

apply to taxable years ending after December 31, 1982, with respect to items of tax preference described in section 57(b) of such Code to which section 291 of such Code applies; except that in the case of an item described in section 291(a)(2) of such Code, such amendment shall apply to taxable years beginning after December 31, 1983.”

SAVINGS PROVISION

For provisions that nothing in amendment by Pub. L. 101-508 be construed to affect treatment of certain transactions occurring, property acquired, or items of income, loss, deduction, or credit taken into account prior to Nov. 5, 1990, for purposes of determining liability for tax for periods ending after Nov. 5, 1990, see section 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 | Repealed.]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 | Repealed.]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)—

(A) stock in the corporation making the distribution possessing at least 20 percent of the total combined voting power of all classes of stock entitled to vote, or

(B) at least 20 percent of the total value of all stock of the distributing corporation (except nonvoting stock which is limited and preferred as to dividends),

but only if, but for this subsection, the distributee corporation would be entitled to a deduction under section 243 or 245 with respect to such distribution.

(3) Application of section 312(n)(7) not affected

The reference in paragraph (1) to subsection (n) of section 312 shall be treated as not including a reference to paragraph (7) of such subsection.

(4) Regulations

The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this subsection.

(f) Special rules

(1) For distributions in redemption of stock, see section 302.

(2) For distributions in complete liquidation, see part II (sec. 331 and following).

(3) For distributions in corporate organizations and reorganizations, see part III (sec. 351 and following).

(4) For taxation of dividends received by individuals at capital gain rates, see section 1(h)(11).

(Aug. 16, 1954, ch. 736, 68A Stat. 84; Pub. L. 87-403, §2(a), Feb. 2, 1962, 76 Stat. 5; Pub. L. 87-834, §§5(a), (b), 13(f)(2), Oct. 16, 1962, 76 Stat. 977, 1035; Pub. L. 88-272, title II, §231(b)(2), Feb. 26, 1964, 78 Stat. 105; Pub. L. 88-484, §1(b)(1), Aug. 22, 1964, 78 Stat. 597; Pub. L. 89-570, §1(b)(2), Sept. 12, 1966, 80 Stat. 762; Pub. L. 89-809, title I, §104(f), Nov. 13, 1966, 80 Stat. 1559; Pub. L. 91-172, title II, §211(b)(1), (2), title IX, §905(b)(2), Dec. 30, 1969, 83 Stat. 570, 714; Pub. L. 92-178, title III, §312(a), Dec. 10, 1971, 85 Stat. 526; Pub. L. 94-455, title II, §205(c)(1)(B), (C), title XIX, §§1901(a)(41), (b)(32)(A), 1906(b)(13)(A), Oct. 4, 1976, 90 Stat. 1535, 1771, 1800, 1834; Pub. L. 95-628, §3(a), (b), Nov. 10, 1978, 92 Stat. 3627; Pub. L. 98-369, div. A, title I, §§54(b), 61(d), title VII, §712(i)(1), July 18, 1984, 98 Stat. 569, 582, 948; Pub. L. 99-514, title VI, §612(b)(1), title XVIII, §1804(f)(2)(B), Oct. 22, 1986, 100 Stat. 2250, 2805; Pub. L. 100-203, title X, §10222(b)(1), Dec. 22, 1987, 101 Stat. 1330-411; Pub. L. 100-647, title I, §1006(e)(10)-(12), title II, §2004(j)(3)(B), Nov. 10, 1988, 102 Stat. 3401, 3402, 3605; Pub. L. 108-27, title III, §302(e)(2), May 28, 2003, 117 Stat. 763; Pub. L. 113-295, div. A, title II, §221(a)(41)(G), Dec. 19, 2014, 128 Stat. 4044.)

AMENDMENTS

2014—Subsec. (e)(2). Pub. L. 113-295 struck out “, 244,” after “section 243” in concluding provisions.

2003—Subsec. (f)(4). Pub. L. 108-27 added par. (4).

1988—Subsec. (b)(1). Pub. L. 100-647, §1006(e)(10), amended par. (1) generally. Prior to amendment, par. (1) contained subpars. (A) to (D) which provided what the amount of any distribution would be for noncorporate distributees, corporate distributees, certain corporate distributees of foreign corporations, and foreign corporate distributees.

