

UNDERSTANDING
CORPORATE TAXATION
Third Edition

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CAROLINA ACADEMIC PRESS

Durham, North Carolina

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ISBN: 978-1-6328-3394-5

Library of Congress Cataloging-in-Publication Data

Names: Lederman, Leandra, author. | Kwon, Michelle, author.

Title: Understanding corporate taxation / Leandra Lederman, Michelle Kwon.

Description: Third edition. | Durham, NC : Carolina Academic Press, 2016. | Includes index.

Identifiers: LCCN 2015045414 (print) | LCCN 2015045680 (ebook) | ISBN 9781632833945 (softbound) | ISBN 9781632833952 (epub)

Subjects: LCSH: Corporations—Taxation—Law and legislation—United States. | Income tax—Law and legislation—United States.

Classification: LCC KF6464 .L426 2016 (print) | LCC KF6464 (ebook) | DDC 343.7305/267—dc23

LC record available at <http://lccn.loc.gov/2015045414>

Carolina Academic Press, LLC
700 Kent Street
Durham, NC 27701
Telephone (919) 489-7486
Fax (919) 493-5668
www.caplax.com

Printed in the United States of America

Dedication

This book is dedicated to corporate tax students, past, present, and future.

Acknowledgments

The authors are very grateful to the many friends, colleagues, and students who have been so helpful with suggestions for, and assistance with, the current and previous editions of this book.

Preface

Corporate taxation is a rich but complex area of law that students often find quite challenging. Understanding certain fundamental concepts that reappear throughout corporate taxation—such as nonrecognition and carryover basis rules, “double taxation” of corporate income, and characterization of income—can go a long way toward making sense of the details. This book is intended to facilitate such study of corporate taxation through step-by-step explanations, diagrams of transactions, discussion of important cases and rulings, and numerous examples. It is designed to be used on its own as a primer or to supplement any corporate tax casebook.

The first chapter of the book provides an introduction to corporate taxation, including judicial doctrines such as the economic substance and step-transaction doctrines. This chapter introduces the double taxation that is the hallmark of the classical corporate tax regime, compares that to pass-through taxation of electing small corporations under Subchapter S, and discusses choice of business entity and various ways to avoid double taxation. The next six chapters cover events in the life of a corporation from “cradle to grave,” including transfers to a new or existing controlled corporation; capitalization of a corporation with debt or equity; dividend distributions; redemptions of stock; stock dividends; and corporate liquidations and taxable acquisitions. Following this discussion of the tax treatment of events in the life of a corporation under Subchapter C, the next chapter turns to the study of corporations taxable under Subchapter S.

Four chapters discuss corporate reorganizations. The first of these chapters, Chapter 9, provides an introduction to and overview of reorganizations, including the requirements for a transaction to constitute a reorganization. The next chapter discusses acquisitive reorganizations. The following chapter focuses on divisive reorganizations, and the fourth of these chapters explores reorganizations involving one corporation. After this study of reorganizations, one chapter discusses carryover of tax attributes and a second chapter focuses on anti-abuse and special provisions, such as the corporate alternative minimum tax.

The last two chapters of the book consider specific policy issues. Chapter 15 discusses proposals to eliminate double taxation of corporate income. The final chapter discusses the phenomenon of corporate tax shelters.

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