

application of section 563(b) to a dividend paid by a distributor or transferor corporation after the close of its taxable year ending with the date of distribution or transfer but on or before the 15th day of the third month following the close of such taxable year. However, dividends paid by the acquiring corporation may not be taken into account under section 563(b) for the purpose of determining the dividends paid deduction of the distributor or transferor corporation for its taxable year ending with the date of distribution or transfer.

[T.D. 6532, 26 FR 406, Jan. 19, 1961]

**§ 1.381(c)(15)-1 Indebtedness of certain personal holding companies.**

(a) *Qualified indebtedness*—(1) *Carryover requirement.* If, in a transaction to which section 381(a) applies, the acquiring corporation assumes liability for any indebtedness which was qualified indebtedness (as defined in section 545(c) and § 1.545-3) in the hands of the distributor or transferor corporation immediately before the assumption of such indebtedness, then, under section 381(c)(15), in computing its undistributed personal holding company income for any taxable year beginning after December 31, 1963, and ending after the date of distribution or transfer, the acquiring corporation shall be considered the distributor or transferor corporation for purposes of computing the deduction under section 545(c) and § 1.545-3. Such deduction shall be allowed to the acquiring corporation in accordance with section 545(c) and § 1.545-3.

(2) *Successive transactions to which section 381(a) applies.* If in a transaction to which section 381(a) applies, an acquiring corporation assumes liability for qualified indebtedness, such acquiring corporation shall be deemed to have incurred such qualified indebtedness for the purpose of applying section 381(c)(15) to any subsequent transaction in which such acquiring corporation is the distributor or transferor corporation.

(b) *Pre-1934 indebtedness*—(1) *Carryover requirement.* If, in a transaction to which section 381(a) applies, the acquiring corporation assumes liability for any indebtedness incurred, or assumed, before January 1, 1934, by a distributor

or transferor corporation, then under section 381(c)(15) the acquiring corporation shall be allowed, in computing its undistributed personal holding company income for any taxable year ending after the date of distribution or transfer, a deduction under section 545(b)(7) for amounts used or irrevocably set aside to pay or to retire such indebtedness. Such deduction shall be allowed to the acquiring corporation in accordance with section 545(b)(7) and paragraph (g) of § 1.545-2 as though the indebtedness had been incurred, or assumed, by the acquiring corporation before January 1, 1934.

(2) *Successive transactions to which section 381(a) applies.* If, in a transaction to which section 381(a) applies, an acquiring corporation assumes liability for indebtedness described in subparagraph (1) of this paragraph, such acquiring corporation shall be deemed to have incurred the indebtedness before January 1, 1934, for the purpose of applying section 381(c)(15) to any subsequent transaction in which such acquiring corporation is the distributor or transferor corporation.

(c) *Special rule.* For purposes of this section, if, in a transaction otherwise described in this section, an acquiring corporation acquires real estate—(1) of which the distributor or transferor corporation is the legal or equitable owner immediately before the acquisition, and (2) which is subject to indebtedness that, with respect to the distributor or transferor corporation, is indebtedness described in this section immediately before the acquisition, then the acquiring corporation will be treated as having assumed such indebtedness, provided it shows to the satisfaction of the Commissioner that under all the facts and circumstances it bears the burden of discharging such indebtedness.

[T.D. 6949, 33 FR 5524, Apr. 9, 1968; 33 FR 6091, Apr. 20, 1968]

**§ 1.381(c)(16)-1 Obligations of distributor or transferor corporation.**

(a) *Deduction allowed to acquiring corporation.* (1) If, in a transaction to which section 381(a) applies, the acquiring corporation assumes an obligation of a distributor or transferor corporation which gives rise to a liability after the date of distribution or transfer and