

in section 77(m) of such Act, organized or availed of to effectuate a plan of reorganization approved by the court in such proceeding, the basis shall be the same as it would be in the hands of the transferor railroad corporation, increased in the amount of gain recognized to the transferor under section 374(a)(2) and paragraph (b) of § 1.374-1. For purposes of section 374(b)(1), it is unnecessary that the acquisition in question be a direct transfer from the corporation undergoing reorganization or that such reorganization constitute a reorganization within the meaning of section 368(a) since that section does not apply to part IV, subchapter C, chapter 1 of the Code. It is sufficient if the acquisition is in pursuance of an order of the court and is an integral step in the consummation of a reorganization plan approved by the court having jurisdiction of the proceeding. If the transaction falls within the provisions of section 374(b)(1), the basis of the property involved shall be determined pursuant to such provisions, notwithstanding that the transaction might also fall within another basis provision.

[T.D. 6528, 26 FR 401, Jan. 19, 1961, as amended by T.D. 7616, 44 FR 26870, May 8, 1979]

**§ 1.374-3 Records to be kept and information to be filed.**

(a) *Return information.* Each railroad corporation a party to a section 374(a) reorganization shall furnish a complete statement of all facts pertinent to the recognition or nonrecognition of gain or loss in connection with the exchange, including:

(1) A certified copy of the plan of reorganization approved by the court in the proceeding, together with a statement showing in full the purposes thereof and in detail all transactions incident, or pursuant, to the plan;

(2) A complete statement of the cost or other basis of all property, including all stock or securities, transferred incident to the plan;

(3) A statement of the amount of stock or securities and other property or money received in the exchange, including a statement of all distributions or other disposition made thereof. The amount of each kind of stock or securities or other property shall be stated

on the basis of the fair market value thereof at the date of the exchange;

(4) A statement of the amount and nature of any liabilities assumed upon the exchange.

The information required by this paragraph shall be filed as a part of each railroad corporation's return for its taxable year within which the reorganization occurred.

(b) *Permanent records.* Permanent records in substantial form must be kept by every railroad corporation which participates in a tax-free exchange in connection with a section 374(a) reorganization showing the cost or other basis of the transferred property and the amount of stock or securities and other property or money received (including any liabilities assumed upon the exchange), in order to facilitate the determination of gain or loss from a subsequent disposition of such stock or securities and other property received from the exchange.

[T.D. 6528, 26 FR 401, Jan. 19, 1961]

**§ 1.374-4 Property acquired by electric railway corporation in corporate reorganizing proceeding.**

Subject to the limitations and conditions set forth in section 374(b)(2), if the reorganization under section 77 of the Bankruptcy Act (11 U.S.C. 501 and following) of an electric railway corporation results in the acquisition of the property of such corporation by another corporation, the basis of such property in the hands of the acquiring corporation is the same as it would be in the hands of the old corporation. It is requisite to the application of the section that both corporations be street, suburban, or interurban electric railway corporations engaged in the transportation of persons or property in interstate commerce, and that the acquisition is in pursuance of an order of the court and is an integral step in the consummation of a reorganizing plan approved by the court having jurisdiction of the proceeding. If section 374(b)(2) applies, section 270 of the Bankruptcy Act (11 U.S.C. 670), relating to the adjustment of basis by reason of the cancellation or reduction of indebtedness in a corporate reorganization proceeding, is inapplicable. Moreover, if the transaction is within the