COMMITTEE REPORT:
ESTATE PLANNING & TAXATION

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Not Knowing the S Corp Rules Can Be Dangerous to Your Client's Wealth

Avoiding pratfalls; how to fix muck ups

Superman is the most powerful S corporation (S corp) in the world. He's so proud of his S status, he wears it on his chest.

Until now, most people thought that only kryptonite could take away Superman's powers. Read on, and you'll learn the many ways he can lose his S corp status, actions his advisors can take to prevent its loss and sometimes get it back after it's lost.

Why an S corp? It has only one level of taxation, the shareholders. By comparison, C corporations (C corps) have a corporate level tax, and distributed earnings are taxed again to the shareholders.

Overview

An S corp elects to pass through corporate income, losses, deductions and credits to shareholders for federal income tax purposes. (We'll talk about state tax laws later.) For an S corp to enjoy only one taxation level, stringent requirements must be met. So-called foot faults aren't overlooked. Penalties for noncompliance can be costly to an S corp and its shareholders. (For definitions of terms used in this article, see "High Speed Glossary," p. 52.)

S Corp vs. LLC

Before we go any further: An S corp or limited liability company (LLC)? Each has different rules for state organization and state and federal taxation. Entity choice often comes down to the preference of investors. Generally, S corps are subject to more stringent requirements and, thus, greater room for error. That makes the LLC a safer choice. LLCs offer greater flexibility. Some examples: S corps may not have more than 100 shareholders,[1] can have only one class of stock[2] and can't have foreign investors or investors who want a preferred return.

First, some history. Before the existence of LLCs (the first state to enact LLC legislation was Wyoming in 1977), the choice for multi-member pass-through entities was generally between an S corp and a partnership. Partners are subject to unlimited personal liability and don't have asset protection enjoyed by S corp shareholders. That made the S corp a popular choice despite the unforgiving rules that apply. In 1988, the Internal Revenue Service issued Revenue Ruling 88-76, which said that a Wyoming LLC could be taxed as a partnership. Many states have enacted their own LLC acts having pass-through tax attributes and fewer rigid rules than S corps. (Geographically, Wyoming is one of the largest states. But, it has the smallest population. Some Wyomingites boast that their state has more cows than people. It's not true that the first LLC was called "LLC the Cow.")

So why are there still S corps? An entity's owner would prefer an S corp to an LLC if he wants to qualify as an employee of the entity. A member of an LLC isn't considered an employee for income tax and employee benefits. Also, compensation earned by an LLC member is subject to self-employment tax, as compared to an S corp's employee, who shares the employment tax burdens with the S corp.

S corps can be costly to unwind. An S corp may choose to convert to another form, such as a C corp or an LLC. Factors going into this decision

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include: state law considerations; the assets held by the S corp; and the potential tax bill that may result from the conversion.

State laws may provide for a statutory conversion from an S corp to an LLC. An S corp can also organize a wholly owned LLC and transfer assets to it. The S corp could then distribute its shares in the LLC and dissolve. Alternatively, the S corp could distribute its assets to its shareholders, who could then contribute the assets to a newly created LLC. These conversions are commonly known as "assets over" and "assets up" respectively. **Caution:** Do it right. The IRS is unforgiving if it's scrambled.

The addition of a trust beneficiary may inadvertently terminate an S corp if the beneficiary is an ineligible shareholder.

An LLC might be federally taxed as a partnership, a C corp or an S corp. If an LLC makes no tax election, it's taxed as a partnership (or disregarded entity if the LLC has only one member. A disregarded entity is a single member entity that isn't recognized as separate from its owner for tax purposes). An LLC wishing to be taxed as an S corp without changing its state law form does so by making an election on Form 8832, pursuant to the entity classification or "check-the-box" regulations.[3] If the LLC also wants to change its form under state law from an LLC to an S corp, the LLC must convert to a C corp either by operation of state law or by creation of a new C corp with a contribution of the LLC's assets. It then makes a timely S corp election.

Tax Year is Important

Similar to the rules governing partnerships, the S corp rules state that an S corp must use a permitted tax year.[4] If an S corp wants to use a tax year other than a calendar year, it must establish a business purpose to the satisfaction of the IRS. There are certain fiscal years that may be automatically established provided the S corp meets certain automatic approval provisions.[5]

Inadvertent Terminations

S corps and their shareholders can run afoul of the S corp rules by: having ineligible shareholders; making a late S corp election; inadvertently creating a second class of stock; and inadvertently exceeding the passive income limitation.

