

Treasury stock

492.1 Distribution to employees for services rendered. The fair market value of treasury stock distributed by a corporation to its employees as compensation is deductible under section 162(a); section 1032, regarding nonrecognition of gain or loss, has no effect on such deduction. Modified by Rev. Rul. 74-503, to remove any implication that a corporation's treasury stock held by it has a cost basis rather than a zero basis. §§1.162-7, 1.1032-1. (Secs. 162, 1032; '86 Code.)

Rev. Rul. 62-217, 1962-2 C.B. 59.

492.2 Exchanged for another corporation's newly issued stock. Treasury stock purchased by a corporation from its shareholders for less than its fair market value and subsequently exchanged for 80 percent of the newly issued stock of another corporation, in a transaction in which no gain or loss was recognized by either corporation under sections 351(a) and 1032(a), has a zero basis and the basis of stock received by each corporation in the exchange is zero. Rev. Ruls. 62-217, 70-117, and 70-305 modified. §§1.351-1, 1.362-1, 1.1032-1. (Secs. 351, 362, 1032; '86 Code.)

Rev. Rul. 74-503, 1974-2 C.B. 117.

492.3 Sale to management group. A corporation is not taxable on the gain from the sale of its treasury stock, since the transaction, limited to wholly intracorporate purposes with no element of speculation or gain envisioned, does not constitute dealing by the corporation in its own shares as it might deal in the shares of another corporation. §§29.22(a)-15, 39.22(a)-15. (Sec. 22(a), '39 Code; Sec. 61, '86 Code.)

Anderson, Clayton and Co., 350 U.S. 55, Ct. D. 1788, 1955-2 C.B. 524.

492.4 Section 306 stock. A dividend of common stock payable in treasury common stock by a corporation to the holders of its common stock will not constitute "section 306 stock". (Sec. 305, 306; '86 Code.)

Rev. Rul. 55-746, 1955-2 C.B. 224.