Subsec. (d). Pub. L. 100-647, §1006(e)(11), amended subsec. (d) generally. Prior to amendment, subsec. (d) contained pars. (1) to (4) which provided what the basis of property received would be for noncorporate distributees, corporate distributees, foreign corporate distributees, and certain corporate distributees of foreign corporations.

Subsec. (e). Pub. L. 100-647, §2004(j)(3)(B), added par. (3) and redesignated former par. (3) as (4).

Pub. L. 100-647, §1006(e)(12), redesignated subsec. (f) as (e) and struck out former subsec. (e) which related to special rule for holding period of appreciated property distributed to corporation.

Subsecs. (f), (g). Pub. L. 100-647, §1006(e)(12), redesignated subsec. (g) as (f). Former subsec. (f) redesignated (e).

1987—Subsec. (f)(1). Pub. L. 100-203 substituted “subsections (k) and (n)” for “subsection (n)”.

1986—Subsec. (f)(3). Pub. L. 99-514, §1804(f)(2)(B), substituted “this subsection” for “this section”.

Subsec. (g)(4). Pub. L. 99-514, §612(b)(1), struck out par. (4) which provided: “For partial exclusion from gross income of dividends received by individuals, see section 116.”

1984—Subsec. (e). Pub. L. 98-369, §54(b), added subsec. (e). Former subsec. (e) redesignated (f).

Subsec. (e)(2). Pub. L. 98-369, §712(i)(1), substituted “complete liquidation” for “partial or complete liquidation” in subsec. (e)(2), which became subsec. (g)(2).

Subsec. (f). Pub. L. 98-369, §61(d), added subsec. (f). Former subsec. (f) redesignated (g).

Pub. L. 98-369, §54(b), redesignated former subsec. (e) as (f).

Subsec. (g). Pub. L. 98-369, §§54(b), 61(d), redesignated former subsec. (e) successively as subsec. (f) and as subsec. (g).

Subsec. (g)(2). Pub. L. 98-369, §712(i)(1), substituted “complete liquidation” for “partial or complete liquidation” in subsec. (e)(2), which became subsec. (g)(2).

1978—Subsec. (b)(1)(B)(ii). Pub. L. 95-628, §3(a), substituted “amount of gain recognized to the distributing corporation on the distribution” for “amount of gain to the distributing corporation which is recognized under subsection (b), (c), or (d) of section 311, under section 341(f), or under section 617(d)(1), 1245(a), 1250(a), 1251(c), 1252(a), or 1254(a)”.

Subsec. (d)(2)(B). Pub. L. 95-628, §3(b), substituted “amount of gain recognized to the distributing corporation on the distribution” for “amount of gain to the distributing corporation which is recognized under subsection (b), (c), or (d) of section 311, under section 341(f), or under section 617(d)(1), 1245(a), 1250(a), 1251(c), 1252(a), or 1254(a)”.

1976—Subsec. (b)(1)(B)(ii). Pub. L. 94-455, §205(c)(1)(B), substituted “1252(a), or 1254(a)” for “or 1252(a)”.

Subsec. (b)(1)(C). Pub. L. 94-455, §1906(b)(13)(A), struck out “or his delegate” after “Secretary”.

Subsec. (d)(2)(B). Pub. L. 94-455, §205(c)(1)(C), substituted “1252(a), or 1254(a)” for “or 1252(a)”.

Subsec. (e). Pub. L. 94-455, §1901(a)(41), (b)(32)(A), redesignated subsec. (g) as (e). Former subsec. (e), which related to exceptions for certain distributions by personal service corporations, was struck out.

Subsec. (f). Pub. L. 94-455, §1901(b)(32)(A), struck out subsec. (f) which related to special rules for distribution of antitrust stock to corporations.

Subsec. (g). Pub. L. 94-455, §1901(b)(32)(A), redesignated subsec. (g) as (e).

1971—Subsec. (b)(1)(B). Pub. L. 92-178, §312(a)(1), substituted “corporation, unless subparagraph (D) applies” for “corporation” where first appearing.

Subsec. (b)(1)(D). Pub. L. 92-178, §312(a)(2), added subpar. (D).

