

**CORPORATE TAXATION - LL.M.
LAW 7611**

SYLLABUS

Fall 2014; Room 355C
Tues. & Thurs., 9:00 - 10:45 A.M.
Office hours: Tues. & Thurs., 3:00 - 4:00 P.M.
& by appointment

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IMPORTANT ADVICE

*Learning without thinking is useless
Thinking without learning is dangerous
Confucius*

REQUIRED TEXTS

- (1) McMahon, Simmons & McDaniel, , FEDERAL INCOME TAXATION OF CORPORATIONS, 4TH ED. (Foundation Press 2014)
- (2) McMahon & Simmons, STUDY PROBLEMS FOR FEDERAL INCOME TAXATION OF CORPORATIONS, 4TH ED. (Foundation Press 2014).
- (4) INTERNAL REVENUE CODE AND REGULATIONS (Unabridged CCH 2014)

You should have all of your required texts with you every day in class (excluding volumes of the regulations that do not contain any relevant provisions). It is ***not acceptable*** to bring edited student versions of the Code and Regulations to class.

HIGHLY RECOMMEND COLLATERAL READING

Hamilton & Booth, BUSINESS BASICS FOR LAW STUDENTS, ESSENTIAL TERMS AND CONCEPTS, FOURTH ED. (2006, Aspen Law & Business). I recommend that you read as soon as possible, and review as frequently as needed, the following chapters: Ch. 1, 2, 6 and 8, 10-12 [**chs. 10-12 are critical background for this course**]. You might also find chs. 7 and 14 interesting. You can order it from Amazon.

COVERAGE

The primary focus of this course is the provisions of Subchapter C of the Internal Revenue Code governing corporate formation, distributions, and liquidation, and Subchapter S, providing elective special rules for certain corporations with a limited number of shareholders. This course will cover the relevant Code sections, the Regulations thereunder, and judicial

interpretations of the Code and Regulations. To study the topics covered in the course we will use study problems. Each assignment has a coordinated set of study problems (coordinated to text Chapters & Sections).

CLASS SCHEDULE

Classes meet on Tuesdays and Thursday, from 9:00 to 10:45 A.M., throughout the semester, with the following exceptions.

Class does not meet on the following dates:

- (1) Tuesday, Oct. 7
- (2) Thursday, Oct. 16
- (3) Tuesday, Oct. 21
- (4) Thursday, Oct. 24

CLASS PREPARATION

All reading assignments in the text automatically include careful study of all sections of the Internal Revenue Code and Regulations cited at the beginning of the assigned Chapter sections throughout the text. Always work from the professional edition of the Code and Regulations; do not ever work from edited student versions of the Code and Regulations. You should also **prepare in advance in writing your analysis of all study problems**, including citations to relevant authority and any necessary calculations, that are coordinated to the assigned reading. We will cover as many of the problems as we can in class, but there is no guarantee that we will have the time to examine the answer to every question in detail. The level of preparation of answers to the problems determines the extent to which we have time to examine them in class. You are expected to be prepared every day and actively to participate in class discussion. Adequate preparation and class discussion requires that you be prepared specifically to discuss the application of the law to the particular facts of the study problems. It is my practice randomly to call on students as well as to accept volunteer answers. It is important that you be prepared to discuss in detail your proposed solutions to the discussion problems. Without that participation, I cannot adequately judge how well the members of the class are mastering the material and thus cannot judge how quickly or slowly to proceed and what issues need to be examined more thoroughly.

I recommend that everyone join a study group within which you can compare your tentative answers to the problems and refine them. If you are still struggling to understand the material after the relevant class, come see me in my office.

QUESTIONS AND OFFICE HOURS

On most days I will stay after class if I can to answer questions. You may ask questions about any material that we have covered to date. I have regular office hours, and in addition am available almost anytime on a drop-in basis or by appointment. If you want to schedule an

appointment, please e-mail me. **Do not e-mail me substantive questions to be answered by e-mail.** If you do, I will respond that you should come see me. I find it far, far more productive to discuss questions face-to-face.