Running afoul of any of these rules results in termination of S corp status as of the date of the offending event or not qualifying at all if failing to make a timely S corp election.

Adding tax injury to tax injury: When a corporation's S corp status is terminated, it can't make a new S corp election for five years![6]

Sudden death. If S corp stock ends up in the hands of an ineligible shareholder, the S corp status is terminated immediately.

Eternal vigilance required. Advisors to corporations wishing to make an S corp election should review shareholder documents and lists of shareholders to confirm eligibility. And, once the S corp election is made, they should review shareholder lists regularly.

Death and divorce of S corp shareholders. It's often said that half the marriages in the United States end in divorce; the other half end in death. We ask you, which is worse?

Both death and divorce of S corp shareholders can lead to inadvertent termination. This can occur if a shareholder's interest passes to an ineligible shareholder or if the transfer of S corp stock results in more than 100 shareholders. Also, the addition of a trust beneficiary may inadvertently terminate an S corp if the beneficiary is an ineligible shareholder. That situation occurred in Private Letter Ruling 9042031 (July 23, 1990), in which an eligible S corp shareholder died and left her shares to her daughter, directing that she share earnings with her sister. The S corp thought the daughter was the sole beneficiary of the S corp stock. Pursuant to local law, the daughter decided to hold the shares in trust for her and her sister. The trust wasn't an eligible S corp shareholder, and the S corp's status was inadvertently terminated.

Shareholder Agreements

Be aware of and carefully review shareholder agreements

that often define shareholders' rights, obligations and restrictions on the transfer of stock.

If the S corp doesn't have a shareholders' agreement or terms in its organizational documents restricting transfer, advise that it adopt provisions to protect the company's S corp status. Protections include restrictions on transferring shares to only eligible shareholders and requiring company consent or approval prior to transfer. Shareholders who may give their S corp shares through their estate plans should add protective language to their planning documents to prevent transfers to an ineligible shareholder. Giving a fiduciary discretion or providing for backup beneficiaries can be helpful.

Eligible Shareholders

Eligible shareholders include: individuals who are U.S. residents or citizens; estates for a certain period of time;[7] certain types of domestic trusts;[8] and certain not-for-profit corporations.[9]

Partnerships, corporations and nonresident alien (NRA) individuals aren't eligible shareholders of an S corp.

Trusts that qualify as eligible shareholders include: grantor trusts with deemed owners that are U.S. residents or citizens;[10] testamentary trusts for a period of two years from the date the S corp stock is transferred to the trust;[11] voting trusts;[12] electing small business trusts (ESBTs); and qualified subchapter S trusts (QSSTs).

The only eligible shareholder of a qualified subchapter S subsidiary (QSub) is an S corp. A QSub is a wholly owned domestic subsidiary of an S corp.[13] It's generally not treated as a separate corporation except for employment taxes, certain excise taxes and credits and certain information returns. To qualify, a QSub must make a valid election on Form 8869.

Caution about an eligible shareholder who's

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High Speed Glossary

Definitions you should know

C corp. A C corporation is governed by the rules and regulations of subchapter C of the Internal Revenue Code. The corporation is taxed as a separate entity.

DNI. Distributable net income is a tax concept used to allocate income between a trust and its beneficiaries.

ESBT. An electing small business trust is eligible to hold S corp stock so long as it meets the requirements of IRC Section 1361(e) and the proper election is made.

LLC. A limited liability company is a pass-through entity whereby profits and losses are reported by the members for federal income tax purposes, unless the LLC elects to be taxed otherwise.

S corp. An S corporation derives its name from subchapter S of the IRC that provides an election for how it's to be taxed. The S corp's income is passed through to the shareholders, who are taxed individually on their share of the corporation's income.

QSST. A qualified subchapter S trust is eligible to hold S corp stock so long as it meets the requirements of Section 1361(d) and the proper election is made.

QSub. A qualified subchapter S subsidiary is a wholly owned domestic subsidiary of another S corp and generally isn't treated as a separate corporation for federal income tax purposes.

— Conrad Teitell

married to an NRA. Property ownership is typically governed by state or local law. In community property jurisdictions, an NRA spouse may be entitled to an undivided one-half interest in the beneficiary's shares. An NRA beneficiary may receive S corp shares under the S corp shareholder's estate plan. Such ownership could destroy the S corp election. Take care in drafting an estate plan to avoid these situations or provide for flexibility when distributing S corp shares to individuals.

