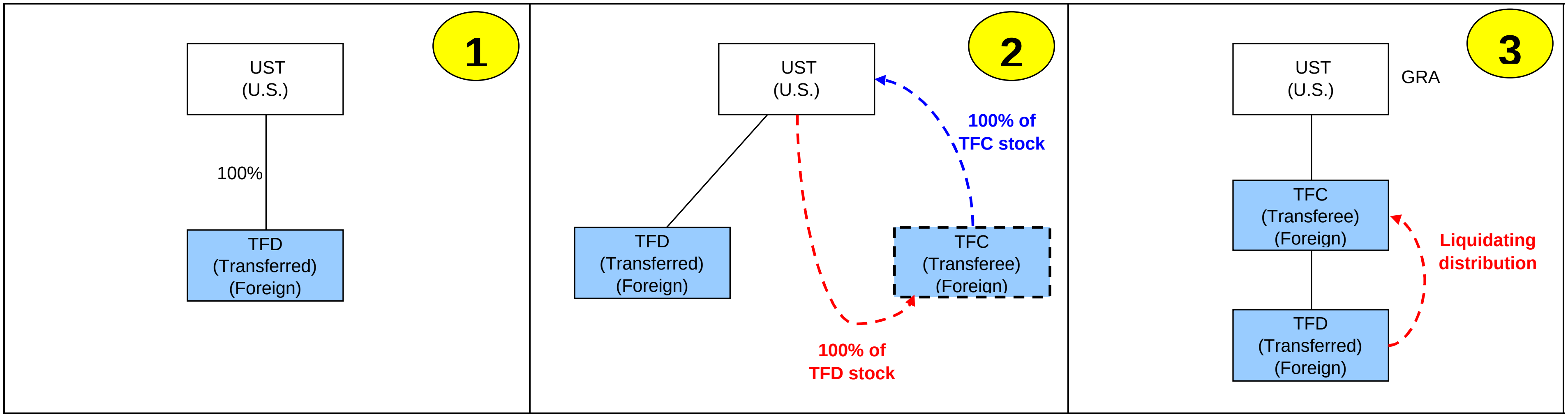
Temp. Reg. 1.367(a)-8T(e)(6)(ii), Example

Outbound 351, 332 Liquidation & Disposition of Substantially All Assets

Initial Structure | **Outbound 351 Exchange** | **332 Liquidation (2 Years Later)**



UST, a domestic corporation, owns 100 percent of the stock of TFD, a foreign corporation. UST transfers all of the TFD stock to newly-formed TFC, a foreign corporation, in an exchange to which section 351 applies. In the exchange, UST receives 100 percent of the voting stock of TFC. The transaction is subject to both sections 367(a) and (b). All of the requirements of §1.367(a)-3(b)(1) are satisfied, and UST enters into a gain recognition agreement to qualify for nonrecognition treatment and does not make the election to recognize the gain in the year of the triggering event. UST also complies with the notice requirement under §1.367(b)-1(c). Two years after the initial transfer, TFD liquidates into TFC in a transaction described in sections 332 and 337, and UST complies with the reporting requirements. Four years after the initial transfer, TFC disposes of substantially all of the assets previously held by TFD.

TFC's disposition of substantially all of the assets previously held by TFD is a triggering event. Under the terms of the gain recognition agreement, UST must amend its return for the year of the initial transfer and include in income the gain realized, but not recognized, on the initial transfer of the stock of TFD to TFC, and pay any interest charge.

Disposition of Substantially All Assets (4 Years Later) | **Ending Point**