**Sec. 1001. Determination of Amount
of and Recognition of Gain or Loss**

**(a) Computation of Gain or Loss.** The gain from the sale or other disposition of property shall be the **excess** of the **amount realized** therefrom **over** the **adjusted basis** provided in section 1011 for determining gain, and the loss shall be the excess of the adjusted basis provided in such section for determining loss over the amount realized.

**(b) Amount Realized.** The **amount realized** from the sale or other disposition of property shall be the sum of any money received plus the fair market value of the property (other than money) received..

**(c) Recognition of Gain or Loss. Except as** **otherwise provided** in this subtitle, the entire amount of the **gain or loss**, determined under this section, on the sale or exchange of property **shall be recognized.**

**(d) Installment Sales.** Nothing in this section shall be construed to prevent (in the case of property sold under contract providing for payment in installments) the taxation of that portion of any installment payment representing gain or profit in the year in which such payment is received.

# Sec. 351.Transfer to Corporation Controlled by Transferor

**(a) General Rule. No gain or loss** shall be recognized if property is transferred to a corporation by one or more persons solely in exchange for stock in such corporation and immediately after the exchange such person or persons are in **control** (as defined in section 368(c)) of the corporation.

**(b) Receipt of Property.** If subsection (a) would apply to an exchange but for the fact that there is received, in addition to the stock permitted to be received under subsection (a), other property or money, then—

**(1) gain (if any)** to such recipient shall be recognized, but not in **excess** of-

**(A)** the amount **of money** received, plus

**(B)** the **fair market value** of such other property received; and

**(2) no loss** to such recipient shall be recognized.

## (c) Special Rules Where Distribution to Shareholders. ………..

**(d) Services, Certain Indebtedness, and Accrued Interest Not Treated as Property.**

For purposes of this section, **stock issued for-**

**(1)** services,

**(2)** indebtedness of the transferee corporation which is not evidenced by a security, or**…**

shall **not be considered as issued in return for property.**

**(e) Exceptions.** This section shall not apply to—

(1) Transfer of property to an investment company……

# Sec. 357. Assumption of Liability

**(a) General Rule**. Except as provided in subsections (b) and (c), if—

**(1)** the taxpayer receives property which would be permitted to be received **under section 351** or 361, without the recognition of gain **if it were the sole consideration**, and

**(2)** as part of the consideration, **another party** to the exchange **assumes a liability of the taxpayer**,

then such **assumption shall not be treated as money or other property, and shall not prevent the exchange from being within the provisions of section 351** or 361, as the case may be.

## (b) Tax Avoidance Purpose.

**(1) In general**. If, taking into consideration the nature of the liability and the circumstances in the light of which the arrangement for the assumption was made, it appears that the **principal purpose** of the taxpayer with respect to the assumption described in subsection (a)—

**(A)** was a purpose **to avoid Federal income tax** on the exchange, or **(B)** if not such purpose, was not a bona fide business purpose, then such assumption (in the total amount of the **liability** assumed pursuant to such exchange) shall, for purposes of section 351 or 361 (as the case may be), be **considered as money** received by the taxpayer on the exchange. ……....

## (c) Liabilities in Excess of Basis.

**(1) In general.** In the case of an exchange

**(A)** to which section 351 applies, or ……**..**

if the sum of the amount of the **liabilities assumed exceeds the total of the adjusted basis** of the property transferred pursuant to such exchange, then such **excess** shall be considered as a **gain** from the sale or exchange of a capital asset or of property which is not a capital asset, as the case may be.

