

111TH CONGRESS
2D SESSION

S. 3380

To amend the Internal Revenue Code of 1986 to provide for the treatment of securities of a controlled corporation exchanged for assets in certain reorganizations.

IN THE SENATE OF THE UNITED STATES

MAY 17, 2010

Mr. ROCKEFELLER (for himself and Mr. KERRY) introduced the following bill;
which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to provide for the treatment of securities of a controlled corporation exchanged for assets in certain reorganizations.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. TREATMENT OF SECURITIES OF A CON-**
4 **TROLLED CORPORATION EXCHANGED FOR**
5 **ASSETS IN CERTAIN REORGANIZATIONS.**

6 (a) IN GENERAL.—Section 361 of the Internal Rev-
7 enue Code of 1986 (relating to nonrecognition of gain or
8 loss to corporations; treatment of distributions) is amend-
9 ed by adding at the end the following new subsection:

1 “(d) SPECIAL RULES FOR TRANSACTIONS INVOLVING
2 SECTION 355 DISTRIBUTIONS.—In the case of a reorga-
3 nization described in section 368(a)(1)(D) with respect to
4 which stock or securities of the corporation to which the
5 assets are transferred are distributed in a transaction
6 which qualifies under section 355—

7 “(1) this section shall be applied by substituting
8 ‘stock other than nonqualified preferred stock (as
9 defined in section 351(g)(2))’ for ‘stock or securities’
10 in subsections (a) and (b)(1), and

11 “(2) the first sentence of subsection (b)(3) shall
12 apply only to the extent that the sum of the money
13 and the fair market value of the other property
14 transferred to such creditors does not exceed the ad-
15 justed bases of such assets transferred (reduced by
16 the amount of the liabilities assumed (within the
17 meaning of section 357(c)).”.

18 (b) CONFORMING AMENDMENT.—Paragraph (3) of
19 section 361(b) of the Internal Revenue Code of 1986 is
20 amended by striking the last sentence.

21 (c) EFFECTIVE DATE.—

22 (1) IN GENERAL.—Except as provided in para-
23 graph (2), the amendments made by this section
24 shall apply to exchanges after the date of the enact-
25 ment of this Act.

1 (2) TRANSITION RULE.—The amendments
2 made by this section shall not apply to any exchange
3 pursuant to a transaction which is—

4 (A) made pursuant to an agreement which
5 was binding on March 15, 2010, and at all
6 times thereafter;

7 (B) described in a ruling request submitted
8 to the Internal Revenue Service on or before
9 such date; or

10 (C) described on or before such date in a
11 public announcement or in a filing with the Se-
12 curities and Exchange Commission.

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