Corporation X acquires all of the outstanding stock of solvent corporation Y from an unrelated individual for cash and short-term notes. Thereafter, as part of the same plan, X immediately makes an S election and a QSub election for Y. Because X acquired all of the stock of Y in a qualified stock purchase within the meaning of section 338(d)(3), the deemed liquidation of Corp Y is respected as an independent step separate from the stock acquisition, and the tax consequences of the liquidation are determined under sections 332 and 337.

△ Means "flow-thru" for U.S. tax purposes
□ Means "S" Corporation

HUNDREDS of additional charts at www.andrewmitchel.com