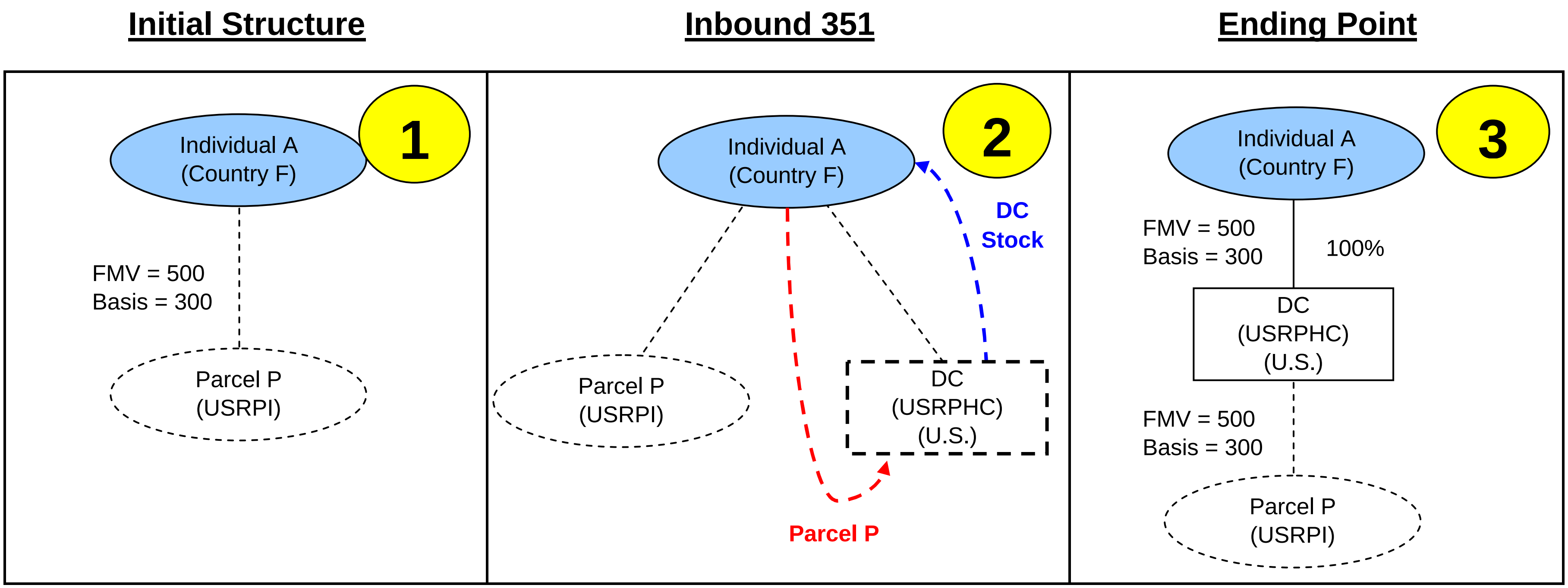
Temp. Reg. 1.897-6T(a)(7), Example 1

Inbound 351 of a USRPI to USRPHC



A is a citizen and resident of Country F with which the U.S. does not have an income tax treaty. A owns Parcel P, a U.S. real property interest, with a fair market value of $500,000 and an adjusted basis of $300,000. A transfers Parcel P to DC, a newly formed U.S. real property holding corporation wholly owned by A, in exchange for DC stock.

A has exchanged a U.S. real property interest (Parcel P) for another U.S. real property interest (DC stock) which is subject to U.S. taxation upon its disposition. The nonrecognition provisions of section 351(a) apply to A's transfer of Parcel P as long as A complies with the filing requirements of Temp. Reg. 1.897-5T(d)(1)(iii). A takes a $300,000 adjusted basis in the DC stock under the rules of section 358(a)(1).