EVALUATION

Grades will be assigned primarily on the basis of a final examination, which will be graded anonymously. The law school policy on delay in taking exams can be found at: <http://www.law.ufl.edu/students/policies.shtml#12>. Grades will follow the University of Florida Grading System. See <http://www.registrar.ufl.edu/catalog/policies/regulationgrades.html>. The grade achieved on the written work can be raised one grade levels (e.g. from B to B+) as a result of continuous, active, voluntary, high-quality participation in class discussion demonstrating familiarity with the assigned materials (or for unusually extraordinary performance two grade levels). The examination will be a take home examination distributed through the Graduate Tax Office at time to be announced and which will be due approximately 48 hours after distribution (or longer if it is distributed on a Thursday or Friday). Answers will not be permitted to exceed approximately 18-20 pages (using a font no smaller than 12 point) of standard 8 ½ x 11 inch paper, double spaced with normal margins. A copy of a prior final examination is attached to give you an idea of the nature of the format and level of complexity of the questions that will be asked, as well as some idea of the level of comprehensiveness. The exact focus of the examination questions changes from year-to-year. **Please note that I do not provide sample answers to the sample exam and I do not review or discuss with students their proposed answers to the sample examination. It is a “sample” examination, not a “practice” examination.**

ATTENDANCE

Regular and punctual attendance at classes is required. I do take attendance by recording it on the seating chart. Any student with more than five unexcused absences will be excluded from the examination. **Please e-mail me to request an excused absence or to explain an absence.** Recognized religious holidays are automatically excused absences. All I ask is that you e-mail me in advance a list of the holidays on which you will be absent for religious observances. Please arrive at class on time and remain seated for the entire class. If you expect to arrive late, or need to leave early, or expect to have to leave during the class and return, please advise me ahead of time **by e-mail.**

ELECTRONIC DEVICES

You may use notebook computers to access your own notes on your computer hard drive and to take note during class. No other use of a notebook computer is permitted. You may not access any programs or the internet for any purpose other than to read your notes or take notes concerning this class. That said, **I strongly recommend against using computers in class. The point of the class session is to critically discuss in real time the ideas in the material, evaluate the points made by other people in the class, and solve the problems, not to record a transcript of what I or others might say.** Turn off all cellular telephones during class. If you

have a special reason that someone might need to contact you during class hours (e.g, pregnant spouse, ill relative), you may keep your phone on as long as the ringer is off and it is set to vibrate. Please warn me in advance that you might be receiving a call and need to leave.

STATEMENT RELATED TO ACCOMMODATIONS FOR STUDENTS WITH DISABILITIES

Students requesting classroom accommodation must first register with the Office of Disability Resources. The UF Office of Disability Resources will provide documentation to the student who must then provide this documentation to the Law School Office of Student Affairs when requesting accommodation.

COURSE OBJECTIVES

1. Learn to carefully read the Code and Regulations. Precision counts.
 - a. Pay attention to each and every word and punctuation mark.
 - If you don't understand a Code section the first time, reread it carefully, as many times as necessary, until its meaning become clear. [If you still don't understand it after preparing and attending class, ask your instructor for help.]
 - b. Recognize that most sections of the Code are either (1) definitions or (2) "if ... then ..." rules. The Code never "permits" or "prohibits" a taxpayer from engaging in any particular transaction (apart from defining specified tax crimes). The Code merely prescribes the tax results that follow from the transaction, whether or not it is legal (or civilly actionable) under state, or non-tax federal, law.
 - c. Understand that some sections of the Code are so complicated that you may need to know what they purport to do before you read them. The best primary source of this information is legislative history, i.e., Congressional Committee Reports and Staff of the Joint Committee General Explanations of Tax Legislation [Bluebooks]. They are invaluable guides in interpreting the statutory language. [Your casebook and other course materials provides excerpts from the various legislative history materials for many Code sections.
 - d. Learn to apply the rules precisely as expressed in the Code and Regulations, not paraphrased generalizations or short-cuts.
 - Although short-cuts and rules of thumb often produce correct answers in a majority of their applications, they also often produce incorrect answers, particularly in counter-intuitive fact patterns. For example, a rule of thumb that provides a shortcut when applying a statutory formula to a transaction involving appreciated property might not work if the property is depreciated in value.
 - e. Tax law is not horseshoes. Code sections are not applied on a "close enough" principle.

