Corporate Tax
Segment 7 CHARTS
Tax-Free Reorganizations
University of Leiden –
International Tax Center
May 2007

Professor William P. Streng
University of Houston Law Center

CORPORATE TAXATION

Corporate Reorganization Charts

Professor William Streng
Merger - §368(a)(1)(A)

Shareholders

Target

merger

Acquirer

A shares

B Reorganization - Stock for Stock - §368 (a)(1)(B)

Shareholders

Target

Acquirer

A shares

T shares
C Reorganization - Stock for Assets - §368 (a)(1)(C)

Shareholders

Target

A shares (in liquidation)

A shares

Acquirer

assets

“A” Reorganization & Asset Dropdown - §368(a)(2)(C)

Shareholders

Target

(1) merger / assets

Acquirer

assets (2)

Subsidiary
"Parenthetical B" Reorganization

Shareholders → T shares → Subsidiary

A shares

(1)

A shares

(2)

Target

"Parenthetical C" Reorganization

Shareholders

Liquidation

Target → assets → Subsidiary

A shares

A shares (1)

(2)

(3)
Forward Triangular Merger - §368(a)(2)(D)

Shareholders

Acquirer

Target

Subsidiary

A shares

merger

Reverse Triangular Merger - §368(a)(2)(E)

Shareholders

Acquirer

Target

Subsidiary

A shares (2)

merger

(1) A shares
Example 1 (a)

Shareholders → (2) P Stock

(1) merger

Target → (3) asset dropdown

P → S

Example 1 (b)

Shareholders

(4) T liquidated

Target

P stock → (1) P stock-voting common

S stock → (2) S stock

P

S

P stock → T assets

T assets → S
Example1 (c)

Shareholders

Target

Merger (3)

P

(4) P voting com.

P stock

S

(2) S stock

S stock

P stock

- voting com.

Example1 (d)

Shareholders

Target

Merger (3)

P

(4) P & S stock

P & S stock

S

(2) S stock

S stock

P stock

- voting com.
Example 1 (e)

Shareholders

Target

\[\text{(4)}\]
P stock - 50% & S notes - 50%

\[\text{(1)}\]
P shares – voting common

\[\text{(3)}\]
merger

\[\text{(2)}\]
S stock

Example 1 (f)

Shareholders

Target

\[\text{- 30\% P preferred-nonvoting} \]

\[\text{- 20\% cash} \]

\[\text{- 50\% S notes} \]

\[\text{(4)}\]

\[\text{(1)}\]
P stock

\[\text{(2)}\]
S stock

\[\text{(3)}\]
merger
Example 1 (g)

Shareholders

Target

Merger (3)

Pre-merger redemption of dissenting shareholders for 1/3 of T’s operating assets

Example 2 (a)

Shareholders

Target

Merger (3)

P stock

T stock

S stock

Pre-merger redemption of dissenting shareholders for 1/3 of T’s operating assets
Example 2 (b)

Shareholders

Target

(5) Dissenters 20% cash

(4) P stock - 80% of the transaction value

merger (3)

(2) S stock

(1) P stock - voting common

Example 2 (c)

Shareholders

Target

(5) Dissenters 20% cash

(4) P stock - 80% of the transaction value

merger (3)

(2) S stock

(1) P stock

(6) Sale of 50% of operating assets for cash to unrelated buyer
Example 2 (d)

Shareholders

(1) Tender Offer
   60% of T stock for P voting stock

(5) 2/3 P voting stock and 1/3 cash for remaining 40% of T stock

merger (4)

Target

(2) P stock – voting stock

S

Example 2 (e)

Shareholders

(4) 50% P voting stock and 50% cash

(2) S stock

(1) P stock voting common

Target

(5) T merges into P

P

S
Example 2 (f)

Shareholders

Target

(4) 50% P voting stock and 50% cash

merger (3)

(1) P stock

(2) S stock

(5) P makes § 338 election

Example 2 (g)

Shareholders

Target

(4) 50% P voting stock and 50% cash

merger (3)

(1) P stock

(2) S stock

(5) T merges into New S created by P
Example 2 (h)

Shareholders (4)

- a) P stock to 80% shareholders
- b) P notes to 20% shareholders (dissenters)

Target

P

S

merger (3)

Example 2 (i)

Shareholders (4)

- a) P stock & P notes to 80% shareholders
- b) Cash to 20% shareholders (dissenters)

Target

P

S

merger (3)
Example 2 (j)

Shareholders owned 30% of T

(1) owned 30% of T

Target

(5)

merger (4)

P

(2) P stock

S stock

(3)

S

(4) 70% of T stock issued for P stock to T shareholders (except P).