

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.

**ABOLITION OF UNITED STATES RAILWAY ASSOCIATION AND TRANSFER OF FUNCTIONS**

United States Railway Association abolished effective Apr. 1, 1987, all powers, duties, rights, and obligations of Association relating to Consolidated Rail Corporation under Regional Rail Reorganization Act of 1973 (45 U.S.C. 701 et seq.) transferred to Secretary of Transportation on Jan. 1, 1987, and any securities of Corporation held by Association transferred to Secretary of Transportation on Oct. 21, 1986, see section 1341 of Title 45, Railroads.

**APPLICATION OF COMPARABLE RULES TO PARTNERSHIPS AND S CORPORATIONS**

Pub. L. 106-554, §1(a)(7) [title III, §309(c)], Dec. 21, 2000, 114 Stat. 2763, 2763A-638, provided that: "The Secretary of the Treasury or his delegate—

"(1) shall prescribe rules which provide appropriate adjustments under subchapter K of chapter 1 of the Internal Revenue Code of 1986 to prevent the acceleration or duplication of losses through the assumption of (or transfer of assets subject to) liabilities described in section 358(h)(3) of such Code (as added by subsection (a)) in transactions involving partnerships, and

"(2) may prescribe rules which provide appropriate adjustments under subchapter S of chapter 1 of such Code in transactions described in paragraph (1) involving S corporations rather than partnerships."

**SUBPART C—EFFECTS ON CORPORATIONS**

Sec.

361. Nonrecognition of gain or loss to corporations; treatment of distributions.  
 362. Basis to corporations.  
 [363. Repealed.]

**Editorial Notes**

**AMENDMENTS**

2018—Pub. L. 115-141, div. U, title IV, §401(a)(66), Mar. 23, 2018, 132 Stat. 1187, substituted "Corporations" for "Corporation" in subpart heading.

1988—Pub. L. 100-647, title I, §1018(d)(5)(F), Nov. 10, 1988, 102 Stat. 3580, substituted "corporations; treatment of distributions." for "transferor corporation; other treatment of transferor corporation; etc." in item 361.

1986—Pub. L. 99-514, title XVIII, §1804(g)(3), Oct. 22, 1986, 100 Stat. 2806, substituted "to transferor corporation; other treatment of transferor corporation; etc." for "corporations" in item 361.

1976—Pub. L. 94-455, title XIX, §1901(b)(13), Oct. 4, 1976, 90 Stat. 1795, struck out item 363 "Effect on earnings and profits".

**§ 361. Nonrecognition of gain or loss to corporations; treatment of distributions**

**(a) General rule**

No gain or loss shall be recognized to a corporation if such corporation is a party to a reorganization and exchanges property, in pursuance of the plan of reorganization, solely for stock or securities in another corporation a party to the reorganization.

**(b) Exchanges not solely in kind**

**(1) Gain**

If subsection (a) would apply to an exchange but for the fact that the property received in

exchange consists not only of stock or securities permitted by subsection (a) to be received without the recognition of gain, but also of other property or money, then—

**(A) Property distributed**

If the corporation receiving such other property or money distributes it in pursuance of the plan of reorganization, no gain to the corporation shall be recognized from the exchange, but

**(B) Property not distributed**

If the corporation receiving such other property or money does not distribute it in pursuance of the plan of reorganization, the gain, if any, to the corporation shall be recognized.

The amount of gain recognized under subparagraph (B) shall not exceed the sum of the money and the fair market value of the other property so received which is not so distributed.

**(2) Loss**

If subsection (a) would apply to an exchange but for the fact that the property received in exchange consists not only of property permitted by subsection (a) to be received without the recognition of gain or loss, but also of other property or money, then no loss from the exchange shall be recognized.

**(3) Treatment of transfers to creditors**

For purposes of paragraph (1), any transfer of the other property or money received in the exchange by the corporation to its creditors in connection with the reorganization shall be treated as a distribution in pursuance of the plan of reorganization. The Secretary may prescribe such regulations as may be necessary to prevent avoidance of tax through abuse of the preceding sentence or subsection (c)(3). In the case of a reorganization described in section 368(a)(1)(D) with respect to which stock or securities of the corporation to which the assets are transferred are distributed in a transaction which qualifies under section 355, this paragraph shall apply only to the extent that the sum of the money and the fair market value of other property transferred to such creditors does not exceed the adjusted bases of such assets transferred (reduced by the amount of the liabilities assumed (within the meaning of section 357(c))).

**(c) Treatment of distributions**

**(1) In general**

Except as provided in paragraph (2), no gain or loss shall be recognized to a corporation a party to a reorganization on the distribution to its shareholders of property in pursuance of the plan of reorganization.

**(2) Distributions of appreciated property**

**(A) In general**

If—

(i) in a distribution referred to in paragraph (1), the corporation distributes property other than qualified property, and

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