2. Learn the vocabulary, i.e., “tax jargon,” and use it precisely and accurately.
 - a. Rely on the terminology and words of the Code and Regulations. Do not make up your own terms of art. Even though they may help you remember a concept or a rule, your use of them will tend to confuse others or misconvey your analysis.
 - b. Use the correct word in the correct context, for example, income items that are not included in gross income are “excluded,” not “deducted,” and payments that are subtracted in computing taxable income are “deducted,” not “excluded,” “realized” gain or loss is different than “recognized” gain or loss.
 - c. Do not use mutually inconsistent terms simultaneously, for example, “deductible as a capital expense.”
3. Learn to apply the law to the particular facts.
 - a. Understand the facts of any particular problem. Figure out what happened – e.g., who paid what to whom and why – before trying to apply the tax law.
 - (1) Pay attention to and consider the relevance of each and every fact. Learn to sort the relevant from irrelevant facts.
 - (2) Learn how to graphically depict transactions to more easily understand the nature and economics of the transaction.
 - b. Understand that in multi-party transactions different sections of the Code and Regulations may apply to different parties. Do not confuse the parties or the respective rules that apply to them.
 - c. Remember that the treatment of one party to a transaction is not always symmetrical to that of another. For example, a payee does not necessarily have exempt income merely because the payor is denied a deduction, and the buyer’s basis for property is not necessarily the exact same amount as the seller’s amount realized.
4. Learn to explain the precise reason, applying the Code, Regulations, and relevant case law and Revenue Rulings for each and every answer to each and every issue presented by any fact pattern. Remember that “public policy” considerations that are often applied in other areas of the law are less significant in resolving tax issues. For example, deductions are not generally disallowed simply because they are incurred to further an illegal activity.
5. Learn how to distinguish situations that have a single clear answer from those in which the answer is ambiguous.
 - a. Answer questions that have clear answers directly.
 - b. If a question does not have a single clearly correct answer, articulate all of the arguments for and against each possible resolution and weight them in order of the likelihood of application. In such a case attempt to ascertain the answer that is more likely than not the correct answer and be prepared to support your conclusion.
 - c. Don’t make frivolous arguments or make it sound like there are arguments both ways when there are not.
6. Understand that the IRS is not Darth Vader – it does not automatically take an “anti-taxpayer” position in every factual situation. The IRS does not seek to include in gross income items that clearly are excluded by the Code, Regulations, or case law, and it does not seek to disallow deductions that clearly are allowed by the Code and Regulations. Nor

does the IRS take positions contrary to the Regulations, Revenue Rulings, or Supreme Court cases. It does, of course, argue the government's side in cases where the law is unclear.

7. Learn to recognize that there may be situations in which you do not have sufficient facts to give a definitive answer, but learn not to be too hasty in concluding that you need additional facts. In such cases, ask for additional facts or provide an answer for each of the possible alternative scenarios.
8. Understand that all of the facts in their totality must be considered simultaneously to determine the correct answer or best arguments. Consider all of the relevant facts before reaching a conclusion.
9. Understand that descriptions of the facts, whether in problems or as explained by clients may use a word in its colloquial sense when the word has a different (often narrower) meaning as a legal term of art. Remember that the same word can have different meanings in different doctrinal areas of law, and that different words used in different doctrinal areas of law can be synonyms for analogous legal conclusions.
10. Learn how to integrate rules from different Code sections and Regulations sections to determine:
 - a. Their interaction,
 - b. Which section controls if they conflict – remember particularly that capitalization trumps deductibility, i.e., an expense described in a deduction section must nevertheless be capitalized in many instances,
 - c. Whether the principles developed under one Code (or Regulations) section can be applied by analogy to interpret another section, even though the sections neither interact nor conflict.
11. Above all else: **Develop the confidence to read and understand a section of the Code and Regulations that you have never seen before and to apply it properly to a fact pattern that you have never before encountered.**

ASSIGNMENTS

Assignments are generally by unit, not class session. Many units will require only one class session to complete. Some units will require more than one class session to complete, but it is important to read the entire assignment to prepare for the first class in which it will be discussed and to carefully reread the assignment for each succeeding class in which it is discussed. **Unless instructed other wise by me at the end of class, always prepare the succeeding unit for the next class, even if we have not finished the preceding unit.**

