

Code and Regs:

- §§168(k) (skim); 267(a)(1); 331; 332; 334; 336; 337; 346; 381(a)(1) (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 \$100,00 and a FMV of \$150,000.
 - (b) C Corp liquidates and distributes property to A with a basis of \$100,00 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 \$100,00 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 \$100,00 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 \$80,000 in the C Corp shares, and B a basis of \$20,000. 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 #1 was acquired three years ago in a 351 transaction. Review §362(e)(2).
 - (e) A and B are individuals, and C Corp distributes Thing #1 to B and Thing #2 to A in liquidation, except that Thing #1 has an AB of \$10,000 and a FMV of \$20,000, and Thing #2 has an AB of \$90,000 and a FMV of \$80,000.
4. A Corp, a C corporation, owns 100% of the 1,000 shares of C Corp. A 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 in the following scenarios if C Corp adopts a plan of liquidation?
- (a) C Corp distributes its assets to A Corp in liquidation.
 - (b) Same as previous question. 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.
 - (d) C Corp owes A Corp \$20,000, and prior to completing the liquidation, C Corp distributes a one-fifth 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.