

Code and Regs:

- §§1(h)(11)(D)(ii); 61(a)(7); 243(a)-(c); 246(c)(1) and (4); 246A; 301(a)-(f); 311; 312(a)-(c), (f), (k)(1) and (3), (n)(5); 316; 317(a); 1059(a), (b), (c)(1), (2) and (4), (d)(6), (e)(2)
 - §§1.312-3; 1.316-1 and -2(b)
1. Individual A forms C Corp by contributing \$100 for all of its common stock. During the year, C Corp has \$100 of taxable income. It also earned \$10 of tax-exempt interest; earned \$50 of dividend income of which \$25 was excluded under §243(a)(1); received \$100 of life insurance proceeds exempt under §101(j)(1); recognized \$20 of capital losses that it could not deduct under §1211(a); and paid \$21 of corporate taxes. What are its E&Ps?
 2. Same facts as problem 1. C Corp borrows \$300 and distributes all of the borrowed proceeds to A. What are the tax consequences to A?
 3. Review the rulings in Situations 3 and 4 in Rev. Rul. 74-164 and read Reg. §1.316-2(a)-(c). Is the ruling correct?
 4. Individual A owns 2 shares of C Corp, one with a basis of \$30 and the other with a basis of \$200. C Corp has E&Ps of \$150 and makes a distribution of \$120 per share to A. What are the tax consequences to A?
 5. Explain the tax policy goal of §246(c)(1) and (d)?
 6. On Feb. 1, B Corp purchased 100 shares (5%) of C Corp stock for \$20 per share. On Sept. 1, C Corp pays a distribution of \$8 per share. What are the tax consequences to B Corp, assuming that all of the distribution is a dividend?
 7. Same facts as previous question, except B Corp purchased the shares for \$3 per share.
 8. Explain the tax policy goal of §1059(d)(6).
 9. On January 1, C Corp purchases 1,000 shares of Costco stock for \$300,000 (\$300 per share). It finances 60% of the purchase price (\$180,000) with debt borrowed from IBank. The prior ex-dividend date was on Nov. 1. On Mar. 1, Costco pays a dividend of \$5 per share. (Assume that Mar. 1 is also the ex date.) What are the tax consequences to C Corp? §246A(d)(4) and 246A(d)(2).
 10. Read §246A(d)(3)(A). Is there another policy approach to allocate interest

expense on a Corporation's portfolio stock?

11. C Corp distributes appreciated property (AB, \$50,000; FMV, \$100,000) to its sole individual shareholder, A. C Corp has \$1,000 of E&Ps. What are the tax consequences to C Corp (E&Ps, G/L recognized) and to A? What other information would be useful?
12. Same facts as prior problem, except the property's AB is \$100,000 and its FMV is \$50,000.
13. Same facts as prior problem, except that the property's AB is \$50,000, its FMV is \$100,000, and the property is subject to a liability of \$125,000. §§311(b)(2) and 336(b).
14. Read *Aspro v. CIR*, T.C. 2021 on the Teams page. What's the dispute and the holding?
15. Read *TSN Liquidating Corp* on the Teams page. What's the tax goal of a dividend strip transaction? What are some potential roadblocks? Statutory? Common law?