ALL ASSIGNMENTS INCLUDE THE COORDINATED MATERIAL IN THE SUPPLEMENT Check the supplement *before* reading the text book and note all material in the text that has been replaced or supplemented. I recommend crossing out material in the text that has been completely replaced by material in the supplement. **ALL ASSIGNMENTS INCLUDE THOROUGH PREPARATION OF THE COORDINATED STUDY PROBLEMS.**

1	Corporation Income Tax	1-8
	Definition of "Corporation"	18-27
	Regard of Corporate Entity	27-45
	Reallocation of Income	45-51
2	Corporate Formation	53-69
3	Receipt of Boot	69-78
4	Assumption of Liabilities	78-103
5	The Control Requirement & Receipt of Stock for Services	104-117 117-120
6	Corporate Capital Structure	121-161
7	Dividends Generally	177-196 (skip D.A. 2, pp. 181-183)
8	Dividends in Kind	297-204 (omit problem 6)
9	Disguised Dividends	204-223
	Intercorporate Dividends	223-230 (focus on §243 and §246(c); skim the remainder; Omit Problems)
10	Redemptions (pt. 1)	231-242
11	Redemptions (pt. 2)	242-250
12	Redemptions (pt. 3)	250-261
13	Partial Liquidations	261-272

14	Redemptions By Related Corps.	272-287
15	Stock Dividends	291-296 (Skim); 296-309
16	Preferred Stock Bailout	309-323
17	Corporate Liquidations	325-341
18	Subsidiary Liquidations	342-352
19	Subchapter S (pt. 1)	355-376
20	Subchapter S (pt. 2)	376-405
21	Subchapter S (pt. 3)	405-411
22	Subchapter S (pt. 4)	411-425

UNIVERSITY OF FLORIDA
COLLEGE OF LAW

LAW 7611 -- CORPORATE TAXATION (LL.M.)

FINAL EXAMINATION
November 30, 2007

Professor McMahon

TAKE-HOME EXAM

DUE: 1:00 P.M., Monday, December 3, 2007.

Return to: Graduate Tax Office, Room 320.

INSTRUCTIONS

INSTRUCTIONS

1. This is a take home examination. You must type your answers. Your answers should not exceed 20 pages (using a font no smaller than 12 point) of standard 8 ½ x 11 inch paper, double spaced with one inch margins for the text (page numbers may be within the allowed margins), if you need that much. You may single space any tabular computations.
2. Number your pages and put your exam number on each page of your answer; do not put your name anywhere on the answer. You do not need to return the examination questions with your answer. **STAPLE YOUR ANSWER TOGETHER.**
3. You must **return the examination answer to the Graduate Tax Office, Room 320.** If you do not personally hand your examination answer to an administrative assistant and have your name recorded as returning the examination answer, there is no evidence that you returned your answer. If your examination answer cannot be found, failure to check in the return of your answer raises the presumption that it was not turned in.
4. The examination consists of four questions of *approximately* equal weight. However, the length of the answers might not be equal and the questions are not necessarily equally complex. The questions are on pages 4 through 6 of this examination.
5. Because this is a take home examination, little or no credit will be given for merely reciting rules of law or spotting issues. Your answer must be specifically directed to the facts and the question that you have been asked. Credit will be subtracted for irrelevancies. Do not repeat the facts without integrating them into analysis or restate rules of law without integrating them into analysis. If you do so, it is very likely that you will not be able to answer the questions within the page limitation. Where numerical answers are called for, it is imperative that you both (1) explain your statutory analysis, and (2) give the numerical answer, showing your calculations. Citations to correct authority are part of the required answer.
6. (a) Any person who is an individual is designated by a name or by single letter, e.g., A, B, C, D, E, etc. Any person that is a corporation, partnership, limited liability company

(LLC) or other entity is specifically identified as such the first time the name is used, but not always thereafter.

