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# Symposium: Tax-Free Corporate Reorganizations Introduction

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## *Symposium: Tax-Free Corporate Reorganizations*

### INTRODUCTION

Professors Bittker and Eustice, in their excellent text on the federal income tax treatment of corporations and their shareholders, have stated that "the reorganizations provisions are extremely complex — even for the Internal Revenue Code."<sup>1</sup> Largely because of the Herculean effort which would be required to discuss all of the provisions in the reorganizations area, this series of articles will be confined to a discussion of the six "garden varieties" of reorganizations. It is written as a basic overview for the practitioner rather than as an academic exercise for the sophisticated tax theoretician, although those in the latter category may find it helpful as a review of some of the fundamental guidelines in this complex area.

Under the general rules of federal income tax laws, when there is an exchange of property gain or loss must be accounted for since there has been a taxable event. In some instances, however, even though gain has been realized on the exchange, a provision of the *Internal Revenue Code* will permit a taxpayer to defer *recognition* of this gain. The reorganization provisions of the *Code* constitute one such area.

In determining whether or not a corporate acquisition or other change of form will qualify as a tax-free reorganization, it is essential that the transaction be one of the six kinds described in section 368(a)(1). As the regulations under that section state, "In order to exclude transactions not intended to be included, the specifications of the reorganization provisions of the law are precise."<sup>2</sup> In fact, the statute itself states that the term "reorganization" *means* the six types of transactions therein described. The following group of articles will discuss, in turn, each of the six types of reorganization.

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<sup>1</sup> B. BITTKER & J. EUSTICE, *FEDERAL INCOME TAXATION OF CORPORATIONS AND SHAREHOLDERS* 500 (2d ed. 1966).

<sup>2</sup> Treas. Reg. § 1.368-1(b) (1955).