

tion 11821(b) of Pub. L. 101-508, set out as a note under section 45K of this title.

PLAN AMENDMENTS NOT REQUIRED UNTIL  
JANUARY 1, 1989

For provisions directing that if any amendments made by subtitle A or subtitle C of title XI [§§ 1101-1147 and 1171-1177] or title XVIII [§§ 1800-1899A] of Pub. L. 99-514 require an amendment to any plan, such plan amendment shall not be required to be made before the first plan year beginning on or after Jan. 1, 1989, see section 1140 of Pub. L. 99-514, as amended, set out as a note under section 401 of this title.

**Subchapter C—Corporate Distributions and Adjustments**

- Part  
I. Distributions by corporations.  
II. Corporate liquidations.  
III. Corporate organizations and reorganizations.  
[IV. Repealed.]  
V. Carryovers.  
VI. Treatment of certain corporate interests as stock or indebtedness.  
[VII. Repealed.]

AMENDMENTS

1990—Pub. L. 101-508, title XI, § 11801(b)(5), Nov. 5, 1990, 104 Stat. 1388-522, struck out item for part IV “Insolvency reorganizations”.

1988—Pub. L. 100-647, title I, § 1006(e)(8)(C), Nov. 10, 1988, 102 Stat. 3401, struck out item for part VII “Miscellaneous corporate provisions”.

1984—Pub. L. 98-369, div. A, title I, § 75(d), July 18, 1984, 98 Stat. 595, added item for part VII.

1976—Pub. L. 94-455, title XIX, § 1901(b)(15), Oct. 4, 1976, 90 Stat. 1796, struck out item for part VII “Effective date of subchapter C.”

1969—Pub. L. 91-172, title IV, § 415(b), Dec. 30, 1969, 83 Stat. 614, redesignated item for part VI as VII and added part VI.

**PART I—DISTRIBUTIONS BY CORPORATIONS**

- Subpart  
A. Effects on recipients.  
B. Effects on corporation.  
C. Definitions; constructive ownership of stock.

**SUBPART A—EFFECTS ON RECIPIENTS**

- Sec.  
301. Distributions of property.  
302. Distributions in redemption of stock.  
303. Distributions in redemption of stock to pay death taxes.  
304. Redemption through use of related corporations.  
305. Distributions of stock and stock rights.  
306. Dispositions of certain stock.  
307. Basis of stock and stock rights acquired in distributions.

**§ 301. Distributions of property**

**(a) In general**

Except as otherwise provided in this chapter, a distribution of property (as defined in section 317(a)) made by a corporation to a shareholder with respect to its stock shall be treated in the manner provided in subsection (c).

**(b) Amount distributed**

**(1) General rule**

For purposes of this section, the amount of any distribution shall be the amount of money

received, plus the fair market value of the other property received.

**(2) Reduction for liabilities**

The amount of any distribution determined under paragraph (1) shall be reduced (but not below zero) by—

(A) the amount of any liability of the corporation assumed by the shareholder in connection with the distribution, and

(B) the amount of any liability to which the property received by the shareholder is subject immediately before, and immediately after, the distribution.

**(3) Determination of fair market value**

For purposes of this section, fair market value shall be determined as of the date of the distribution.

**(c) Amount taxable**

In the case of a distribution to which subsection (a) applies—

**(1) Amount constituting dividend**

That portion of the distribution which is a dividend (as defined in section 316) shall be included in gross income.

**(2) Amount applied against basis**

That portion of the distribution which is not a dividend shall be applied against and reduce the adjusted basis of the stock.

**(3) Amount in excess of basis**

**(A) In general**

Except as provided in subparagraph (B), that portion of the distribution which is not a dividend, to the extent that it exceeds the adjusted basis of the stock, shall be treated as gain from the sale or exchange of property.

**(B) Distributions out of increase in value accrued before March 1, 1913**

That portion of the distribution which is not a dividend, to the extent that it exceeds the adjusted basis of the stock and to the extent that it is out of increase in value accrued before March 1, 1913, shall be exempt from tax.

**(d) Basis**

The basis of property received in a distribution to which subsection (a) applies shall be the fair market value of such property.

**(e) Special rule for certain distributions received by 20 percent corporate shareholder**

**(1) In general**

Except to the extent otherwise provided in regulations, solely for purposes of determining the taxable income of any 20 percent corporate shareholder (and its adjusted basis in the stock of the distributing corporation), section 312 shall be applied with respect to the distributing corporation as if it did not contain subsections (k) and (n) thereof.

**(2) 20 percent corporate shareholder**

For purposes of this subsection, the term “20 percent corporate shareholder” means, with respect to any distribution, any corporation which owns (directly or through the application of section 318)—