- (b) Assume that all individuals use the cash method and calendar year and all corporations use the accrual method and calendar year, unless the specific question provides facts to the contrary.
- (c) All taxpayers are unrelated unless the facts indicate otherwise.
- (d) No elections have been made — i.e., where the Code or regulations provides an election, the default rule is in effect — unless expressly stated in the facts.
- (e) All corporations are U.S. corporations and all individuals are U.S. citizens, unless the facts indicate otherwise.
- (f) Unless the facts specifically state the amount of earnings and profits of a corporation, assume that the corporation has significant earnings and profits.
- (g) Each question describes the ownership of all of the outstanding stock of each corporation adequately enough that the question can be answered without assuming the existence or nonexistence of any additional outstanding stock.
- (h) If it is necessary to compute corporate income tax under §11, assume a 35 % flat rate. The amount of corporate tax due is not required as part of the answer unless the amount of income tax owed by the corporation affects some other aspect of the answer. If it is necessary to compute the amount of an individual's income tax liability to answer a question, assume that for ordinary income the individual is in the highest marginal rate bracket, but take into account any preferential rates that might apply. The amount of individual tax due is not required as part of the answer unless the amount of income tax owed by the individual affects some other aspect of the answer.
- (i) If necessary, assume that the applicable federal rate is 6%.
- (j) Assume that the statutory law and regulations in effect for all years correspond to current law.
- (k) If you find it necessary to assume an evidentiary fact, make only necessary assumptions that are as reasonably consistent with the stated facts as possible. Clearly state your assumptions, and the reasons for making them.
- (l) Do not “assume” any ultimate fact findings or the resolution of any legal issues, without first exploring all of the relevant evidentiary facts and legal arguments to reach a reasoned conclusion.

7. The style and organization of your answers is taken into account in assigning the grade. Poor writing style and organization can significantly affect your grade. In writing your answers, observe the following rules:

- (a) Be careful to organize each answer in a manner that takes into account the totality of the facts. Remember particularly that (1) facts that superficially appear to be relevant primarily or only to one party very well might be relevant with respect to other parties as well, and (2) facts do not necessarily raise issues that can be neatly addressed in the precise order in which the facts are described.
- (b) Answer questions in complete grammatical sentences organized into logical paragraphs.
- (c) Do not use any nonstandard abbreviations. If it is not in a standard dictionary, it is a nonstandard abbreviation.

- (d) Use a section sign — § — for citations to the Code and Regulations unless the Code section reference begins a sentence.
- (e) Remember that the subsections of the Code and Regulations have parentheses around the letters and numbers. If you omit the parentheses, your citation is incorrect.
- (f) If the specific question asks you to describe the tax consequences only for a particular party (or parties) or focuses on one or more, but not all of the issues raised by the facts, limit your answer as directed.

8. You may consult only the Code and the Regulations, your case book, any materials distributed by the instructor, your class notes and any other notes that you may have prepared before receiving the examination. All of any outline jointly prepared by a study group in which you have actively and materially participated is treated as materials that you have prepared even though you may not personally have authored particular portions of the outline. No other materials are permitted to be used in answering this examination. You may **not** use any electronic data bases, materials from the law library, commercial study aids, outlines prepared by another student or a study group in which you did not actively and materially participate.

9. **This examination answer is to be solely your own work. There is to be no consultation with or receipt of assistance in any form from any other person.**

GOOD LUCK and HAPPY HOLIDAYS

1. A, B, C, D, and E formed X Corporation in the following pre-arranged transactions. A contributed land (Blackacre) with a basis of \$450,000 in exchange for 500 shares of voting common stock worth \$300,000. B transferred (1) an office building, which was on leased land, with a basis of \$150,000, subject to a purchase-money mortgage debt lien of \$325,000, which X Corporation assumed, (2) an assignment of the ground lease, which had a zero basis, and (3) \$25,000 of cash, in exchange for 500 shares of nonvoting common stock worth \$275,000. C transferred land (Whiteacre) with a basis of \$50,000 in exchange for (1) 100 shares of nonvoting preferred stock worth \$300,000, that pays an annual cumulative dividend of 7 percent, and (2) X Corporation's promissory note in the principal amount of \$100,000, with interest at the long-term applicable federal rate payable semi-annually, the principal amount of which is due in 15 years. D transferred (1) \$200,000 of cash and (2) D's personal negotiable promissory note payable to the order of X Corporation in the amount of \$200,000, due in two years, with interest at the applicable federal rate, plus 2 percentage points, payable semi-annually, and D received 100 shares of \$4,000 par value voting preferred stock subject to mandatory redemption in 16 years for \$4,100 per share, with an annual cumulative dividend of 6 percent. E contributed a truck with a basis of zero for ten shares of voting common stock worth \$6,000 and simultaneously entered into an employment contract to be the president of the corporation. In addition to a \$100,000 annual salary, the employment contract provided that at the end of five years, if E was still employed by the corporation, the corporation would newly issue 500 shares of voting common stock to E as a bonus. What are all of the tax consequences to each of the transferors and X Corporation?

