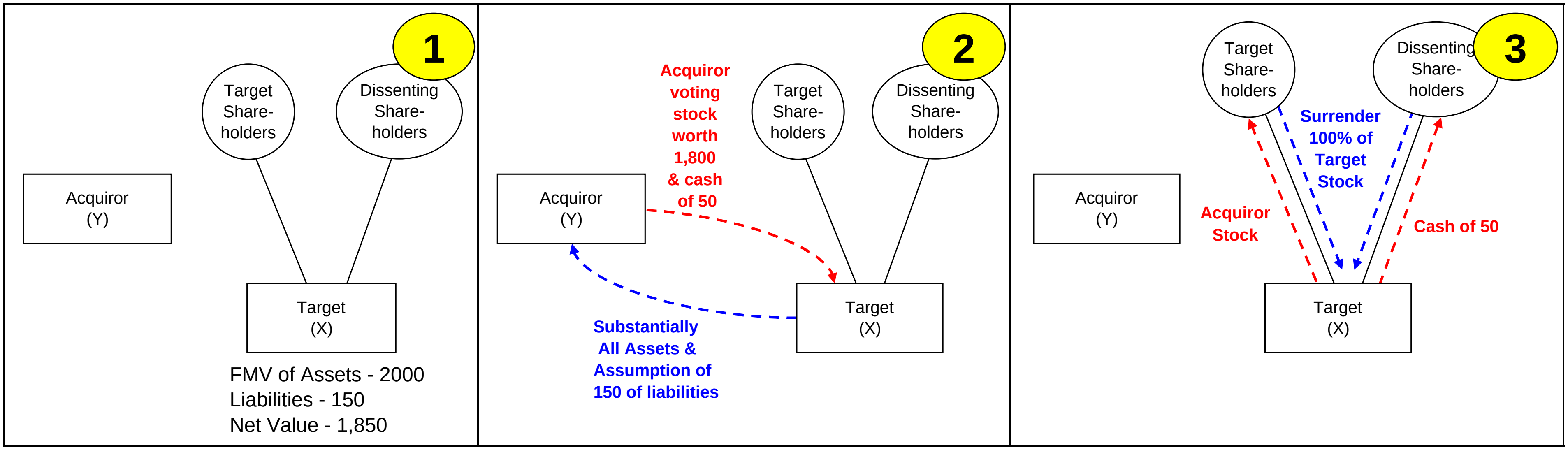
Revenue Ruling 73-102

C Reorg with Cash to Dissenting Shareholders (Boot Relaxation Rule)

Initial Structure | **Target Asset Transfer** | **Target Liquidation**



C Reorganization Defined: Section 368(a)(1)(C) defines as a reorganization the acquisition by one corporation, in exchange solely for shares of its voting stock, of substantially all the properties of another corporation. Section 368(a)(1)(C) further provides that in determining whether the exchange is solely for stock the assumption by the acquiring corporation of a liability of the other will be disregarded.

Boot Relaxation Rule: Section 368(a)(2)(B) provides that if, in addition to voting stock, the acquiring corporation exchanges money or other property, and if the acquiring corporation acquires, solely for voting stock, property of the other corporation having a fair market value which is at least 80% of the fair market value of all the property of the other corporation, then such acquisition will be treated as qualifying under section 368(a)(1)(C). For the purpose of the percentage computation of section 368(a)(2)(B), liabilities assumed by the acquiring corporation are treated as money.

Application to Above Example: In the above example, the amount of the boot equals 200 (cash of 50 and liabilities assumed of 150). Non-boot equals 1,800. Total consideration was 2000. Boot was 10% of total consideration. Thus, the boot relaxation rule applies (less than 20%) and the transfers qualify as a C reorganization.

Ending Point