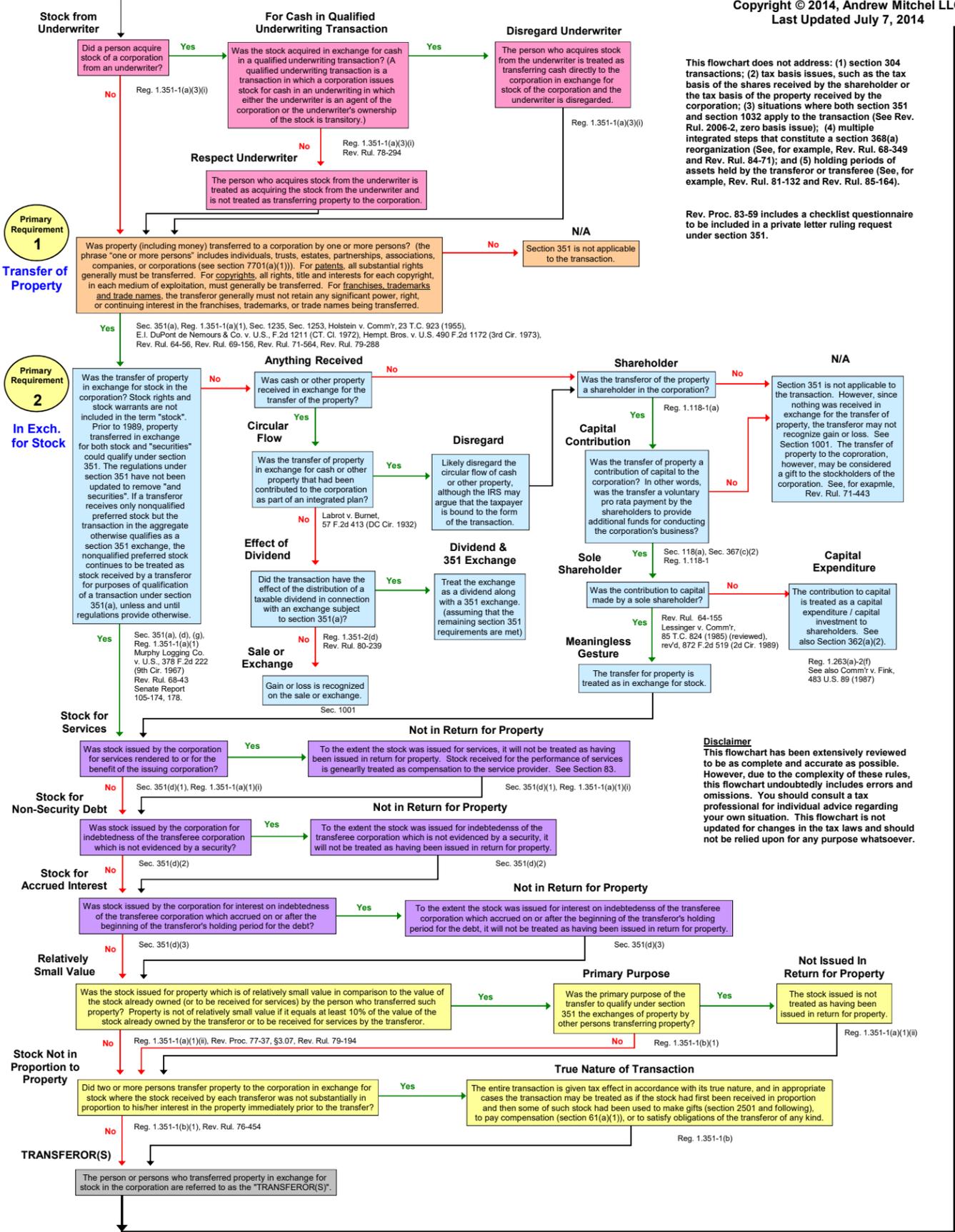
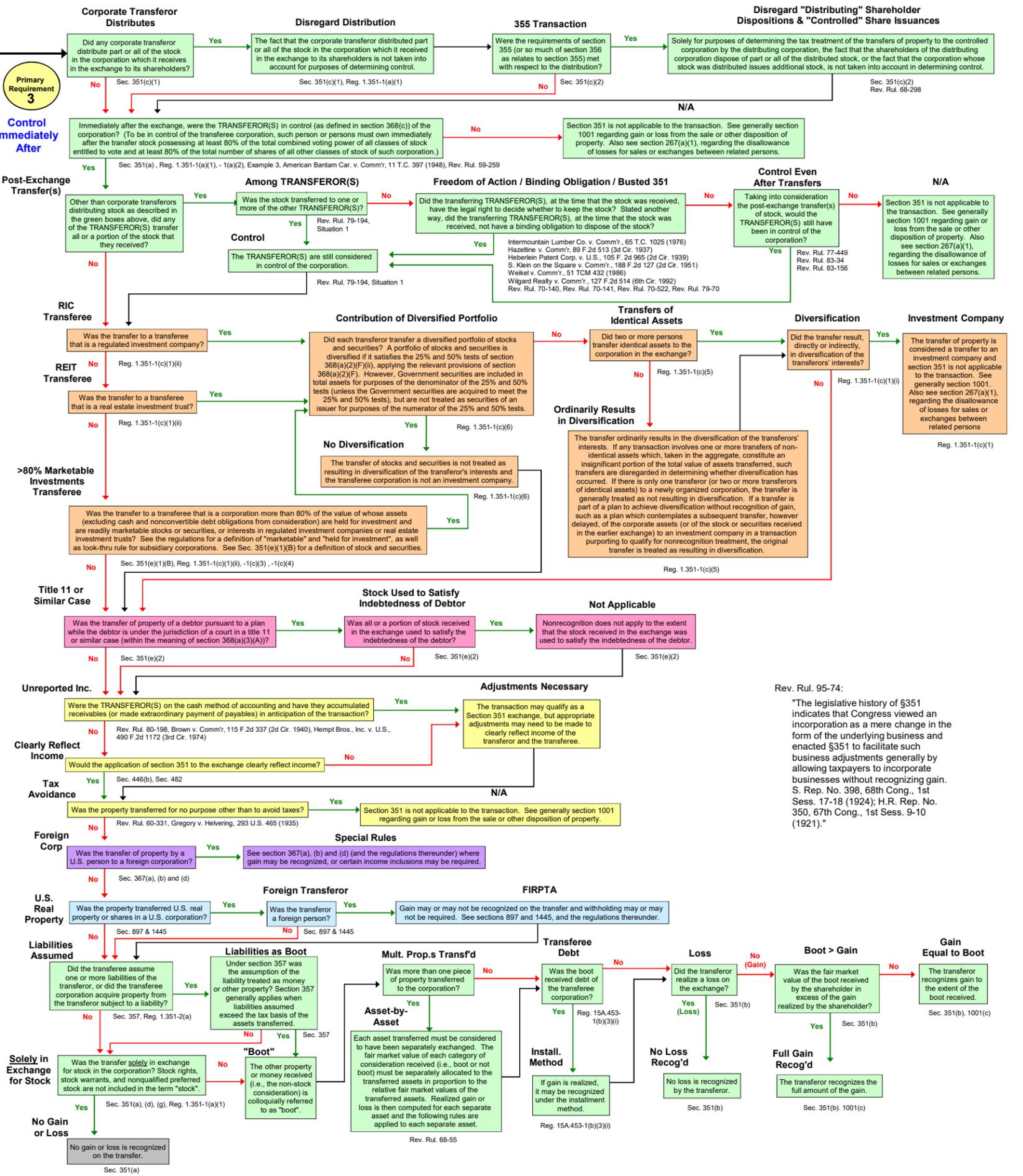


Section 351 Exchange: Transfer to Corporation Controlled by Transferor(s)



This flowchart does not address: (1) section 304 transactions; (2) tax basis issues, such as the tax basis of the shares received by the shareholder or the tax basis of the property received by the corporation; (3) situations where both section 351 and section 1032 apply to the transaction (See Rev. Rul. 2006-2, zero basis issue); (4) multiple integrated steps that constitute a section 368(a) reorganization (See, for example, Rev. Rul. 68-349 and Rev. Rul. 84-71); and (5) holding periods of assets held by the transferor or transferee (See, for example, Rev. Rul. 81-132 and Rev. Rul. 85-164).

Rev. Proc. 83-59 includes a checklist questionnaire to be included in a private letter ruling request under section 351.



Rev. Rul. 95-74: "The legislative history of §351 indicates that Congress viewed an incorporation as a mere change in the form of the underlying business and enacted §351 to facilitate such business adjustments generally by allowing taxpayers to incorporate businesses without recognizing gain. S. Rep. No. 398, 68th Cong., 1st Sess. 17-18 (1924); H.R. Rep. No. 350, 67th Cong., 1st Sess. 9-10 (1921)."