

TAX TREATMENT OF CERTAIN INDIRECT PURCHASES OF STOCK

OCTOBER 13, 1966.—Committed to the Committee of the Whole House on the
State of the Union and ordered to be printed

Mr. MILLS, from the Committee on Ways and Means, submitted the
following

R E P O R T

[To accompany H.R. 18230]

The Committee on Ways and Means, to whom was referred the bill (H.R. 18230) to amend the Internal Revenue Code of 1954 to provide that the term "purchase" for purposes of section 334(b)(2) is to include certain indirect purchases of stock through the purchase of the stock of another corporation, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments are as follows:

Page 1, line 3, after "334(b)(3)", insert "of the Internal Revenue Code of 1954".

Page 2, line 5, after "334(b)(2)(B)", insert "of such Code".

Page 2, line 18, after "453(d)(4)(A)", insert "of such Code".

I. SUMMARY

This bill provides that in determining the basis of property received in the liquidation of a subsidiary corporation, stock purchased by a corporation from a subsidiary is to be treated as purchased (irrespective of the attribution rules under sec. 318), if the stock was in fact purchased. The bill also eliminates an existing tax avoidance possibility by providing that installment notes are, under certain circumstances, to be treated as "disposed of" for purposes of section 453(d) (the installment sale provision).

This bill is reported unanimously by your committee and the Treasury Department has indicated that it has no objection to its enactment.