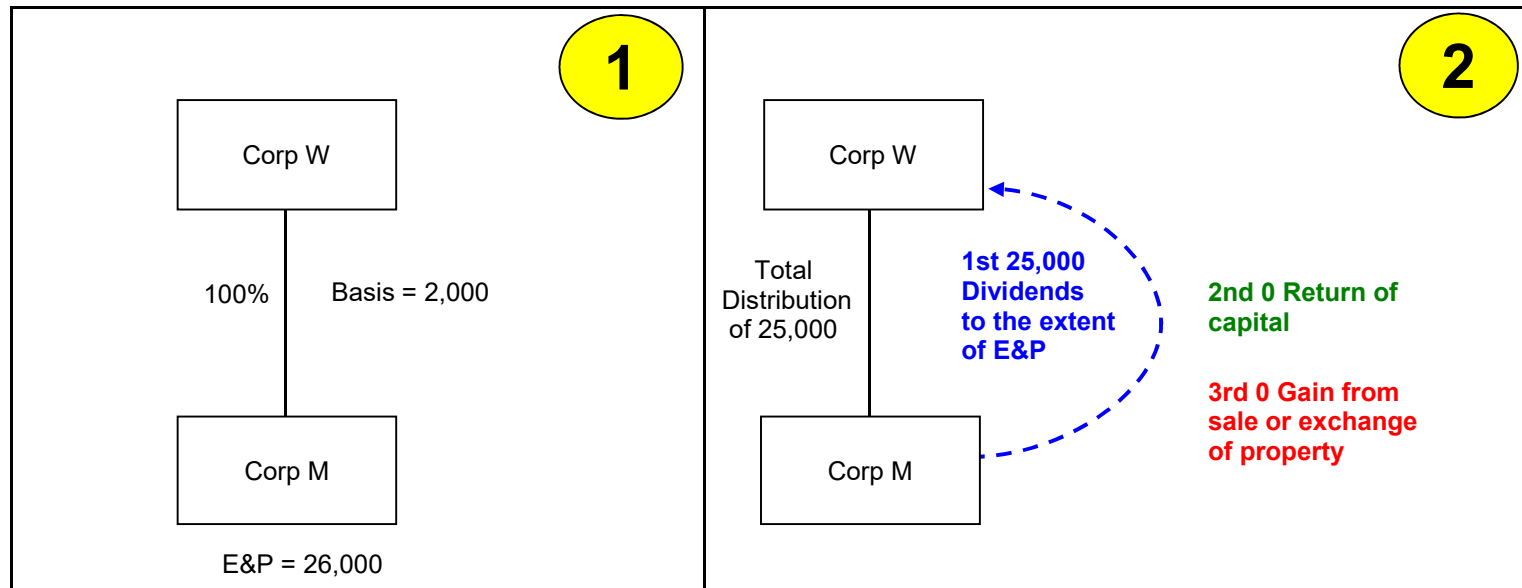


Reg. 1.301-1(f), Example 2

Section 301 Distribution Less Than E&P Results in Dividend Only

Copyright © 2013-2016 Andrew Mitchel LLC
International Tax Services
www.andrewmitchel.com

Initial Structure



On January 1, 1955, W, a corporation owned all of the stock of Corporation M with an adjusted basis of \$2,000. During 1955, W received distributions from M totaling \$25,000, consisting of \$10,000 in cash and listed securities having a basis in the hands of M and a fair market value on the date distributed of \$15,000. M's taxable year is the calendar year. As of December 31, 1954, M had earnings and profits accumulated after February 28, 1913, in the amount of \$26,000, and it had no earnings and profits and no deficit for 1955. The total \$25,000 will be treated as a dividend to W since the earnings and profits of M (\$26,000) are in excess of the amount of the distribution.

[HUNDREDS of additional charts at www.andrewmitchel.com](http://www.andrewmitchel.com)