

Treasury Regulation
1.1361-5(b)(3) Example 8

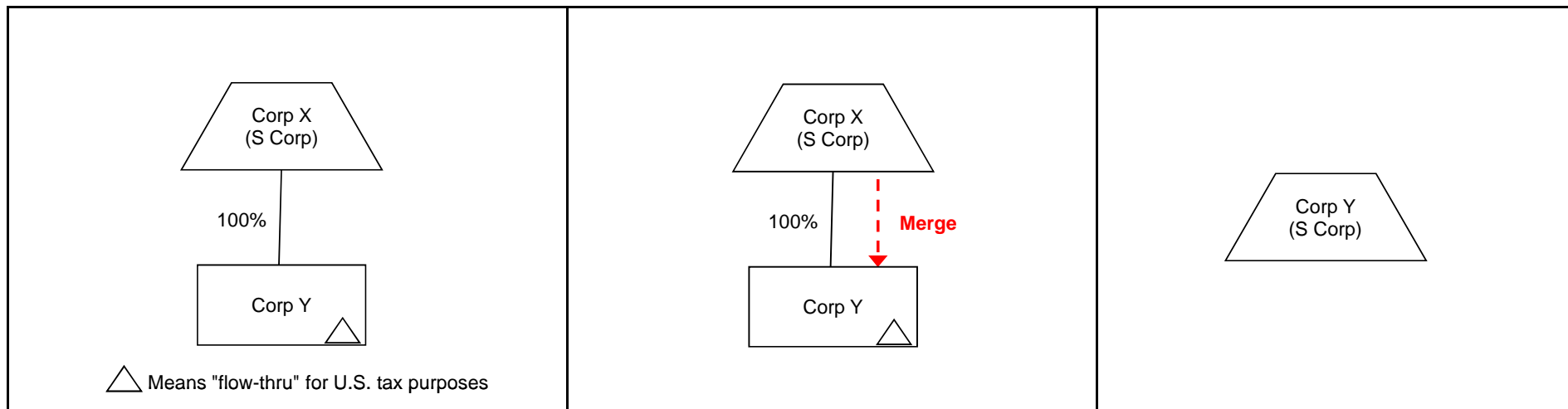
**"F" Reorganization Upon S Corp
Merger into its QSub**

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Initial Structure

Merger / "F" Reorganization

Ending Point



Corp X, an S corporation, owned 100% of Corp Y, a QSub. Corp X merges into Corp Y under state law, causing the QSub election for Y to terminate, and Corp Y survives the merger. The formation of the new corporation, Y, and the merger of X into Y can qualify as a reorganization described in section 368(a)(1)(F) if the transaction otherwise satisfies the requirements of that section. Rev. Rul. 64-250 holds that an "F" reorganization does not terminate the "S" election under section 1362 (formerly section 1372).

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