

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]

#### § 1.1374-0 Table of contents.

This section lists the major paragraph headings for §§ 1.1374-1 through 1.1374-10.

##### *§ 1.1374-1 General rules and definitions.*

- (a) Computation of tax.
- (b) Anti-trafficking rules.
- (c) Section 1374 attributes.
- (d) Recognition period.
- (e) Predecessor corporation.

##### *§ 1.1374-2 Net recognized built-in gain.*

- (a) In general.
- (b) Allocation rule.
- (c) Recognized built-in gain carryover.
- (d) Accounting methods.
- (e) Example.

##### *§ 1.1374-3 Net unrealized built-in gain.*

- (a) In general.
- (b) Example.

##### *§ 1.1374-4 Recognized built-in gain or loss.*

- (a) Sales and exchanges.
  - (1) In general.
  - (2) Oil and gas property.
  - (3) Examples.
- (b) Accrual method rule.
  - (1) Income items.
  - (2) Deduction items.
  - (3) Examples.
- (c) Section 267(a)(2) and 404(a)(5) deductions.
  - (1) Section 267(a)(2).
  - (2) Section 404(a)(5).
  - (3) Examples.
  - (4) Section 481(a) adjustments.
    - (1) In general.
    - (2) Examples.
  - (5) Section 995(b)(2) deemed distributions.
  - (6) Discharge of indebtedness and bad debts.
    - (g) Completion of contract.
    - (h) Installment method.
      - (1) In general.
      - (2) Limitation on amount subject to tax.

- (3) Rollover rule.
- (4) Use of losses and section 1374 attributes.
- (5) Examples.
  - (i) Partnership interests.
    - (1) In general.
  - (ii) Limitations.
    - (i) Partnership RBIG.
    - (ii) Partnership RBIL.
- (6) Disposition of partnership interest.
  - (4) RBIG and RBIL limitations.
    - (i) Sale of partnership interest.
    - (ii) Amounts of limitations.
  - (5) Small interest exception.
    - (i) In general.
    - (ii) Contributed assets.
    - (iii) Anti-abuse rule.
  - (6) Section 704(c) gain or loss.
  - (7) Disposition of distributed partnership asset.
    - (8) Examples.

##### *§ 1.1374-5 Loss carryforwards.*

- (a) In general.
- (b) Example.--

##### *§ 1.1374-6 Credits and credit carryforwards.*

- (a) In general.
- (b) Limitations.
- (c) Examples.

##### § 1.1374-7 Inventory.

- (a) Valuation.
- (b) Identity of dispositions.

##### *§ 1.1374-8 Section 1374(d)(8) transactions.*

- (a) In general.
- (b) Separate determination of tax.
- (c) Taxable income limitation.
- (d) Examples.

##### *§ 1.1374-9 Anti-stuffing rule.*

##### *§ 1.1374-10 Effective date and additional rules.*

- (a) In general.
- (b) Additional rules.
  - (1) Certain transfers to partnerships.
  - (2) Certain inventory dispositions.
  - (3) Certain contributions of built-in loss assets.
  - (4) Certain installment sales.
    - (i) In general.
    - (ii) Examples.

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

#### § 1.1374-1 General rules and definitions.

(a) *Computation of tax.* The tax imposed on the income of an S corporation by section 1374(a) for any taxable year during the recognition period is computed as follows—

- (1) Step One: Determine the net recognized built-in gain of the corporation for the taxable year under section 1374(d)(2) and § 1.1374-2;