

Federal income taxation of corporate liquidations

Shepards/McGraw-Hill - Determining Tax Consequences of Corporate Liquidation to the Shareholders

Taxation as passthrough vs. C corporation

| | Passthrough | C corporation |
|--|-------------|---------------|
| Tax on year 1-5 income of \$1 million | \$296,000 | \$210,000 |
| Tax on year 1-5 distributions (\$1 million in the case of a passthrough business; \$200,000 ² in the case of a C corporation) | N/A | \$169,000 |
| Total tax on income/distributions | \$296,000 | \$379,000 |
| Tax on gain from sale of business of \$2,000,000 (\$1 million value less \$100,000 stock basis) | \$300,000 | \$0 |
| Total tax over life cycle of business | \$600,000 | \$379,000 |

Description: -

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Building materials industry -- United States -- Safety measures.
Buildings, Prefabricated.
Industrial safety -- United States -- Standards.
Travel agents -- Vocational guidance.
Liquidation -- Taxation -- United States. Federal income taxation of corporate liquidations

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Nonrecognition of Gain or Loss in Subsidiary Liquidations: Federal Income Taxation. Corporations. Subsidiary Liquidations. Nonrecognition of Gain or Loss on JSTOR

Organizational costs are the direct costs of creating the corporation. The gain or loss taken into account is treated as ordinary gain or loss. Founded in 1948, the Stanford Law Review is a general-interest academic legal journal.

26 CFR § 1.331

Pursuant to a plan of liquidation, X Corp. Interest, and possibly penalties, will be charged on any part of the final tax due not shown as a balance due on Form 7004. Shareholders who immediately before the first liquidating distribution own 1% or more by vote or value of a private corporation, or 5% or more by vote or value of a public corporation, must include a statement on or with their tax return.

26 CFR § 1.331

Pursuant to a plan of liquidation, X Corp. But when utilizing one, it is important to consider the tax implications that arise. The information contained herein is general in nature and is based on authorities that are subject to change.

Determining Tax Consequences of Corporate Liquidation to the Shareholders

One example of a situation when a request for prompt assessment might be appropriate is the liquidation of a corporation because of shareholder differences.

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