

share of stock canceled or redeemed in the liquidation.

[T.D. 6500, 25 FR 12108, Nov. 26, 1960, as amended by T.D. 6949, 33 FR 5531, Apr. 9, 1968; T.D. 8734, 62 FR 53476, Oct. 14, 1997; T.D. 8804, 63 FR 72188, Dec. 31, 1998; T.D. 8895, 65 FR 50406, Aug. 18, 2000; T.D. 9264, 71 FR 30608, May 30, 2006; T.D. 9329, 72 FR 32807, June 14, 2007]

§ 1.6043-3 Return regarding liquidation, dissolution, termination, or substantial contraction of organizations exempt from taxation under section 501(a).

(a) *In general*—(1) *Requirement to provide information.* Except as provided in paragraph (b) of this section, for taxable years beginning after December 31, 1969, every organization which for any of its last 5 taxable years preceding any liquidation, dissolution, termination, or substantial contraction of the organization was exempt from taxation under section 501(a) shall provide the information will respect to such liquidation, dissolution, termination, or substantial contraction required by the instructions accompanying the organization's annual return of information. The information required by this section shall be provided with, and at the time prescribed for filing, the organization's annual return of information for the period during which any liquidation, dissolution (or the adopting of a resolution or plan for the dissolution or liquidation in whole or part), termination or substantial contraction occurred with respect to the organization. An organization which is no longer exempt from taxation under section 501(a) shall use the annual return of information it would have been required to file when the organization was exempt.

(2) *Transitional rule.* In the case of an annual return of information of an organization which was filed before September 11, 1978, if the organization had failed to provide the information with such return in accordance with paragraph (a)(1) of this section, the organization may comply with this section by providing the information with the organization's first annual return of information filed after such date.

(b) *Exceptions.* The following organizations are not required to provide the

information under paragraph (a) of this section:

(1) Churches, their integrated auxiliaries, or conventions or associations of churches;

(2) Any organization which is not a private foundation (as defined in section 509(a)) and the gross receipts of which in each taxable year are normally not more than \$5,000;

(3) Any organization which has terminated its private foundation status under section 507(b)(1)(B) with respect to a liquidation, dissolution, termination, or substantial contraction which is in connection with the termination under section 507(b)(1)(B);

(4) Any organization described in section 401(a) if the employer who established such organization files a return which provides the information under paragraph (a) of this section;

(5) Any organization described in section 501(c)(1) and any corporation described in section 501(c)(2) which holds title to property for such 501(c)(1) organizations;

(6) Any organization described in section 501(c)(14)(A) subject to a group exemption letter issued to a state regulatory body; and

(7) Any subordinate unit of a central organization (other than a private foundation) which established its exempt status under the group ruling procedure of regulations § 601.201 (n)(7), if the central or parent organization files an annual information return for the group in accordance with § 1.6033-2(d); and

(8) Any organization no longer exempt from taxation under section 501(a) and which during the period of its exemption under such section was neither described in section 501(c)(3) nor a corporation described in section 501(c)(2) which held title to property for an organization described in section 501(c)(3).

The Commissioner may relieve any organization or class or organizations from filing the return required by section 6043(b) of this section, where it is determined that such information is not necessary for the efficient administration of the internal revenue laws.

(c) *Penalties.* For provisions relating to the penalty provided for failure to furnish any information required by

this section, see section 6652(d) and the regulations thereunder.

(d) *Definitions.* (1)(i) The term “substantial contraction”, as used in this section, shall include any partial liquidation or any other significant disposition of assets, other than transfers for full and adequate consideration or distributions out of current income. For purposes of this subparagraph, the term “significant disposition of assets” shall not include any disposition for a taxable year where the aggregate of—

(A) The dispositions for the taxable year and

(B) Where any disposition for the taxable year is part of a series of related dispositions made during such prior taxable years, the total of the related dispositions made during prior taxable years, is less than 25 percent of the fair market value of the net assets of the organization at the beginning of the taxable year (in the case of (A) of this subdivision) or at the beginning of the first taxable year in which any of the series of related dispositions was made (in the case of (B) of this subdivision). A “significant disposition of assets” may result from the transfer of assets to a single organization or to several organizations, and it may occur in a single taxable year (as in (A) of this subdivision) or over the course of two or more taxable years (as in (B) of this subdivision). The determination whether a significant disposition has occurred through a series of related dispositions (within the meaning of (B) of this subdivision) will be determined from all the facts and circumstances of the particular case. Ordinarily, a distribution described in section 170(b)(1)(D)(ii) shall not be taken into account as a significant disposition of assets within the meaning of this subparagraph.

(ii) The provisions of this subparagraph may be illustrated by the following examples:

Example 1. M, an organization described in section 501(c)(4), is on the calendar year basis. It has net assets worth \$100,000 as of January 1, 1971. In 1971, in addition to distributions out of current income, M transfers \$10,000 to N, \$10,000 to O, and \$10,000 to P. Such dispositions to N, O, and P are not distributions described in section 170(b)(1)(E)(ii). N, O, and P are all organizations described in section 501(c)(4). Under

subdivision (i)(a) of this subparagraph, M has made a significant disposition of its assets in 1971 since M has disposed of more than 25 percent of its net assets (with respect to the fair market value of such assets as of January 1, 1971). Thus, M is subject to the provisions of section 6043(b) and this section for the year 1971.

Example 2. U, a tax-exempt private foundation on the calendar year basis, has net assets worth \$100,000 as of January 1, 1971. As part of a series of related dispositions in 1971 and 1972, U transfers in 1971, in addition to distributions out of current income, \$10,000 to private foundation X and \$10,000 to private foundation Y, and in 1972, in addition to distributions out of current income, U transfers \$10,000 to private foundation Z. Such dispositions to X, Y, and Z are not distributions described in section 170(b)(1)(E)(ii). Under subdivision (i) of this subparagraph, U is treated as having made a series of related dispositions in 1971 and 1972. The aggregate of the 1972 disposition (under subdivision (i)(a) of this subparagraph) and the series of related dispositions (under subdivision (i)(b) of this subparagraph) is \$30,000, which is more than 25 percent of the fair market value of U's net assets as of the beginning of 1971 (\$100,000), the first year in which any such disposition was made. Thus, U has made a significant disposition of its assets and is subject to the provisions of section 6043(b) and this section for the year 1972.

Example 3. Assume in Example (1) that in 1973 M makes a \$5,000 disposition related to the 1971 disposition. Under subdivision (i)(B) of this subparagraph M is treated as having made a series of related dispositions in 1971 and 1973. The aggregate of the 1971 disposition under subdivision (i)(A) of this subparagraph and the 1973 related disposition under subdivision (i)(B) of this subparagraph is \$35,000, which is more than 25 percent of the fair market value of M's net assets as of the beginning of 1971, the first year in which any disposition was made. Thus M has made a significant disposition of its assets and is subject to the provisions of section 6043(b) and this section for the year 1973.

(2) For the definition of the term “normally” as used in paragraph (b)(2) of this section, see § 1.6033-2(g)(3).

(3) For examples of the term “integrated auxiliaries” as used in paragraph (b)(1) of this section, see § 1.6033-2(g)(1)(i)(a).

[T.D. 7563, 43 FR 40221, Sept. 11, 1978]

§ 1.6043-4 Information returns relating to certain acquisitions of control and changes in capital structure.

(a) *Information returns for an acquisition of control or a substantial change in*