



# TaxNewsFlash

United States



No. 2019-596  
December 16, 2019

## Final regulations: Defining predecessor, successor and limiting recognition of gain under section 355(e)

The U.S. Treasury Department and IRS this afternoon released for publication in the Federal Register final regulations (T.D. 9888) as guidance regarding the distribution by a distributing corporation of stock or securities of a controlled corporation without the recognition of income, gain or loss.

The [final regulations](#) [PDF 357 KB] (19 pages as published in the Federal Register) provide:

- Guidance in determining whether a corporation is a predecessor or successor of a distributing or controlled corporation for purposes of the exception under section 355(e) to the nonrecognition treatment afforded qualifying distributions
- Certain limitations on the recognition of gain in certain cases involving a predecessor of a distributing corporation
- Rules regarding the extent to which section 355(f) causes a distributing corporation (and in certain instances, its shareholders) to recognize income or gain on the distribution of stock or securities of a controlled corporation

These regulations finalize regulations that were proposed in December 2016, and remove corresponding temporary regulations.

The purpose of this report is to provide text of these regulations.

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