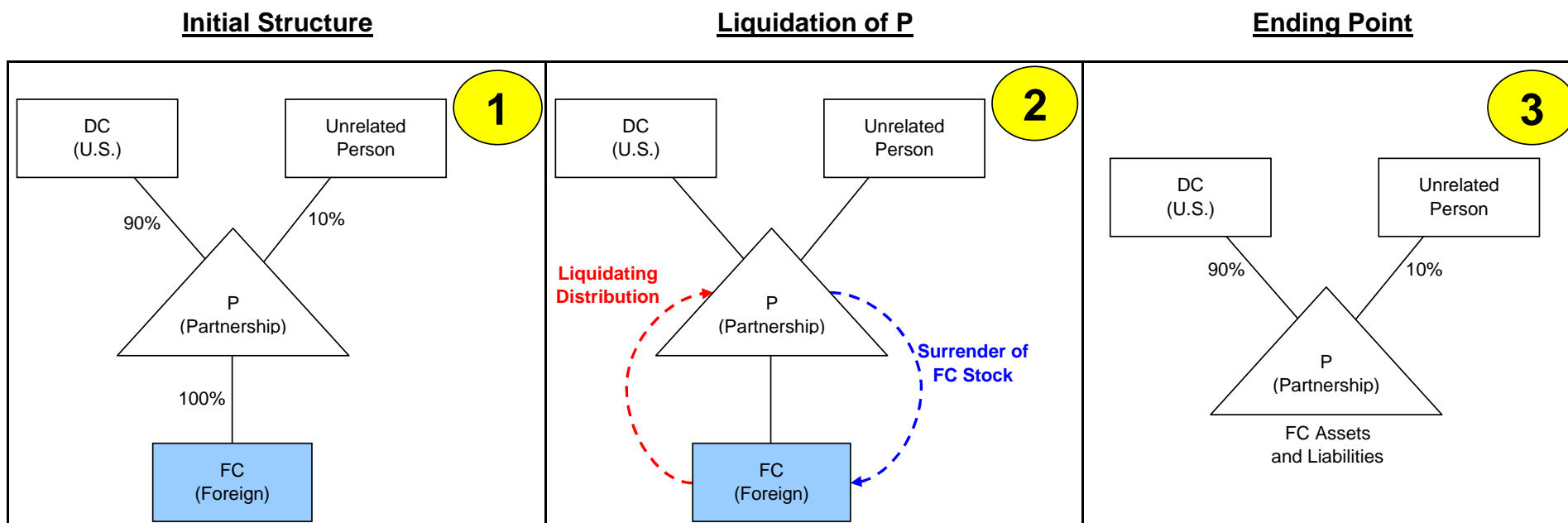


Reg. 1.367(b)-1(b)(2), Example

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**Liquidation into 90% Corporate-
Owned Partnership Does
Not Qualify under Sec. 332**



DC, a domestic corporation, owns 90 percent of P, a partnership. The remaining 10 percent of P is owned by a person unrelated to DC. P owns all of the outstanding stock of FC, a controlled foreign corporation. FC liquidates into P.

FC's liquidation is not a transaction described in section 332. Nothing in the section 367(b) regulations, including §1.367(b)-2(k), permits FC's liquidation to qualify as a liquidation described in section 332.