. 70-225 is no longer determinative following enactment of § 1012 of the Taxpayer Relief Act of 1997, Pub. L. No. 105-34, 111 Stat. 788, 914-18 (the "Act"), as amended in § 6010(c) of the Tax Technical Corrections Act of 1998, Pub. L. No. 105-206, 112 Stat. 790, 813-14, which modified certain provisions in §§ 351, 355, and 368 of the Internal Revenue Code. Subject to certain transition rules, § 1012(c) of the Act is effective for transfers after August 5, 1997.

Accordingly, Rev. Rul. 70-225 is declared obsolete as of the effective date of § 1012(c) of the Act.

DRAFTING INFORMATION

The principal author of this revenue ruling is Phoebe Bennett of the Office of Assistant Chief Counsel (Corporate). For further information regarding this revenue ruling, contact Ms. Bennett at (202) 622-7750 or Brendan P. O'Hara at (202) 622-7530 (not toll-free calls).