§ 1.1502–33 Internal Revenue Service, Treasury

§ 1.1502–33 as contained in 26 CFR part 1 in effect on April 1, 2006.


§ 1.1502–34 Special aggregate stock ownership rules.

For purposes of §§ 1.1502–1 through 1.1502–80, in determining the stock ownership of a member of a group in another corporation (the “issuing corporation”) for purposes of determining the application of section 165(g)(3)(A), 332(b)(1), 333(b), 351(a), 732(f), or 904(f), in a consolidated return year, there shall be included stock owned by all other members of the group in the issuing corporation. Thus, assume that members A, B, and C each own 33 1/3 percent of the stock issued by D. In such case, A, B, and C shall each be treated as meeting the 80-percent stock ownership requirement for purposes of section 332, and no member can elect to have section 333 apply. Furthermore, the special rule for minority shareholders in section 337(d) cannot apply with respect to amounts received by A, B, or C in liquidation of D.


§ 1.1502–35 Transfers of subsidiary stock and deconsolidations of subsidiaries.

(a) In general—(1) Purpose. The purpose of this section is to prevent a group from obtaining more than one tax benefit from a single economic loss. The provisions of this section shall be construed in a manner that is consistent with that purpose and in a manner that reasonably carries out that purpose.

(2) Dates of applicability. This section applies if—

(i) On or after March 7, 2002, a member recognizes a loss on the disposition of a share of stock of a subsidiary (or, on or after April 10, 2007, a share of stock of a former subsidiary) or a carryover basis asset (subject to paragraph (c)(6) of this section), and

(ii) The member’s loss on the share of subsidiary stock or the carryover basis asset is allowed on or before the date that is ten years after the disposition of the share or carryover basis asset, and

(iii) If the disposition is of a share of subsidiary stock, it is not a transfer to which §1.1502–36 applies.

(b) Redetermination of basis on certain nondeconsolidating transfers of subsidiary stock and on certain deconsolidations of subsidiaries—(1) Redetermination of basis on certain nondeconsolidating transfers of subsidiary stock. Except as provided in paragraph (b)(3)(i) of this section, if, immediately after a transfer of stock of a subsidiary that has a basis that exceeds its value, the subsidiary remains a member of the group, then the basis in each share of subsidiary stock owned by each member of the group shall be redetermined in accordance with the provisions of this paragraph (b)(1) immediately before such transfer. All of the members’ bases in the shares of subsidiary stock immediately before such transfer shall be aggregated. Such aggregated basis shall be allocated first to the shares of the subsidiary’s preferred stock that are owned by the members of the group immediately before such transfer, in proportion to, but not in excess of, the value of those shares at such time. After allocation of the aggregated basis to all shares of the preferred stock of the subsidiary pursuant to the preceding sentence, any remaining basis shall be allocated among all common shares of subsidiary stock held by members of the group immediately before the transfer, in proportion to the value of such shares at such time.

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(b)(2) Redetermination of basis on certain deconsolidations of subsidiaries—(i) Allocation of reallocateable basis amount. Except as provided in paragraph (b)(3)(ii) of this section, if, immediately before a deconsolidation of a subsidiary, any share of stock of such subsidiary owned by a member of the group has a basis that exceeds its value, then the basis in each share of the subsidiary’s stock owned by each member of the group shall be redetermined in accordance with the provisions of this paragraph (b)(2) immediately before such transfer, in proportion to the value of such shares at such time.