**Answers to Liquidation Questions**

1. **If you combined basis, no G/L: 150k = 150k**
   1. **RR 85-48 allocated liq proceeds based on Share by share basis so distributed is allocated 50-50; G of 25K on low basis; loss of 25K on high basis.**
   2. **Under RR, 75K is allocated 37.5K to each block: Block 1 reduced to 50-37.5K (12.5K); Block 2 reduced to 100-37.5 = 62.5**
   3. **E&Ps disappear**
2. **Since not P-S liquidation, both Corp and SH generally recog G/L**
   1. **C Corp rec 50K of gain; A recognizes 50K of gain; Taxes?; A takes a FMV basis in property (334)**
   2. **50K gain at C Corp; A takes FMV basis in property (334); A recognizes loss (received only 75K in value); does 267 apply? No. 267(a)(1).**
   3. **C Corp recog 50K of gain; A recognizes loss (received only 25K in value); A takes FMV basis in property (334)**
   4. **One approach: C Corp recognizes 75K of gain (under 336(b), FMV not treated as being less than liability) and A recognizes loss of 100K—didn’t receive anything; A take FMV basis in property**
      1. **Another approach: not covered under liquidation provisions because A is not receiving anything. RR 2003-125; worthless security deduction under 163(g)(1) (capital); (g)(3) ordinary**
   5. **C Corp recognizes loss of 50; A recognizes 0 G/L**

1. **#1 BIL of 30K; #2 BIL 30k**
   1. **Loss of 30K; gain of 30K should net to 0; A and B recognize no G/L;**
   2. **C Corp recognizes G and L b/c pro rata distribution 336d1A; A and B recognize no G/L**
   3. **Not pro rata liquidation but L still recognized on #1 when distributed to B b/c B is not a related person (50%); G recognized on #2 to B; A and B no G/L**
   4. **This is disqualified property under 336d1B, but not being paid to related person so loss still recognized; Gain recog too; no G/L to A and B.**
      1. **Note Dis. Property could have been gain property when contributed**
      2. **Application of 336d2? Applied to BIL property contributed, but when BIL property contributed generally FMV basis, unless (1) reduction at SH level; or (2) some gain property transferred at the same time. Three years, so maybe not part of plan.**
   5. **No loss on Thing #2: distribution to related person and non-pro rata**
2. **Assume A is an a C corp, so P-S liquidation.**
   1. **No G/L to C Corp; no G/L to A (332); COB for property 334b, except step down for Thing #1 if C Corp FC and A Corp US corp**
   2. **Carry over 381(a)(1) and (c)(2).**
   3. **If tax exempt, taxable unless using it in taxable business**
   4. **No G/L on transfer of property in satisfaction of debt in P-S liquidation (337(b).**