

taxable years beginning before January 1, 1994, and taxable years beginning on or after January 1, 1997, and before August 18, 1998, the treatment of distributions by an S corporation to its shareholders must be determined in a reasonable manner, taking into account the statute and legislative history. Except with regard to the deemed dividend rule under §1.1368-1(f)(3), §1.1368-1(e)(2), §1.1368-2(a)(5), and §1.1368-3 *Example 2*, *Example 4*, and *Example 5*, return positions consistent with §§1.1368-1, 1.1368-2, and 1.1368-3 are reasonable for taxable years beginning before January 1, 1994. Return positions consistent with §§1.1368-1(e)(2), 1.1368-2(a)(5), and 1.1368-3 *Example 2*, *Example 4*, and *Example 5* are reasonable for taxable years beginning on or after January 1, 1997, and before August 18, 1998.

[T.D. 8852, 64 FR 71651, Dec. 22, 1999]

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[T.D. 8579, 59 FR 66463, Dec. 27, 1994]