

the C corporation is payable in four equal installments. The C corporation must pay the first installment of this payment by the due date of its return, determined without regard to extensions, for the last taxable year it operated as a C corporation if paragraph (a)(1) of this section applies, or for the taxable year of the transfer if paragraph (a)(2) of this section applies. The three succeeding installments must be paid—

(1) For a transaction described in paragraph (a)(1) of this section, by the corporation (that made the election under section 1362(a) to be an S corporation) on or before the due date for the corporation's returns (determined without regard to extensions) for the succeeding three taxable years; and

(2) For a transaction described in paragraph (a)(2) of this section, by the transferee S corporation on or before the due date for the transferee corporation's returns (determined without regard to extensions) for the succeeding three taxable years.

(c) *Basis adjustments.* Appropriate adjustments to the basis of inventory are to be made to reflect any amount included in income under this section.

(d) *Effective dates.* (1) The provisions of paragraph (a)(1) of this section apply to S elections made after December 17, 1987. For an exception, see section 10227(b)(2) of the Revenue Act of 1987.

(2) The provisions of paragraph (a)(2) of this section apply to transfers made after August 18, 1993.

[T.D. 8567, 59 FR 51106, Oct. 7, 1994]

§ 1.1366-0 Table of contents.

The following table of contents is provided to facilitate the use of §§ 1.1366-1 through 1.1366-5:

§ 1.1366-1 Shareholder's share of items of an S corporation.

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§ 1.1366-2 Limitations on deduction of pass-through items of an S corporation to its shareholders.

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- (b) Special rules for carryover of disallowed losses and deductions to post-termination transition period described in section 1377(b).

- (1) In general.
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- (c) Carryover of disallowed losses and deductions in the case of liquidations, reorganizations, and divisions.

- (1) Liquidations and reorganizations.
- (2) Corporate separations to which section 368(a)(1)(D) applies.

§ 1.1366-3 Treatment of family groups.

- (a) In general.
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§ 1.1366-4 Special rules limiting the pass-through of certain items of an S corporation to its shareholders.

- (a) Passthrough inapplicable to section 34 credit.
- (b) Reduction in passthrough for tax imposed on built-in gains.
- (c) Reduction in passthrough for tax imposed on excess net passive income.

§ 1.1366-5 Effective date.

[T.D. 8852, 64 FR 71644, Dec. 22, 1999]