Address Involuntary Termination

The IRS may grant relief, waive the termination and continue to treat the corporation as never having lost its S corp status.[14] This happened in PLR 200847013 (Aug. 1, 2008). Stock in an S corp was transferred to a partnership and then to another partnership. Eventually the stock was transferred to a trust eligible to make an ESBT election. As a result of the initial transfer, the S corp's election was terminated. The IRS ruled that the termination was inadvertent; the corporation was treated as not having terminated its S corp status.

Late Elections

An S corp election can be made for any tax year on Form 2553.[15] That election must be filed within two months and 15 days after the beginning of the tax year the election is to be effective or at any time during the tax year preceding the tax year the election is to take effect.

Relief is on the way. An organization that neglected to file an S corp election can request relief. For many years, the only relief for missing the election deadline was requesting a PLR. Obtaining a PLR is expensive and with uncertain result. Since 2013, a simplified method of relief for late S corp, QSST, ESBT and QSub elections is available, and no user fee is required. To qualify, specific requirements must be met.[16] If taxpayers don't qualify, a request for a PLR will be necessary.

One Class of Stock

An S corp may have only one class of stock.[17] Stock is generally considered part of the same class if dividend and liquidation preferences are the same. Shares may be subject to different voting rights without running afoul of the rules. Typically, these rights are defined in a shareholder's agreement or in the entity's charter.

Plethora of Pitfalls

Look out for these situations:

- Disproportionate distributions from the S corp may create another class of stock in some circumstances.
- Issuing debt that's deemed to be equity may also create another class of stock.[18] However, if the debt meets the definition of "straight debt,"[19] the debt instrument won't inadvertently create a second class of stock. To qualify as straight debt, it must be a written unconditional obligation to pay a sum certain on demand or on a specified date and mustn't have interest rates or payment dates contingent on profit. Further, the loan must be issued to an individual U.S. resident or citizen, an estate or a trust described in Internal Revenue Code Section 1361(c)(2). This safe harbor is especially

helpful for an S corp having a large redemption on a shareholder's death and not having the liquidity to pay for the redemption immediately.

- Passive income limitation.[20] A tax, known as the "sting tax," is imposed on excess net passive income. That includes dividends, interest, royalties and certain rents. Excess net passive income is any amount of passive income that exceeds 25 percent of gross receipts. The excess net passive income is taxed at the highest corporate tax rate, currently 35 percent.[21] The S corp must have accumulated earnings and profits for this tax to apply. The IRS may waive the sting tax if the corporation mistakenly determined that it had no earnings and profits and distributes the earnings and profits within a reasonable time after discovery, as approved by the IRS.

  A corporation has accumulated earnings and profits if prior to being an S corp, it was taxed as a C corp and had accumulated earnings and profits not distributed prior to making its S corp election. Alternatively, an S corp can acquire accumulated earnings and profits through acquisition of a C corp in a tax-free reorganization.
- But wait, there's an even greater pitfall. If the entity has accumulated earnings and profits at the close of each of three consecutive years and has gross receipts for each of those tax years, more than 25 percent of which is passive investment income, then the entity's status as an S corp automatically terminates on the first day of Year 4.[22] That's what happened in PLR 200526005 (March 25, 2005) and PLR 201222003 (Feb. 8, 2012). While relief is available for inadvertent termination, the relief generally requires a PLR. That process can be lengthy and expensive and isn't automatic or guaranteed.[23]
- It's important to keep these rules in mind. If at any time, an S corp fails to meet the requirements under IRC Section 1361 or its passive income exceeds the passive income limitation, the S corp election is terminated—effective on the date of the triggering act.

Check State Law

Always check applicable state laws:

- Shareholders and their advisors should know the state laws that will apply to the S corp. Those laws lack uniformity. Some states, such as New Hampshire and Tennessee, don't recognize S corps as flow-through entities. Thus, S corps operating in those states are usually taxed at the entity level and the shareholder level. States may impose a franchise, gross receipts or excise tax on the entity even if they recognize the entity's status as an S corp.[24] Some states have adopted the American Bar Association's Model S Corporation State Income Tax Act.[25]
- Some states, such as New Jersey and New York,[26] require a separate S corp election to be filed at the state level. Thus, even if the entity has filed a federal election, until it files a state election, it will continue to be treated as a C corp. Other states, such as California, allow the entity to opt out of S corp treatment under state law even if the entity is federally taxed as an S corp.[27]

Due to the lack of uniformity in state laws, check out the state laws that may apply in each situation.

