

special and transitional rules, see section 633 of Pub. L. 99-514, set out as an Effective Date note under section 336 of this title.

#### EFFECTIVE DATE OF 1982 AMENDMENT

Amendment by section 222(e)(1)(C) of Pub. L. 97-248 applicable to distributions after Aug. 31, 1982, with exceptions for certain partial liquidations, see section 222(f) of Pub. L. 97-248, set out as a note under section 302 of this title.

Amendment by section 224(b) of Pub. L. 97-248 applicable to any target corporation with respect to which the acquisition date occurs after Aug. 31, 1982, with special rules for certain acquisitions before Sept. 1, 1982, and certain acquisitions of financial institutions in which there was a binding contract on July 22, 1982, to acquire control, see section 224(d) of Pub. L. 97-248, set out as an Effective Date note under section 338 of this title.

#### EFFECTIVE DATE OF 1976 AMENDMENT

Amendment by section 1901(a)(45) 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 1966 AMENDMENT

Pub. L. 89-809, title II, §202(d), Nov. 13, 1966, 80 Stat. 1576, provided that: “The amendment made by subsection (a) [amending this section] shall apply only with respect to acquisitions of stock after December 31, 1965. The amendment made by subsections (b) and (c) [amending this section and section 453 of this title] shall apply only with respect to distributions made after the date of the enactment of this Act [Nov. 13, 1966].”

#### ADJUSTMENT FOR LIABILITY TO BASIS OF PROPERTY DISTRIBUTED IN COMPLETE LIQUIDATION OF CORPORATION PRIOR TO JULY 1, 1957; DEDUCTION FOR UNCOMPENSATED LIABILITY

Pub. L. 93-497, §3, Oct. 29, 1974, 88 Stat. 1534, as amended by Pub. L. 99-514, §2, Oct. 22, 1986, 100 Stat. 2095, provided that:

“(a) Notwithstanding the provisions of section 334 of the Internal Revenue Code of 1986 [formerly I.R.C. 1954] (relating to basis of property received in liquidations), no adjustment to the basis of any property distributed in complete liquidation of a corporation prior to July 1, 1957, shall be made for any liability if—

“(1) the distributor and distributee did not consider the liability relevant to the value of the stock with respect to which the distribution was made,

“(2) the distributor and distributee reasonably relied upon a decision of a United States district court specifically adjudicating the amount of the liability and its affirmance by the appropriate United States court of appeals, and

“(3) the amount of liability so adjudicated was not greater than would be compensated for by insurance. The provisions of this section apply without regard to whether such decision was subsequently reversed or modified by that United States court of appeals following distribution of such property in complete liquidation.

“(b) To the extent that the liability described in subsection (a) is not compensated for by insurance or otherwise, the amount thereof shall be allowed as a deduction under the appropriate provision of the Internal Revenue Code of 1986 for the taxable year in which payment thereof was made and shall be effective in determining income tax liabilities of all taxable years prior thereto.”

#### SUBPART B—EFFECTS ON CORPORATION

Sec.

336. Gain or loss recognized on property distributed in complete liquidation.

Sec.

337. Nonrecognition for property distributed to parent in complete liquidation of subsidiary.

338. Certain stock purchases treated as asset acquisitions.

#### AMENDMENTS

1986—Pub. L. 99-514, title VI, §631(e)(17), Oct. 22, 1986, 100 Stat. 2275, substituted “Gain or loss recognized on property distributed in complete liquidation” for “General rule” in item 336 and “Nonrecognition for property distributed to parent in complete liquidation of subsidiary” for “Gain or loss on sales or exchanges in connection with certain liquidations” in item 337.

1982—Pub. L. 97-248, title II, §224(c)(9), Sept. 3, 1982, 96 Stat. 489, substituted “Certain stock purchases treated as asset acquisitions” for “Effect on earnings and profits” in item 338.

### § 336. Gain or loss recognized on property distributed in complete liquidation

#### (a) General rule

Except as otherwise provided in this section or section 337, gain or loss shall be recognized to a liquidating corporation on the distribution of property in complete liquidation as if such property were sold to the distributee at its fair market value.

#### (b) Treatment of liabilities

If any property distributed in the liquidation is subject to a liability or the shareholder assumes a liability of the liquidating corporation in connection with the distribution, for purposes of subsection (a) and section 337, the fair market value of such property shall be treated as not less than the amount of such liability.

#### (c) Exception for liquidations which are part of a reorganization

For provision providing that this subpart does not apply to distributions in pursuance of a plan of reorganization, see section 361(c)(4).

#### (d) Limitations on recognition of loss

##### (1) No loss recognized in certain distributions to related persons

###### (A) In general

No loss shall be recognized to a liquidating corporation on the distribution of any property to a related person (within the meaning of section 267) if—

- (i) such distribution is not pro rata, or
- (ii) such property is disqualified property.

###### (B) Disqualified property

For purposes of subparagraph (A), the term “disqualified property” means any property which is acquired by the liquidating corporation in a transaction to which section 351 applied, or as a contribution to capital, during the 5-year period ending on the date of the distribution. Such term includes any property if the adjusted basis of such property is determined (in whole or in part) by reference to the adjusted basis of property described in the preceding sentence.

##### (2) Special rule for certain property acquired in certain carryover basis transactions

###### (A) In general

For purposes of determining the amount of loss recognized by any liquidating corpora-