Reg. 1.368-2(b)(1)(iii), Example 5

Under State W law, Corp Z merges into LLC X. Pursuant to such law, the following events occur simultaneously at the effective time of the transaction: all of the assets and liabilities of Z become the assets and liabilities of X and Z's separate legal existence ceases for all purposes. In the merger, the Z shareholders exchange their stock of Z for an interest in Y, a partnership under the laws of State W that is classified as a partnership for Federal income tax purposes.

The transaction cannot qualify as a statutory merger or consolidation for purposes of section 368(a)(1)(A). All of the assets and liabilities of Z, the combining entity and sole member of the transferor unit, do not become the assets and liabilities of one or more members of a transferee unit because neither X nor Y qualifies as a combining entity.

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