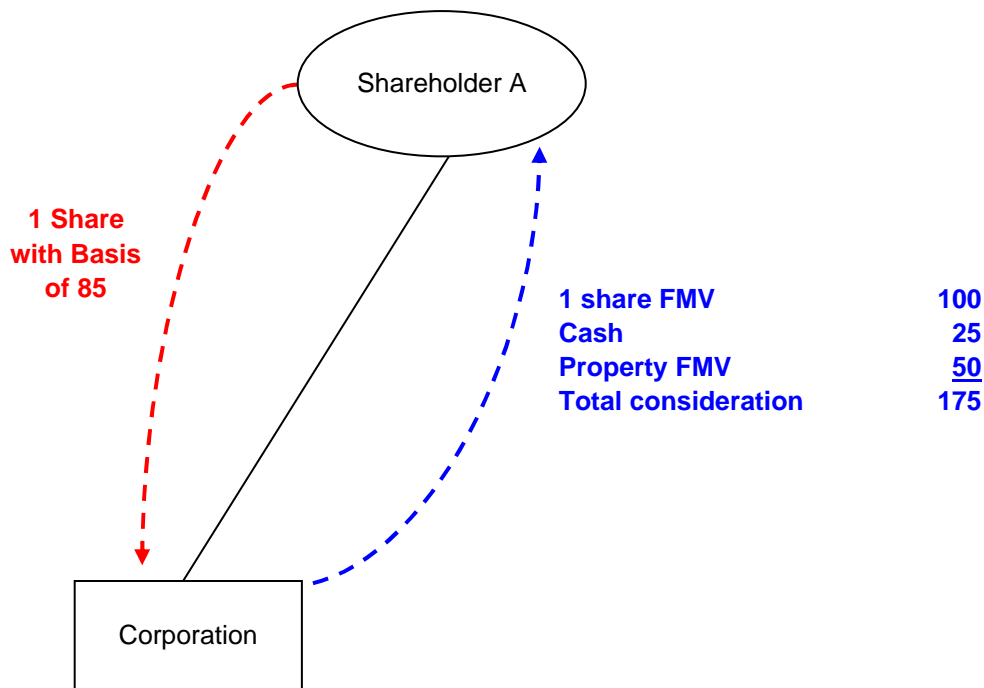


**Reg. 1.356-1(d),
Example 1**

**Stock Exchanged for
Stock Plus Boot - Gain**

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In an exchange to which the provisions of section 356 apply and to which section 354 would apply but for the receipt of property not permitted to be received without the recognition of gain or loss, A (either an individual or a corporation), received the following in exchange for a share of stock having an adjusted basis to A of \$85:

| | | | | | |
|----------------------|-----------|-----------------------|-------------|--|-----------|
| 1 Share of stock FMV | 100 | | | | |
| Cash | 25 | Total consideration | 175 | Recognized gain (limited to cash & property) | 75 |
| Property FMV | <u>50</u> | Less adj. stock basis | <u>(85)</u> | Prorated share of E&P treated as dividends | <u>30</u> |
| Total consideration | 175 | Realized gain | 90 | Remaining gain from exchange of property | 45 |

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