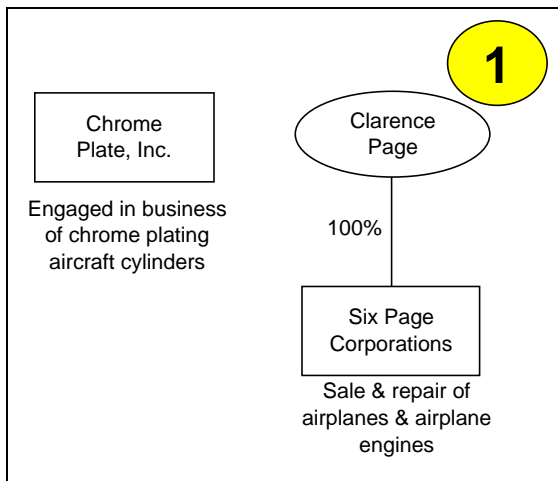


**Chrome Plate, Inc. v. U.S.
614 F.2d 990 (5th Cir. 1980)**

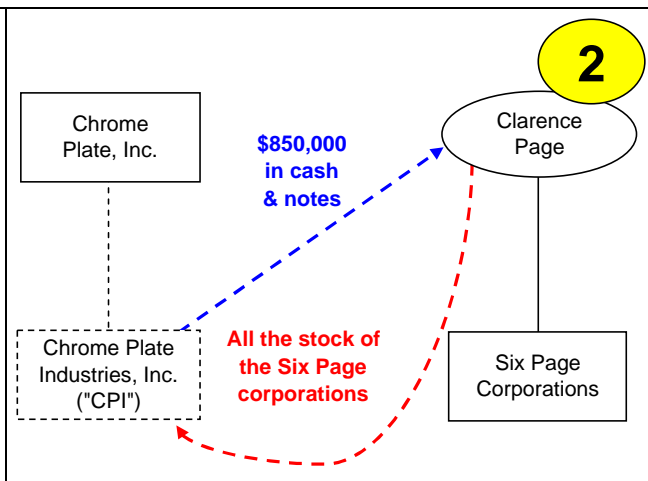
**Kimbell-Diamond
Doctrine Is Extinct**

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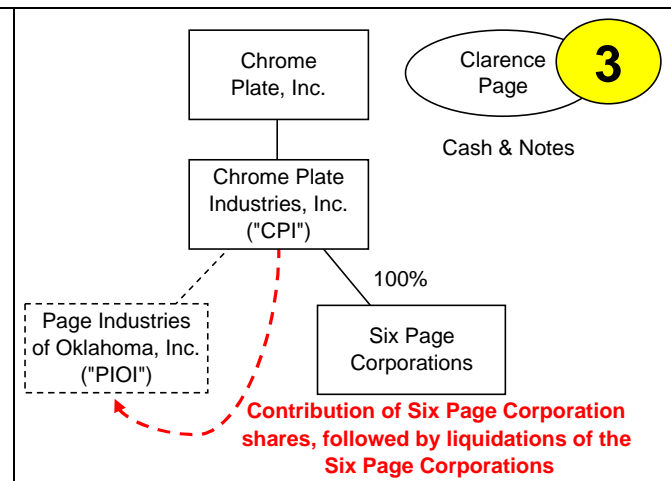
Initial Structure



Stock Purchase (Dec. 28, 1972)



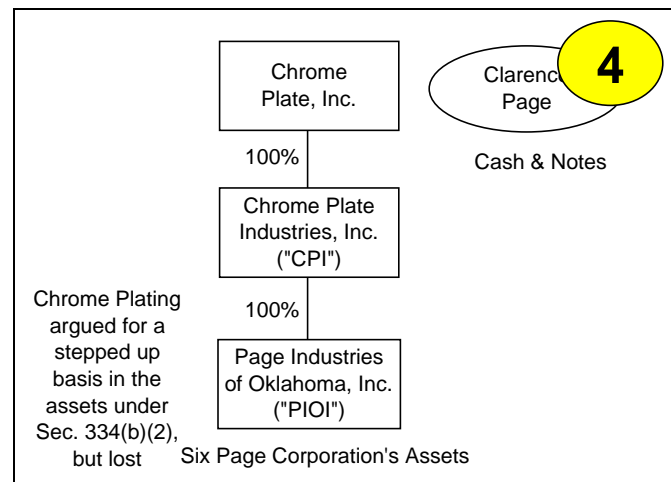
Drop-down & Liquidation (Dec. 29, 1972)



In 1972, Chrome Plate, Inc. ("Chrome Plate") was a corporation engaged in the business of chrome plating aircraft cylinders. Six corporations ("the Page corporations") were engaged in the sale and repair of airplanes and airplane engines. On December 15, 1972, Chrome Plate Industries, Inc. ("CPI") was formed, which as a wholly owned subsidiary of Chrome Plate. On December 28, 1972, all of the stock in the Page corporations was transferred to CPI. In return for the stock, CPI paid \$850,000 in cash and notes.

Immediately after the acquisition of the Page corporations stock, CPI transferred the Page corporations stock to Page Industries of Oklahoma, Inc. ("PIOI"), a newly formed corporation, in exchange for shares of PIOI common stock. The following day, December 29, 1972, the Page corporations were liquidated, and PIOI succeeded to their assets. Upon the liquidation, PIOI stepped up the basis of the acquired assets from their original cost to Page to the cost of PIOI of \$849,000.

Ending Point



The Kimbell-Diamond doctrine provided that when a taxpayer, solely interested in acquiring a corporation's assets, purchased stock and then liquidated the acquired corporation, the transaction would be viewed as a purchase of assets and the various steps would be considered a single transaction. The court held "definitively and absolutely" that the Kimbell-Diamond doctrine is extinct. The doctrine had been codified in section 334(b)(2) [now replaced by section 338].