

## **CORPORATE TAX HYPOS – CORPORATE LIQUIDATION**

### **HYPO 1**

X Corporation owns 100 shares of Y Corporation stock and X has a basis of \$15,000 in those shares. Those 100 shares are the only Y Corporation shares outstanding (that is, X Corporation is the 100% owner of Y Corporation). Y Corporation has one asset, Blackacre, with a FMV of \$30,000 and a basis of \$10,000. Y has accumulated E&P of \$5,000 and no current E&P. Y has no liabilities. On July 1, Year One, Y liquidates and distributes Blackacre to X Corporation.

What are the tax results to X and Y on account of the Y Corporation liquidation?

### **HYPO 2**

Same facts as above except that X Corporation has 90 shares of Y Corporation and A, an individual, owns the remaining 10 shares. A has a basis of \$5,000 in his 10 shares of Y Corporation.

Y liquidates and distributes 90% of Blackacre to X and 10% of Blackacre to Y.

What are the tax results to X Corporation, Y Corporation and A?

### **HYPO 3**

Same facts as Hypo Two except that Y's basis in Blackacre is \$40,000.

What are the tax results to X Corporation, Y Corporation and A?