- Some states allow a composite return to be filed by an S corp on behalf of all shareholders. The S corp pays the tax on behalf of shareholders.
- Other states accept composite returns but restrict their use.
- A state that accepts composite returns will usually apply the highest rate of tax to the shareholders' income.
- Many states also require estimated tax payments to be made on behalf of shareholders or withholding on behalf of nonresident shareholders.

You've heard this before. Due to the lack of uniformity in state laws, check out the state laws that may apply in each situation.

QSSTs and ESBTs

QSSTs and ESBTs allow trusts to qualify as eligible

shareholders by making a timely election and meeting stringent requirements.

QSSTs. To qualify as a QSST, all the trust income is required to be distributed, or is actually distributed, to the income beneficiary.[28] And, the trust terms must have several provisions including the requirement that during the income beneficiary's lifetime, there's only one income beneficiary, and principal distributions may be made only to that beneficiary. If the trust terminates during the income beneficiary's lifetime, all the assets must be distributed to the beneficiary.[29]

QSSTs have beneficial tax rules that differ from other trusts. Generally, the portion of the QSST holding the S corp stock is ignored for income tax purposes, and any income is taxed directly to the QSST's beneficiary.[30] Thus, the allocable portion of income derived from the S corp stock isn't subject to the current distribution requirements. If the result of this allocation is harsh, the Uniform Principal and Income Act allows a fiduciary to adjust between principal and income to offset shifting of tax benefits or interests between income and remainder beneficiaries. When a QSST disposes of the S corp stock—either through distribution or sale—the QSST is treated as the owner for income tax purposes.[31] Any non-S corp assets are subject to the subchapter J rules (with the exception of deductions under at risk and passive loss rules). Generally, subchapter J rules provide that distributions to a beneficiary carry out distributable net income (DNI) and are taxed directly to the beneficiary.

The QSST terms govern both at the trust's formation and at any time during its existence. Consequently, if a trust qualifies at the date of formation but a mere possibility exists of an event that would violate the eligibility rules, the trust won't qualify as a QSST.

In Rev. Rul. 89-45, a trust was created for the benefit of a grandchild and funded with S corp stock. Under the trust's terms, if another grandchild were to be born, the principal would be used to fund a new trust for the after-born grandchild. The IRS ruled the trust wouldn't qualify as a QSST because the after-born provision created the possibility that the principal could be distributed to someone other than the income beneficiary. In Rev. Rul. 89-55, a trust permitted principal distributions to individuals other than the current income beneficiary if the trust no longer held S corp stock. Again, the IRS ruled that the trust didn't qualify as a QSST because of the possibility that someone other than the current income beneficiary would receive principal distributions. Similarly, a trust doesn't qualify as a QSST if the current income beneficiary has a power during his lifetime to appoint the income of the trust to someone other than himself.[32] The IRS has also ruled that distributions from a trust in satisfaction of parental support obligations doesn't constitute a distribution to the current income beneficiary; accordingly, the trust won't qualify as a QSST.[33]

What happens if S corp stock is transferred to a trust not meeting the QSST requirements? The IRS has ruled:

- The trust may be reformed by removing the disqualifying feature.
- The settlor of a trust may give his reversionary interest to the current income beneficiary to satisfy the QSST requirements.[34]
- A court order eliminating a trustee's power to sprinkle income will allow a trust to qualify as a QSST.[35]
- A court order eliminating a spendthrift provision allowing for principal distributions to the current income beneficiary's descendants in violation of the single beneficiary requirement would enable a trust to qualify as a QSST.[36]
- A renunciation of the right to income and principal distributions by current beneficiaries to leave only one current beneficiary entitled to receive distributions will enable a trust to qualify as a QSST.[37]

Disclaimers to the rescue. The disclaimer requirements vary by state; it's essential that the disclaimer be complete and perfected under local law. In PLR 9025086 (March 28, 1990), a trust provided that income could be accumulated or distributed to the beneficiary, and on his death, the trust would continue for the benefit of his spouse with mandatory distributions of income. The IRS ruled the beneficiary's disclaimer of all his interest in the trust would allow the trust to qualify as a QSST because it would be held in trust for a single beneficiary and would meet the income distribution requirement.[38]