Subsec. (d)(2). Pub. L. 92-178, §312(a)(3), substituted “corporation, unless paragraph (3) applies” for “corporation” where first appearing.

Subsec. (d)(3), (4). Pub. L. 92-178, §312(a)(4), added par. (3) and redesignated former par. (3) as (4).

1969—Subsec. (b)(1)(B)(ii). Pub. L. 91-172, §§211(b)(1), 905(b)(2), substituted “1250(a), 1251(c), or 1252(a)” for “or 1250(a)” and inserted reference to section 311(a).

Subsec. (d)(2)(B). Pub. L. 91-172, §§211(b)(2), 905(b)(2), substituted “1250(a), 1251(c), or 1252(a)”, for “or 1250(a)” and inserted reference to section 311(a).

1966—Subsec. (b)(1)(B)(ii). Pub. L. 89-570 included reference to section 617(d)(1).

Subsec. (b)(1)(C). Pub. L. 89-809 substituted “gross income which is effectively connected with the conduct of a trade or business within the United States” for “gross income from sources within the United States” in cl. (i), “gross income which is not effectively connected with the conduct of a trade or business within the United States” for “gross income from sources without the United States” in cl. (ii), and inserted text following cl. (ii) setting out the treatment to be accorded gross income for any period before the first taxable year beginning after December 31, 1966.

Subsec. (d)(2)(B). Pub. L. 89-570 included reference to section 617(d)(1).

1964—Subsec. (b). Pub. L. 88-484 included amount of gain recognized under section 341(f).

Pub. L. 88-272 inserted reference to section 1250(a).

Subsec. (d). Pub. L. 88-484 included amount of gain recognized under section 341(f).

Pub. L. 88-272 inserted reference to section 1250(a).

1962—Subsec. (b)(1)(B). Pub. L. 87-834, §13(f)(2), substituted “subsection (b) or (c) of section 311 or under section 1245(a)” for “subsection (b) or (c) of section 311”.

Subsec. (b)(1)(C). Pub. L. 87-834, §5(a), added subpar. (C).

Subsec. (d)(2). Pub. L. 87-834, §13(f)(2), substituted “subsection (b) or (c) of section 311 or under section 1245(a)” for “subsection (b) or (c) of section 311”.

Subsec. (d)(3). Pub. L. 87-834, §5(b), added par. (3).

Subsecs. (f), (g). Pub. L. 87-403 added subsec. (f) and redesignated former subsec. (f) as (g).

EFFECTIVE DATE OF 2014 AMENDMENT

Amendment by Pub. L. 113-295 not applicable to preferred stock issued before Oct. 1, 1942 (determined in the same manner as under section 247 of this title as in effect before its repeal by Pub. L. 113-295), see section 221(a)(41)(K) of Pub. L. 113-295, set out as a note under section 172 of this title.

Except as otherwise provided in section 221(a) of Pub. L. 113-295, amendment by Pub. L. 113-295 effective Dec. 19, 2014, subject to a savings provision, see section 221(b) of Pub. L. 113-295, set out as a note under section 1 of this title.

EFFECTIVE DATE OF 2003 AMENDMENT

Amendment by Pub. L. 108-27 applicable, except as otherwise provided, to taxable years beginning after Dec. 31, 2002, see section 302(f) of Pub. L. 108-27, set out as an Effective and Termination Dates of 2003 Amendment note under section 1 of this title.

EFFECTIVE DATE OF 1988 AMENDMENT

Amendment by section 1006(e)(10)–(12) of Pub. L. 100-647 effective, except as otherwise provided, as if included in the provision of the Tax Reform Act of 1986, Pub. L. 99-514, to which such amendment relates, see section 1019(a) of Pub. L. 100-647, set out as a note under section 1 of this title.

Amendment by section 2004(j)(3)(B) of Pub. L. 100-647 effective, except as otherwise provided, as if included in

the provisions of the Revenue Act of 1987, Pub. L. 100-203, title X, to which such amendment relates, see section 2004(u) of Pub. L. 100-647, set out as a note under section 56 of this title.

