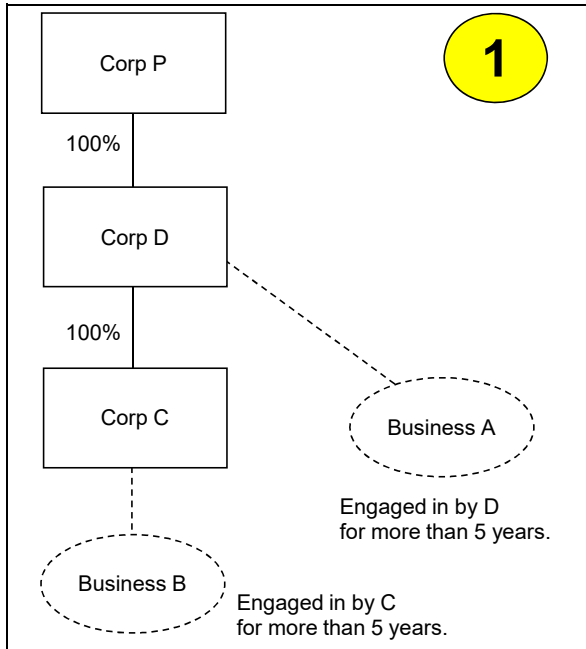


**Revenue Ruling 2017-9,  
Situation 2**

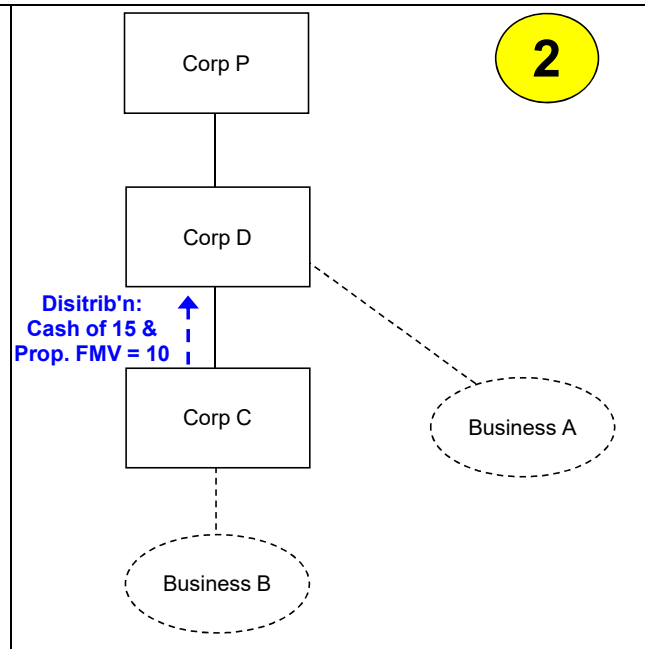
**Gain Recognized On South Transaction  
Due Boot Received Not Being Distributed**

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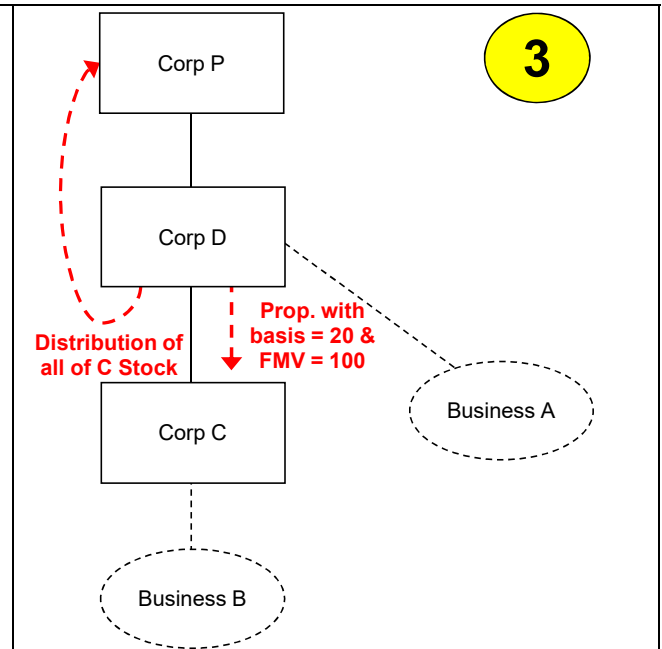
**Initial Structure**



**Distribution (North Transaction)**



**Contrib'n & Distrib'n (South & North)**



P owns all the stock of D, which owns all the stock of C. D has been engaged in Business A for more than 5 years. C has been engaged in Business B for more than 5 years. Business A and Business B each constitutes the active conduct of a trade or business within the meaning of §355(b).

On Date 1, C transfers \$15X of money and property having a fair market value of \$10X to D, pursuant to a dividend declaration, and D retains the money and property. On Date 2, D transfers to C property having a basis of \$20X and a fair market value of \$100X, and D distributes all the C stock to P in a transaction qualifying as a reorganization under §§368(a)(1)(D) and 355. C and D planned and executed the Date 1 transfer in pursuance of the plan of reorganization.

The ruling held that §361, and not §301, applies to the transfer of money or other property by C to D (the first North transaction) made in pursuance of the plan of reorganization under §§368(a)(1)(D) and 355. As a result, D was required to recognize gain (to the extent of the boot received) on the transfer from D to C (the South transaction).

**Ending Point**

