

Internal Revenue Service, Treasury

§ 1.332-8

Time to Assess Tax Under Section 332(b),” OR NUMBER AND NAME OF THE SUCCESSOR FORM].

(b) *Filings by the liquidating corporation.* The liquidating corporation must timely file Form 966, “Corporate Dissolution or Liquidation,” (or its successor form) and its final Federal corporate income tax return. See also section 6043 of the Code.

(c) *Definitions.* For purposes of this section:

(1) *Plan* means the plan of complete liquidation within the meaning of section 332.

(2) *Recipient corporation* means the corporation described in section 332(b)(1).

(3) *Liquidating corporation* means the corporation that makes a distribution of property to a recipient corporation pursuant to the plan.

(4) *Liquidating distribution* means a distribution of property made by the liquidating corporation to a recipient corporation pursuant to the plan.

(d) *Substantiation information.* Under §1.6001-1(e), taxpayers are required to retain their permanent records and make such records available to any authorized Internal Revenue Service officers and employees. In connection with a liquidation described in this section, these records should specifically include information regarding the amount, basis, and fair market value of all distributed property, and relevant facts regarding any liabilities assumed or extinguished as part of such liquidation.

(e) *Effective/applicability date.* This section applies to any taxable year beginning on or after May 30, 2006. However, taxpayers may apply this section to any original Federal income tax return (including any amended return filed on or before the due date (including extensions) of such original return) timely filed on or after May 30, 2006. For taxable years beginning before May 30, 2006, see §1.332-6 as contained in 26 CFR part 1 in effect on April 1, 2006. Paragraph (a)(3) of this section applies with respect to liquidations under section 332 occurring on or after March 28, 2016, and also with respect to liquidations under section 332 occurring before such date as a result of an entity classification election under

§301.7701-3 of this chapter filed on or after March 28, 2016, unless such liquidation is pursuant to a binding agreement that was in effect prior to March 28, 2016 and at all times thereafter.

[T.D. 9329, 72 FR 32797, June 14, 2007, as amended by T.D. 9759, 81 FR 17071, Mar. 28, 2016]

§ 1.332-7 Indebtedness of subsidiary to parent.

If section 332(a) is applicable to the receipt of the subsidiary’s property in complete liquidation, then no gain or loss shall be recognized to the subsidiary upon the transfer of such properties even though some of the properties are transferred in satisfaction of the subsidiary’s indebtedness to its parent. See section 337(b)(1). However, any gain or loss realized by the parent corporation on such satisfaction of indebtedness, shall be recognized to the parent corporation at the time of the liquidation. For example, if the parent corporation purchased its subsidiary’s bonds at a discount and upon liquidation of the subsidiary the parent corporation receives payment for the face amount of such bonds, gain shall be recognized to the parent corporation. Such gain shall be measured by the difference between the cost or other basis of the bonds to the parent and the amount received in payment of the bonds.

[T.D. 6500, 25 FR 11607, Nov. 26, 1960; 25 FR 14021, Dec. 31, 1960, as amended by T.D. 9759, 81 FR 17071, Mar. 28, 2016]

§ 1.332-8 Recognition of gain on liquidation of certain holding companies.

(a) *Definition of controlled foreign corporation.* For purposes of section 332(d)(3), a controlled foreign corporation has the meaning provided in section 957, determined without applying section 318(a)(3)(A), (B), and (C) so as to consider a United States person as owning stock which is owned by a person who is not a United States person.

(b) *Applicability date.* This section applies to distributions in complete liquidation occurring on or after October 1, 2019, and to distributions in complete liquidation occurring before October 1,