

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

### § 307. Basis of stock and stock rights acquired in distributions

#### (a) General rule

If a shareholder in a corporation receives its stock or rights to acquire its stock (referred to in this subsection as “new stock”) in a distribution to which section 305(a) applies, then the basis of such new stock and of the stock with respect to which it is distributed (referred to in this section as “old stock”), respectively, shall, in the shareholder’s hands, be determined by allocating between the old stock and the new stock the adjusted basis of the old stock. Such allocation shall be made under regulations prescribed by the Secretary.

#### (b) Exception for certain stock rights

##### (1) In general

If—

(A) a corporation distributes rights to acquire its stock to a shareholder in a distribution to which section 305(a) applies, and

(B) the fair market value of such rights at the time of the distribution is less than 15 percent of the fair market value of the old stock at such time,

then subsection (a) shall not apply and the basis of such rights shall be zero, unless the taxpayer elects under paragraph (2) of this subsection to determine the basis of the old stock and of the stock rights under the method of allocation provided in subsection (a).

##### (2) Election

The election referred to in paragraph (1) shall be made in the return filed within the time prescribed by law (including extensions thereof) for the taxable year in which such rights were received. Such election shall be made in such manner as the Secretary may by regulations prescribe, and shall be irrevocable when made.

#### (c) Cross reference

**For basis of stock and stock rights distributed before June 22, 1954, see section 1052.**

(Aug. 16, 1954, ch. 736, 68A Stat. 93; Pub. L. 94-455, title XIX, § 1906(b)(13)(A), Oct. 4, 1976, 90 Stat. 1834.)

#### AMENDMENTS

1976—Subsecs. (a), (b)(2). Pub. L. 94-455 struck out “or his delegate” after “Secretary”.

#### SUBPART B—EFFECTS ON CORPORATION

Sec.	
311.	Taxability of corporation on distribution.
312.	Effect on earnings and profits.

### § 311. Taxability of corporation on distribution

#### (a) General rule

Except as provided in subsection (b), no gain or loss shall be recognized to a corporation on the distribution (not in complete liquidation) with respect to its stock of—

(1) its stock (or rights to acquire its stock), or

(2) property.

#### (b) Distributions of appreciated property

##### (1) In general

If—

(A) a corporation distributes property (other than an obligation of such corporation) to a shareholder in a distribution to which subpart A applies, and

(B) the fair market value of such property exceeds its adjusted basis (in the hands of the distributing corporation),

then gain shall be recognized to the distributing corporation as if such property were sold to the distributee at its fair market value.

##### (2) Treatment of liabilities

Rules similar to the rules of section 336(b) shall apply for purposes of this subsection.

##### (3) Special rule for certain distributions of partnership or trust interests

If the property distributed consists of an interest in a partnership or trust, the Secretary may by regulations provide that the amount of the gain recognized under paragraph (1) shall be computed without regard to any loss attributable to property contributed to the partnership or trust for the principal purpose of recognizing such loss on the distribution.

(Aug. 16, 1954, ch. 736, 68A Stat. 94; Pub. L. 91-172, title IX, § 905(a), (b)(1), Dec. 30, 1969, 83 Stat. 713, 714; Pub. L. 94-452, § 2(b), Oct. 2, 1976, 90 Stat. 1511; Pub. L. 94-455, title XIX, § 1901(a)(42)(A), (B)(i), (C), Oct. 4, 1976, 90 Stat. 1771; Pub. L. 95-600, title VII, § 703(j)(2)(A), (B), Nov. 6, 1978, 92 Stat. 2941; Pub. L. 96-471, § 2(b)(1), Oct. 19, 1980, 94 Stat. 2253; Pub. L. 97-248, title II, § 223(a), Sept. 3, 1982, 96 Stat. 483; Pub. L. 98-369, div. A, title I, § 54(a), title VII, § 712(j), July 18, 1984, 98 Stat. 568, 948; Pub. L. 99-514, title VI, § 631(c), Oct. 22, 1986, 100 Stat. 2272; Pub. L. 100-647, title I, §§ 1006(e)(8)(B), (21)(B), 1018(d)(5)(E), Nov. 10, 1988, 102 Stat. 3401, 3403, 3580.)

#### AMENDMENTS

1988—Subsec. (a). Pub. L. 100-647, § 1018(d)(5)(E), substituted “distribution (not in complete liquidation) with respect to its stock” for “distribution, with respect to its stock.”

Subsec. (b)(2). Pub. L. 100-647, § 1006(e)(21)(B), substituted “liabilities” for “liabilities in excess of basis” in heading.

Subsec. (b)(3). Pub. L. 100-647, § 1006(e)(8)(B), added par. (3).

1986—Pub. L. 99-514 amended section generally, substituting provisions relating to distributions of appreciated property for provisions relating to LIFO inventory, liability in excess of basis, and appreciated property used to redeem stock.

1984—Subsec. (d). Pub. L. 98-369, § 54(a)(3), substituted “Distributions of appreciated property” for “Appreciated property used to redeem stock” in heading.

Subsec. (d)(1). Pub. L. 98-369, § 54(a)(1), substituted “This subsection shall be applied after the applications of subsections (b) and (c)” for “Subsections (b) and (c) shall not apply to any distribution to which this subsection applies” in provisions following subpar. (B).

Subsec. (d)(1)(A). Pub. L. 98-369, § 54(a)(1), struck out “of part or all of his stock in such corporation” before “and”.

Subsec. (d)(2)(A). Pub. L. 98-369, § 54(a)(2)(A), substituted provisions relating to a distribution which is made with respect to qualified stock if section 302(b)(4)