

Subsec. (b)(2). Pub. L. 97-248, §222(e)(1)(A), struck out “partial or” before “complete liquidation”.

Subsec. (c)(3). Pub. L. 97-248, §226(b), added par. (3).

Subsec. (c)(4). Pub. L. 97-248, §227(a), added par. (4).

1980—Subsecs. (a)(3), (b)(5). Pub. L. 96-223 repealed the amendments made by Pub. L. 95-600, §702(a)(1), (2). See 1978 Amendment notes below.

1978—Subsec. (a)(3). Pub. L. 95-600, §702(a)(1), added par. (3) which related to ordinary income from the sale or redemption of section 306 stock which was carryover basis property adjusted for 1976 value. See Repeals note below.

Subsec. (b)(5). Pub. L. 95-600, §702(a)(2), added par. (5) which provided that subsec. (a) of this section shall not apply to the extent that section 303 applies to a distribution in redemption of section 306 stock. See Repeals note below.

1976—Subsec. (a)(1)(A), (B)(i). Pub. L. 94-455, §1901(b)(3)(J), substituted “ordinary income” for “gain from the sale of property which is not a capital asset”.

Subsec. (b)(4). Pub. L. 94-455, §1906(b)(13)(A), struck out “or his delegate” after “Secretary”.

Subsec. (f). Pub. L. 94-455, §1901(b)(3)(J), substituted “ordinary income” for “gain from the sale of property which is not a capital asset”.

#### Statutory Notes and Related Subsidiaries

##### 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 1984 AMENDMENT

Amendment by 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 1982 AMENDMENT

Amendment by section 222(e)(1)(A), (2) 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 226(b) of Pub. L. 97-248 applicable to transfers occurring after Aug. 31, 1982, except for certain transfers pursuant to an application to form a BHC filed with the Federal Reserve Board before Aug. 16, 1982, see section 226(c) of Pub. L. 97-248, set out as a note under section 304 of this title.

Pub. L. 97-248, title II, §227(c)(1), Sept. 3, 1982, 96 Stat. 492, provided that: “The amendment made by subsection (a) [amending this section] shall apply to stock received after August 31, 1982, in taxable years ending after such date.”

##### EFFECTIVE DATE OF 1980 AMENDMENT AND REVIVAL OF PRIOR LAW

Amendment by Pub. L. 96-223 (repealing section 702(a)(1), (2) of Pub. L. 95-600 and the amendments made thereby, which had amended this section) applicable in respect of decedents dying after Dec. 31, 1976, and, except for certain elections, this title to be applied and administered as if those repealed provisions had not been enacted, see section 401(b), (e) of Pub. L. 96-223, set out as a note under section 1023 of this title.

##### EFFECTIVE DATE OF 1978 AMENDMENT

Pub. L. 95-600, title VII, §702(a)(3), Nov. 6, 1978, 92 Stat. 2925, provided that the amendments made by section 702(a) of Pub. L. 95-600 would apply to the estates of decedents dying after Dec. 31, 1979, prior to repeal by Pub. L. 96-223, title IV, §401(a), Apr. 2, 1980, 94 Stat. 299.

##### EFFECTIVE DATE OF 1976 AMENDMENT

Amendment by section 1901(b)(3)(J) 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.

#### REPEALS

Pub. L. 95-600, §702(a)(1), (2), cited as a credit to this section, and the amendments made thereby, were repealed by Pub. L. 96-223, title IV, §401(a), Apr. 2, 1980, 94 Stat. 299, resulting in the text of this section reading as it read prior to enactment of section 702(a)(1), (2). See Effective Date of 1980 Amendment and Revival of Prior Law note above.

#### 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.

### § 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.)

**Editorial Notes**

## 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.)

**Editorial Notes**

## 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-