Code and Regs:

- §§168(k) (skim); 267(a)(1); 331; 332; 334; 336; 337; 346; 381(a)(1) and (c)(2) (skim); and 1504(a)(2) (skim). Note, to answer some of the problems, you may have to consult the unabridged versions of sections 336 and 337.
- §§1.331-1(e); 1.332-2(b)

1. Individual A owns 100% of the 1,000 shares of C Corp. A acquired the C Corp shares in two separate transactions and has a basis of $20,000 in one block of 500 shares and a basis of $100,000 in the other block of 500 shares. What are the consequences to C Corp and A in the following scenarios?
   (a) C Corp liquidates and distributes $150,000 to A. *See* Rev. Rul. 85-48.
   (b) C Corp liquidates and pursuant to a plan distributes $75,000 to A this year and $75,000 to A in the following year. *See* Rev. Rul. 85-48.
   (c) What happens to C Corp's E&Ps? §381(a)(1).
2. Individual A owns 100% of the 1,000 shares of C Corp. The shares were acquired at the same time and have a basis of $100,000. What are the consequences to C Corp and A in the following scenarios? Assume that §336(d) doesn't apply unless otherwise stated.
   (a) C Corp liquidates and distributes property to A with a basis of $100,000 and a FMV of $150,000.
   (b) C Corp liquidates and distributes property to A with a basis of $100,000 and a FMV of $150,000 subject to a liability of $75,000.
   (c) C Corp liquidates and distributes property to A with a basis of $100,000 and a FMV of $150,000 subject to a liability of $125,000.
   (d) C Corp liquidates and distributes property to A with a basis of $100,000 and a FMV of $150,000 subject to a liability of $175,000. Rev. Rul. 2003-125.
   (e) C Corp liquidates and distributes property to A with a basis of $150,00 and a FMV of $75,000.
3. A and B own 80% and 20%, respectively, of the 1,000 shares of C Corp. A has a basis of $70,000 in the C Corp shares, and B a basis of $30,000. C Corp owns two assets, Thing #1 and Thing #2. Thing #1 has an AB of $10,000 and a FMV of $20,000, and Thing #2 has an AB of $100,000 and a FMV of $80,000. Both assets were purchased for cash a decade ago. What

are the consequences to C Corp, A, and B in the following scenarios if C Corp adopts a plan of liquidation?

(a) A and B are individuals, and C Corp sells its assets to a 3rd party for their FMV and distributes the proceeds in liquidation.

(b) A and B are individuals, and C Corp distributes its assets pro rata in liquidation, *i.e.*, A receives an 80% interest in each asset.

(c) A and B are individuals, and C Corp distributes Thing #1 to B and Thing #2 to A in liquidation.

(d) A and B are individuals, and C Corp distributes its assets pro rata in liquidation, but Thing #2 was acquired three years ago in a §351 transaction. Review §362(e)(2).

4. A Corp, a C corporation, owns 100% of the 1,000 shares of C Corp. A Corp has a basis of $80,000 in the C Corp shares. C Corp owns two assets, Thing #1 and Thing #2. Thing #1 has an AB of $50,000 and a FMV of $20,000, and Thing #2 has an AB of $50,000 and a FMV of $80,000. What are the consequences to C Corp and A Corp in the following scenarios if C Corp adopts a plan of liquidation?

   (a) C Corp distributes its assets to A Corp in liquidation.

   (b) What happens to C Corp's E&Ps?

   (c) A Corp is Fordham University, a tax-exempt entity, and C Corp distributes its assets to A in liquidation. §337(b)(2)

   (d) C Corp owes A Corp $20,000, and prior to completing the liquidation, C Corp distributes a one-fourth interest in Thing #2 in satisfaction of the debt.

5. What is the policy rationale of §336(d)(2). Is it still necessary given the rules in §362(e)(2)? Comment.

6. Individual A owns 100% of the stock of S Corp, an S corporation. A's basis in the stock of S Corp is $10,000. S Corp's basis in its assets is $10,000, and their FMV is $20,000. S Corp liquidates and distributes its assets to A. What are the tax consequences to A and S Corp? *See* §1371.

7. Individual A also owns 100% of the stock of C Corp, a C corporation. A's basis in the stock of C Corp is $10,000. C Corp's basis in its assets is $10,000, and their FMV is $20,000. After studying the results in the previous question, A decides to make an S election to treat C Corp as an S corporation

and then liquidate C Corp after the election. What are the result to A and S Corp? *See* §1374(a), (b)(1), (d)(1), and (d)(7) (skim only).