EFFECTIVE DATE OF 1987 AMENDMENT

Pub. L. 100-203, title X, §10222(b)(2), Dec. 22, 1987, 101 Stat. 1330-411, as amended by Pub. L. 100-647, title II, §2004(j)(4), Nov. 10, 1988, 102 Stat. 3605, provided that:

“(A) IN GENERAL.—The amendment made by paragraph (1) [amending this section] shall apply to distributions after December 15, 1987. For purposes of applying such amendment to any such distribution—

“(i) for purposes of determining earnings and profits, such amendment shall be deemed to be in effect for all periods whether before, on, or after December 15, 1987, but

“(ii) such amendment shall not affect the determination of whether any distribution on or before December 15, 1987, is a dividend and the amount of any reduction in accumulated earnings and profits on account of any such distribution.

“(B) EXCEPTION.—The amendment made by paragraph (1) shall not apply for purposes of determining gain or loss on any disposition of stock after December 15, 1987, and before January 1, 1989, if such disposition is pursuant to a written binding contract, governmental order, letter of intent or preliminary agreement, or stock acquisition agreement, in effect on or before December 15, 1987.”

EFFECTIVE DATE OF 1986 AMENDMENT

Pub. L. 99-514, title VI, §612(c), Oct. 22, 1986, 100 Stat. 2251, provided that: “The amendments made by this section [amending this section and sections 584, 642, 643, 702, 854, and 857 of this title, repealing section 116 of this title, and enacting provisions set out as a note under section 584 of this title] shall apply to taxable years beginning after December 31, 1986.”

Amendment by section 1804(f)(2)(B) of Pub. L. 99-514 effective, except as otherwise provided, as if included in the provisions of the Tax Reform Act of 1984, Pub. L. 98-369, div. A, to which such amendment relates, see section 1881 of Pub. L. 99-514, set out as a note under section 48 of this title.

EFFECTIVE DATE OF 1984 AMENDMENT

Amendment by section 54(b) of Pub. L. 98-369 applicable to distributions after July 18, 1984, in taxable years ending after July 18, 1984, see section 54(d)(2) of Pub. L. 98-369, set out as a note under section 311 of this title.

Pub. L. 98-369, div. A, title I, §61(e)(4), July 18, 1984, 98 Stat. 583, provided that: “The amendment made by subsection (d) [amending this section] shall apply to distributions after the date of the enactment of this Act [July 18, 1984] in taxable years ending after such date.”

Amendment by section 712(i)(1) of Pub. L. 98-369 effective as if included in the provision of the Tax Equity and Fiscal Responsibility Act of 1982, Pub. L. 97-248, to which such amendment relates, see section 715 of Pub. L. 98-369, set out as a note under section 31 of this title.

EFFECTIVE DATE OF 1978 AMENDMENT

Pub. L. 95-628, §3(d), Nov. 10, 1978, 92 Stat. 3628, provided that: “The amendments made by this section [amending this section and section 312 of this title] shall apply to distributions made after the date of the enactment of this Act [Nov. 10, 1978].”

EFFECTIVE DATE OF 1976 AMENDMENT

Amendment by section 205(c)(1)(B), (C) of Pub. L. 94-455 effective for taxable years ending after Dec. 31, 1975, see section 205(e) of Pub. L. 94-455, set out as an Effective Date note under section 1254 of this title.

Amendment by section 1901(a)(41), (b)(32)(A) of Pub. L. 94-455 effective for taxable years beginning after Dec. 31, 1976, see section 1901(d) of Pub. L. 94-455, set out as a note under section 2 of this title.

EFFECTIVE DATE OF 1971 AMENDMENT

Pub. L. 92-178, title III, §312(b), Dec. 10, 1971, 85 Stat. 526, provided that: "The amendments made by subsection (a) [amending this section] shall apply with respect to distributions made after November 8, 1971."

EFFECTIVE DATE OF 1969 AMENDMENT

Pub. L. 91-172, title II, §211(c), Dec. 30, 1969, 83 Stat. 570, provided that: "The amendments made by this section [enacting section 1251 of this title and amending this section and sections 312, 341, 453, and 751 of this title] shall apply to taxable years beginning after December 31, 1969."

Amendment by section 905(b)(2) of Pub. L. 91-172 effective with respect to distributions made after Nov. 30, 1969, see section 905(c) of Pub. L. 91-172, set out as a note under section 311 of this title.

