Due by May 8th

***Please cite IRS code section (short answer).***

1. What is the significance of the term “check the box” for Partnership, sole Proprietor and Perse Corporation?

2. Allen creates a new corporation (as its sole shareholder) and contributes $100 worth of land with an Adjusted /Basis (A/B) of $60, and services of $50. In exchange, Allen receives 10 shares of stock for the land, and 5 shares for the services. If Allen receives back from the corporation $12 in a promissory note (debt) in addition to the stock:

1. How much gain is recognized by “Allen”?
2. What is Allen’s A/B in the stock?
3. What is Allen’s A/B in the note?
4. What is the A/B in the land to the corporation?
5. Does this change the treatment of the services received by the corporation?

3. If the corporate tax rate is 30%, what amount will be available for the parent company to distribute to its individual shareholders if each company distributed 100% of its earnings and profit, plus all of the dividends received from affiliates (all $ amounts shown are taxable income, not E&P) ?

Individual Shareholders

100%

Parent Corporation

Earnings $200

40% owned 85% owned 60% owned

Sub A Sub B Sub C

Earnings $100 Earnings $300 Earnings $400

10% owned

Sub D

Earnings $500

4. What are the tax consequences to the shareholder who receives distributions in the following situation?

Distribution $100 $200

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Current year $90 Accumulated $110

Adjusted Basis = $20 bought 10 years ago

5. C is the sole shareholder of BPI Corporation. C’s basis in her shares is $5,000. BPI employees M as a manager to run the day-to-day operations. At the end of the year in question, BPI has current E&P of $100,000 and accumulated E&P of $300,000. BPI distributes cash of $100,000 to C. What the tax consequences to

a. BPI

b. what are the potential tax consequences to C had not hired M, and instead was the sole employee managing the BPI operations?

c. Alternative Facts:

i. what if BPI had no current E&P?

ii. what if BPI had $100,000 in current E&P, but no accumulated E&P?

iii. what if BPI had 100,000 in current E&P but a deficit in accumulated E&P?

iv. what if BPI had $25,000 in current year E&P and $25,000 in accumulated E&P?

v. What if BPI had no E&P at all?

1. What is the impact of tax laws on XYZ in the case of
2. Liquidation of ABC into XYZ
3. An election under some tax provision that would treat the acquisition as an asset purchase for US tax purposes.
4. What is the impact of tax laws on ABC Corporation in the case of

a. Liquidation of ABC into XYZ

b. An election under some tax provision that would treat the acquisition as an asset purchase for US tax purposes.