Internal Revenue Code Section 331

Gain or loss to shareholder in corporate liquidations

(a) Distributions in complete liquidation treated as exchanges.
Amounts received by a shareholder in a distribution in complete liquidation of a corporation shall be treated as in full payment in exchange for the stock.

(b) Nonapplication of section 301 .
Section 301 (relating to effects on shareholder of distributions of property) shall not apply to any distribution of property (other than a distribution referred to in paragraph (2)(B) of section 316(b)) in complete liquidation.

(c) Cross reference.
For general rule for determination of the amount of gain or loss recognized, see section 1001 .