

810-3-6-.07 Basis of Property Transferred to a Corporation.

(1) For tax periods beginning after December 31, 1984:

(a) the basis of property received by a distributee in a transaction described in subsection (e) or (f) of § 40-18-8, Code of Alabama, 1975 shall be determined in accordance with 26 U.S.C. § 358. For interpretation of federal statutes adopted by the Alabama Legislature see Rule 810-3-1.1-.01, Operating Rules.

(b) the basis of property acquired by a corporation in a transaction described in subsection (e) or (f) of § 40-18-8, shall be determined in accordance with 26 U.S.C. § 362. For interpretation of federal statutes adopted by the Alabama Legislature see Rule 810-3-1.1-.01, Operating Rules.

(c) Transactions described in subsection (e) or (f) of § 40-18-8 are those transactions meeting the requirements of 26 U.S.C. § 351, where property is transferred to a corporation controlled by the transferor, or those reorganizations as defined by 26 U.S.C. § 368.

(2) Transfers to corporation where control of property remains in same person - prior to January 1, 1985. Property transferred to a corporation in connection with a reorganization as defined in § 40-18-8(f) after December 31, 1932, but before January 1, 1985, where control as defined in 26 U.S.C. § 368(c) remains with the transferor, shall have the same basis as it would have in the hands of the transferor together with gain or loss recognized to the transferor on the transfer. This rule does not apply if the property acquired consists of stock or securities in a corporation, a party to the reorganization, unless the consideration in whole or in part is the stock or securities of the corporation acquiring the property.

Author: Ed Cutter, CPA

Authority: §§ 40-2A-7(a)(5) and 40-18-6, Code of Alabama 1975

History: New rule filed April 28, 1999, effective June 2, 1999.