(2) Exceptions. Paragraph (1) shall not apply to any exchange-

**(A)** to which subsection (b)(1) of this section applies, or ……..**..**

## (3) Certain liabilities excluded.

(A) In general. If a taxpayer transfers, in an exchange to which section 351 applies, a liability the payment of which either—

**(i)** would give **rise to a deduction,** or ….**..**

(B) Exception. Subparagraph (A) shall not apply to any liability to the extent that the incurrence of the liability resulted in the creation of, or an increase in, the **basis of any property.****…..**

# Sec. 358. Basis to Distributees

**(a) General Rule.** In the case of an exchange to which **section 351,** 354, 355, 356, or 361 applies—

**(1) Nonrecognition property.** The **basis** of the property permitted to be **received** under such section without the recognition of gain or loss shall be the **same as that of the property exchanged**-

**(A) decreased by-**

**(i)** the fair market value of any other property (except money) received by the taxpayer,

**(ii)** the amount of any money received by the taxpayer, and

**(iii)** the amount of loss to the taxpayer which was recognized on such exchange, and

**(B) increased by—**

**(i)** the amount which was treated as a dividend, and

**(ii)** the amount of gain to the taxpayer which was recognized on such exchange (not including any portion of such gain which was treated as a dividend).

**(2) Other property.** The **basis** of any **other property** (except money) received by the taxpayer shall be its **fair market value**.

## (b) Allocation of Basis.

**(1) In general.** Under regulations prescribed by the Secretary, the basis determined under subsection (a)(1) shall be allocated among the properties permitted to be received without the recognition of gain or loss...

## (d) Assumption of Liability.

**(1) In general.** Where, as part of the consideration to the taxpayer, another party to the exchange **assumed a liability of the taxpayer**, such assumption shall, for purposes of this section, **be treated as money received** by the taxpayer on the exchange.

**(2) Exception.** Paragraph (1) shall not apply to the amount of any liability excluded under section 357(c)(3)...

# Sec. 362. Basis to Corporations

**(a) Property Acquired by Issuance of Stock or as Paid-In-Surplus.** If property was acquired on or after June 22, 1954, by a corporation-

**(1)** in connection with a transaction to which section 351 (relating to transfer of property to corporation controlled by transferor) applies, or

**(2)** as paid-in surplus or as a **contribution to capital**,

**then the basis shall be the same as it would be in the hands of the transferor, increased in the amount of gain recognized to the transferor on such transfer……**..

## (c) Special Rule for Certain Contributions to Capital.

**(1) Property other than money.** Notwithstanding subsection (a)(2), if property other than money-

**(A)** is received by a corporation, on or after June 22, 1954, **as a contribution to capital**, and

**(B)** is **not contributed by a shareholder** as such, then the **basis of such property shall be zero**.

**(2) Money.** Notwithstanding subsection (a)(2), if **money-**

**(A)** is received by a corporation, on or after June 22, 1954, as a contribution to capital, and**(B)** is not contributed by a shareholder as such, then the basis of any property acquired with such money during the 12-month period beginning on the day the contribution is received shall be reduced by the amount of such contribution. The excess (if any) of the amount of such contribution over the amount of the reduction under the preceding sentence shall be applied to the reduction (as of the last day of the period specified in the preceding sentence) of the basis of any other property held by the taxpayer. ..

## (d) Limitation on Basis Increase Attributable to Assumption of Liability.

(1) In general. In no event shall the basis of any property be increased under subsection (a) or (b) above the fair market value of such property (determined without regard to section 7701(g)) by reason of any gain recognized to the transferor as a result of the assumption of a liability.…

## (e) Limitations on Built-In Losses. ……

## (2) Limitation on transfer of built-in losses in section 351 transactions.

(A) In general. If- **(i)** property is transferred by a transferor in any transaction which is described in subsection (a) and which is not described in paragraph (1) of this subsection, and

**(ii)** the transferee's aggregate **adjusted bases** of such property so transferred would (but for this paragraph) **exceed the fair market value** of such property immediately after such transaction,

then, notwithstanding subsection (a), the transferee's aggregate adjusted bases of the property so transferred **shall not exceed the fair market value of such property** immediately after such transaction...

 **368(c) Control Defined.**  For purposes of …this part … , the term “control” means ownership of stock possessing at least **80 percent of the total combined voting power of all classes of stock** entitled to vote and at least 80 percent of the total number of shares of all other classes of stock of the corporation.

# Sec. 1032. Exchange of Stock for Property

**(a) Nonrecognition of Gain or Loss**. **No gain or loss shall be recognized to a corporation** on the receipt of money or other property in **exchange for stock** (**including treasury stock**) of such corporation. ..