The income beneficiary of the QSST must timely make the QSST election.[39] Generally, the election must be filed within two months and 16 days after the S corp stock is transferred to the trust (or after the S corp election is effective if a corporation makes such election while the trust holds the stock).[40] A separate QSST election must be made for each S corp held by the trust.[41] The election continues for a successor beneficiary unless he affirmatively refuses to consent.[42]

ESBTs. The ESBT requirements are less restrictive than those for QSSTs because unlike a QSST, an ESBT may have multiple beneficiaries. In addition, trust income may be accumulated or sprinkled among the beneficiaries. Trust beneficiaries may only be individuals, estates of individuals and/or certain charities.[43] If the trust has another trust as a beneficiary, all the beneficiaries of the distributee trust must also fall in one of the permissible categories of beneficiaries.[44] Another requirement for an ESBT: A beneficiary's interest in the trust can't have been acquired by purchase.[45] **Crucial:** The proper election must be made to qualify as an ESBT.[46]

The IRC distinguishes between a current beneficiary and a potential current beneficiary. Each person who subsequently becomes a potential current beneficiary has the potential to invalidate the election for the trust and the S corp!

To solve the problem, the trust can dispose of all the S corp stock—any potential current beneficiary won't be treated as one as of one year before the stock's disposition. Additionally, a trust could be judicially severed so that an ineligible beneficiary (such as an NRA) is no longer a trust beneficiary holding the S corp stock,[47] or a court could modify a trust to prohibit distributions to a nonresident alien until the time nonresident aliens are no longer impermissible potential current beneficiaries under the relevant provisions of the IRC—or for as long as the trust continues to hold S corp stock.[48]

An ESBT is treated as two separate trusts for income tax purposes.[49] An ESBT has an S portion and a non-S portion. The S portion is treated as a separate taxpayer and subject to the special rules of IRC Section 641(c). The S portion of the trust is subject to the highest rate of tax.[50] The exemption amount is zero.[51] The non-S portion is taxed under subchapter J of the IRC, which provides that distributions to a beneficiary carry out DNI and are taxed directly to the beneficiary. However, distributions to a beneficiary from either the S portion or the non-S portion may carry out DNI to the extent of the non-S portion. Additionally, either portion may be treated as owned by a grantor and subject to the grantor trust rules under subpart E. Subpart E generally provides that for income tax purposes, the trust is disregarded and the grantor is treated as the owner of all trust assets.

The trustee must make the election to treat the trust as an ESBT[52] within the time requirements prescribed for a QSST.[53] Generally, only one ESBT election is made, regardless of the number of S corps whose stock is held by the ESBT.[54] However, if the ESBT holds stock in multiple S corps that file their income tax returns in different IRS service centers, the ESBT election must be filed with all the relevant service centers.[55] This requirement applies only at the time of the initial ESBT election. If the ESBT later acquires stock in an S corp that files at a different service center, a new ESBT election isn't required.[56]

SPOT LIGHT

Don't Look Down

Rope Dancer Accompanies Herself with her Shadows by Man Ray sold for $2,000 at Swann Auction Galleries' Old Master Through Modern Prints sale in New York City on Nov. 2, 2017. Though Ray always considered himself a painter first and foremost, he was also a well-regarded and sought-after fashion photographer. In fact, he's best recognized for his photography.

Be Careful Out There

If your client is about to form a business entity, generally LLCs are preferable to an S corp.

But, many clients already have S corps that can't be easily dismantled. So, as an advisor, show them how to be careful out there!

