

JOINT COMMITTEE ON TAXATION
PRESS RELEASE

For Immediate Release -- April 18, 1997 Publications (202) 225-2647

Joint Statement Providing Clarification of Recently Introduced Section 355
Legislation (H.R. 1365 and S. 612)

Congressman Bill Archer, Chairman
Senator William V. Roth, Vice Chairman
Senator Daniel Patrick Moynihan

Yesterday we introduced legislation (H.R. 1365 and S. 612) that would amend section 355 to change the treatment of a distribution of stock of a subsidiary by a parent corporation, where either the parent corporation or the subsidiary is acquired pursuant to a prearranged plan that includes the distribution (i.e., the so-called "Morris Trust" transactions). The bills also provide that section 355 would not apply to distributions within a consolidated group of corporations.

The bills generally would be effective for distributions occurring after April 16, 1997, with transitional exceptions for distributions made pursuant to, or described in, certain binding written agreements, ruling requests filed with the IRS, SEC filings made on account of the distribution, and public announcements. It is intended that the bills would not apply to an intragroup distribution of stock that is an integral part of a transaction that is made pursuant to, or is described in, a binding written agreement, IRS ruling request, SEC filing made on account of the transaction, or a public announcement on or before April 16, 1997. We recognize drafting changes to the bills may be required to achieve this intended result.

We also invite further comment as to the proper applicability of section 355 with respect to intragroup distributions.