

(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) applies to such distribution or such distribution is a qualified distribution for provisions which had related to a distribution to a corporate shareholder if the basis of the property distributed was determined under section 301(d)(2).

Subsec. (d)(2)(B) to (F). Pub. L. 98-369, § 54(a)(2)(A), (B), redesignated subpars. (C) to (F) as (B) to (E), respectively, and struck out former subpar. (B) which related to distributions to which section 302(b)(4) applied and which were made with respect to qualified stock.

Subsec. (e)(1)(C). Pub. L. 98-369, § 712(j), added subpar. (C).

Subsec. (e)(3). Pub. L. 98-369, § 54(a)(2)(C), added par. (3).

1982—Subsec. (d)(2)(A). Pub. L. 97-248, § 223(a)(1), substituted reference to a distribution to a corporate shareholder if the basis of the property distributed is determined under section 301(d)(2) for reference to a distribution in complete redemption of all of the stock of a shareholder who, at all times within the 12-month period ending on the date of such distribution owned at least 10 percent in value of the outstanding stock of the distributing corporation, but only if the redemption qualified under section 302(b)(3) (determined without the application of section 302(c)(2)(A)(ii)).

Subsec. (d)(2)(B). Pub. L. 97-248, § 223(a)(1), substituted reference to a distribution to which section 302(b)(4) applies and which is made with respect to qualified stock for reference to a distribution of stock or an obligation of a corporation, which was engaged in at least one trade or business, which had not received property constituting a substantial part of its assets from the distributing corporation, in a transaction to which section 351 applied or as a contribution to capital, within the 5-year period ending on the date of the distribution, and at least 50 percent in value of the outstanding stock of which was owned by the distributing corporation at any time within the 9-year period ending one year before the date of the distribution.

Subsec. (d)(2)(C). Pub. L. 97-248, § 223(a)(1), substituted reference to a distribution of stock or an obligation of a corporation if the requirements of subsec. (e)(2) of this section are met with respect to the distribution for reference to a distribution of stock or securities pursuant to the terms of a final judgment rendered by a court with respect to the distributing corporation in a court proceeding under the Sherman Act (15 U.S.C. 1-7) or the Clayton Act (15 U.S.C. 12-27), or both, to which the United States was a party, but only if the distribution of such stock or securities in redemption of the distributing corporation's stock was in furtherance of the purposes of the judgment.

Subsec. (d)(2)(G). Pub. L. 97-248, § 223(a)(3), struck out subpar. (G) which provided that a distribution of stock to a distributee which is not an organization exempt from tax under section 501(a) of this title, if with re-