Endnotes

1. Members of a family are treated as one shareholder for this requirement. "Members of a family" means a common ancestor, lineal descendant of the common ancestor and any spouse or former spouse. Descendants include adopted children. Internal Revenue Code Section 1361(c)(1).
2. IRC Section 1361(b)(1)(D).
3. IRC Section 7701.
4. IRC Section 1378(b).
5. Treasury Regulations Section 1.1378-1.
6. IRC Section 1362(g).
7. An estate is an eligible shareholder for a reasonable period of time required to administer the estate. Section 1361(b)(1)(B); *Old Virginia Brick Co. v. Commissioner*, 367 F.2d 276 (4th Cir. 1966). If the administration of the estate is unduly prolonged, the Internal Revenue Service may take the position that the estate is closed for federal income tax purposes.
8. Section 1361(c)(2)(A).
9. Eligible nonprofits are subject to unrelated business income tax on all income earned from an S corporation (S corp), including gains from the sale of S corp stock.
10. Section 1361(c)(2)(A)(i). After the death of the deemed owner, the trust may continue to hold S corp stock but only for a period of two years. If the trust makes a valid IRC Section 645 election, the trust may hold the S corp stock for the entire Section 645 election period. Treas. Regs. Section 1.1361-1(h)(1)(iv)(B).
11. Section 1361(c)(2)(A)(iii).
12. Section 1361(c)(2)(B)(iv) and Treas. Regs. Section 1.1361-1(h). The voting trust must meet several requirements to qualify as an eligible shareholder.
13. Section 1361(b)(3).
14. To apply for relief, a ruling request must be filed within a reasonable time after the inadvertent termination is discovered. Treas. Regs. Section 1.1362-4(c).
15. Available at *www.irs.gov/pub/irs-pdf/f2553.pdf*.
16. Revenue Procedure 2013-30. The request must: (1) be made within three years and 75 days of the intended effective date; (2) include an election form signed under penalties of perjury describing its reasonable cause for failing to timely file the election or describing why its failure to timely file was inadvertent, describing the diligent actions that were taken to correct the error once it was discovered and containing information that the trust meets the appropriate qualified subchapter S trusts or electing small business trusts requirements; and (3) include statements from all the shareholders that the income reported on all affected tax returns was consistent with the S corp election.
17. Section 1361(c)(4).
18. Treas. Regs. Section 1.1361-1(l).
19. Treas. Regs. Section 1.1361-1(l)(5).
20. IRC Section 1375.
21. IRC Section 11(b).
22. Section 1362(d)(3) and Treas. Regs. Section 1.1362-2(c).
23. Section 1362(f).
24. Cal. Rev. and Tax Code Section 23802; M.G.L. c. 63. S. 32D; Ohio Rev. Stat. Ann. Section 5751; Tex. Tax Code Ann. Section 171.0002.
25. *E.g.*, Haw. Rev. Stat. Section 235.
26. *See* Form CBT-2553, available at *www.state.nj.us/treasury/revenue/sub-s.pdf* and Form CT-6, available at *www.tax.ny.gov/pdf/current_forms/ct/ct6_fill_in.pdf.*
27. *E.g.*, California allows entities to remain a California C corporation by timely filing Form 3560.
28. Section 1361(d)(3)(B).
29. Section 1361(d)(3)(A).
30. IRC Section 678(a).
31. Treas. Regs. Section 1.1261-1(j)(8).
32. Private Letter Ruling 201426001 (March 12, 2014).
33. PLR 9028013 (April 3, 1990).
34. *See* example 7 of Treas. Regs. Section 1.1361-1(k)(1).
35. PLR 9040031 (July 6, 1990).
36. PLR 9040019 (July 5, 1990).
37. PLR 8907007 (Nov. 10, 1988).
38. PLR 9025086 (March 28, 1990).
39. Section 1361(d)(2)(A) and Treas. Regs. Section 1.1361-1(j)(6)(ii).
40. Treas. Regs. Section 1.1361-1(j)(6)(iii).
41. Section 1361(d)(2)(B)(i) and Treas. Regs. Section 1.1361-1(j)(6)(i).
42. Section 1361(d)(2)(B)(ii), Treas. Regs. Section 1.1361-1(j)(9) and Treas. Regs. Section 1.1361-1(j)(10).
43. Section 1361(e)(1)(A)(i).
44. Treas. Regs. Section 1.1361-1(m)(1)(ii)(B).
45. Section 1361(e)(1)(A)(ii).
46. Section 1361(e)(1)(A)(iii).
47. PLR 200913002 (Nov. 24, 2008).
48. PLR 200816012 (Dec. 26, 2007).
49. Treas. Regs. Section 1.641(c)-1.
50. Section 641(c)(2)(A).
51. IRC Section 55(d).
52. Section 1361(e)(3).
53. Treas. Regs. Section 1.1361-1(m)(2)(iii).
54. Treas. Regs. Section 1.1361-1(m)(2)(i).
55. Treas. Regs. Section 1.1361-1(m)(2)(i).
56. Treas. Regs. Section 1.1361-1(m)(2)(i).