EFFECTIVE DATE OF 1966 AMENDMENT

Amendment by Pub. L. 89-809 applicable with respect to taxable years beginning after Dec. 31, 1966, see section 104(n) of Pub. L. 89-809, set out as a note under section 11 of this title.

Amendment by Pub. L. 89-570 applicable to taxable years ending after Sept. 12, 1966, but only in respect of expenditures paid or incurred after such date, see section 3 of Pub. L. 89-570, set out as an Effective Date note under section 617 of this title.

EFFECTIVE DATE OF 1964 AMENDMENT

Pub. L. 88-484, §2, Aug. 22, 1964, 78 Stat. 597, provided that: "The amendments made by the first section of this Act [amending this section and sections 312, 341, and 453 of this title] shall apply with respect to transactions after the date of the enactment of this Act [Aug. 22, 1964] in taxable years ending after such date."

Amendment by Pub. L. 88-272 applicable to dispositions after Dec. 31, 1963, in taxable years ending after such date, see section 231(c) of Pub. L. 88-272, set out as an Effective Date note under section 1250 of this title.

EFFECTIVE DATE OF 1962 AMENDMENTS

Pub. L. 87-834, §5(d), Oct. 16, 1962, 76 Stat. 977, provided that: "The amendments made by this section [amending this section and section 245 of this title] shall apply to distributions made after December 31, 1962."

Amendment by section 13(f)(2) of Pub. L. 87-834 applicable to taxable years beginning after Dec. 31, 1962, see section 13(g) of Pub. L. 87-834, set out as an Effective Date note under section 1245 of this title.

Pub. L. 87-403, §2(b), Feb. 2, 1962, 76 Stat. 6, provided that: "The amendments made by this section [amending this section] shall apply only with respect to distributions made after the date of the enactment of this Act [Feb. 2, 1962]."

STUDY OF CORPORATE PROVISIONS

Pub. L. 99-514, title VI, §634, Oct. 22, 1986, 100 Stat. 2282, directed Secretary of the Treasury or his delegate to conduct a study of proposals to reform the provisions of subchapter C of chapter 1 of the Internal Revenue Code of 1986, and not later than Jan. 1, 1988 (due date extended to Jan. 1, 1992, by Pub. L. 101-508, title XI, §11831(b), Nov. 5, 1990, 104 Stat. 1388-559), to submit to Committee on Ways and Means of House of Representatives and Committee on Finance of Senate a report on the study conducted (together with such recommendations he deemed advisable).

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.

§ 302. Distributions in redemption of stock**(a) General rule**

If a corporation redeems its stock (within the meaning of section 317(b)), and if paragraph (1), (2), (3), (4), or (5) of subsection (b) applies, such redemption shall be treated as a distribution in part or full payment in exchange for the stock.

(b) Redemptions treated as exchanges**(1) Redemptions not equivalent to dividends**

Subsection (a) shall apply if the redemption is not essentially equivalent to a dividend.

(2) Substantially disproportionate redemption of stock**(A) In general**

Subsection (a) shall apply if the distribution is substantially disproportionate with respect to the shareholder.

(B) Limitation

This paragraph shall not apply unless immediately after the redemption the shareholder owns less than 50 percent of the total combined voting power of all classes of stock entitled to vote.

(C) Definitions

For purposes of this paragraph, the distribution is substantially disproportionate if—

(i) the ratio which the voting stock of the corporation owned by the shareholder immediately after the redemption bears to all of the voting stock of the corporation at such time,

is less than 80 percent of—

(ii) the ratio which the voting stock of the corporation owned by the shareholder immediately before the redemption bears to all of the voting stock of the corporation at such time.

For purposes of this paragraph, no distribution shall be treated as substantially disproportionate unless the shareholder's ownership of the common stock of the corporation (whether voting or nonvoting) after and before redemption also meets the 80 percent requirement of the preceding sentence. For purposes of the preceding sentence, if there is more than one class of common stock, the determinations shall be made by reference to fair market value.

(D) Series of redemptions

This paragraph shall not apply to any redemption made pursuant to a plan the purpose or effect of which is a series of redemptions resulting in a distribution which (in the aggregate) is not substantially disproportionate with respect to the shareholder.

(3) Termination of shareholder's interest

Subsection (a) shall apply if the redemption is in complete redemption of all of the stock of the corporation owned by the shareholder.