

Internal Revenue Code Section 334(a)

Basis of property received in liquidations.



(a) General rule. If property is received in a distribution in complete liquidation, and if gain or loss is recognized on receipt of such property, then the basis of the property in the hands of the distributee shall be the fair market value of such property at the time of the distribution.

(b) Liquidation of subsidiary.

(1) In general. If property is received by a corporate distributee in a distribution in a complete liquidation to which section 332 [IRC Sec. 332] applies (or in a transfer described in section 337(b)(1) [IRC Sec. 337(b)(1)]), the basis of such property in the hands of such distributee shall be the same as it would be in the hands of the transferor; except that, in the hands of such distributee--

(A) the basis of such property shall be the fair market value of the property at the time of the distribution in any case in which gain or loss is recognized by the liquidating corporation with respect to such property, and

(B) the basis of any property described in section 362(e)(1)(B) [IRC Sec. 362(e)(1)(B)] shall be the fair market value of the property at the time of the distribution in any case in which such distributee's aggregate adjusted basis of such property would (but for this subparagraph) exceed the fair market value of such property immediately after such liquidation.

(2) Corporate distributee. For purposes of this subsection, the term "corporate distributee" means only the corporation which meets the stock ownership requirements specified in section 332(b) [IRC Sec. 332(b)].