2. F and G each own 50 shares of voting common stock of Y Corporation. As of December 31 three years ago (year 0), F and G, who are the only shareholders, each had a basis of \$100,000 in their respective shares of stock. As of December 31 three years ago (year 0) Y Corporation had \$1,000,000 of accumulated earnings and profits. Since then Y Corporation has not realized any current earnings and profits except as might have been created in the transactions that follow. In January two years ago (year 1), Y Corporation sold 10,000 shares of stock of Paleozoic Worldwide Petroleum Corp., which was traded on the New York Stock Exchange, to the FG LLC, which was equally owned by F and G, for \$800,000, in a private transaction that was not effected through the stock exchange. Y Corporation's basis in the 10,000 shares of Paleozoic stock was \$300,000, and on the day of the sale the stock was trading on the NYSE at \$200 per share. In February of last year (year 2), Y Corporation purchased from F's child for \$400,000 a parcel of land (Greenacre), which Y Corporation immediately resold to an unrelated party for \$250,000. In November of last year (year 2), Y Corporation distributed 150 shares of \$1,000 par nonvoting 6% preferred stock to G. (As of October 31 of last year, 50 shares of common stock of Y Corporation were worth \$1,500,000.) In January of this year (year 3) G sold the preferred stock to F for \$157,000. In May of this year, Y Corporation borrowed \$5,000,000 from the Big'un National Bank and purchased 48 shares of the Y Corporation common stock from each of F and G for \$2,500,000 total per shareholder. What are the tax consequences of these transactions to each of F, G, and Y Corporation?

3. K owned 50 out of 100 shares of outstanding voting common stock of X Corporation. The other 50 shares were owned by 35 unrelated individuals, no one of whom owned more than 2 shares. K's basis in the 50 shares of X Corporation stock was \$900,000. K also owned 10 shares

of Y Corporation voting common stock, with a basis of \$20,000. K's child, L, owned 30 shares of Y Corporation voting common stock. Unrelated individuals owned another 60 shares of Y Corporation voting common stock. Y Corporation, which operated a chain of university bookstores, owned all of the stock of Z Corporation. Z Corporation operated three different parking lots near the campus of Enormous State University. K sold 30 shares of X Corporation voting common stock to Y Corporation in exchange for (1) Blackacre, one of Z Corporation's parking lots, which had been distributed by Z Corporation to Y Corporation immediately prior to the exchange with K, and (2) 20 shares of voting common stock of Y Corporation. Blackacre had a fair market value of \$600,000 and was subject to a nonrecourse mortgage lien of \$100,000. The 20 shares of Y Corporation voting common stock were worth \$1,000,000. Z Corporation's basis for Blackacre was \$300,000. Each of X Corporation, Y Corporation, and Z Corporation had \$100,000 of accumulated earnings and profits at the beginning of the year. None of the corporations had any current earnings and profits except as might have arisen from the preceding facts. What are the tax consequences to Z Corporation, Y Corporation, and K?

4. H and I each owned 100 shares of voting common stock of W Corporation, which manufactures Wingdings. H's basis in the common stock was \$2,000,000; I's basis in the common stock was \$7,500,000. J owned 100 shares of nonvoting preferred stock of W Corporation. J's basis in the preferred stock was \$1,850,000. I and J are siblings. W Corporation had the following balance sheet assets (all of which were been purchased by the corporation).

Asset	Basis	Fair Market Value
Cash	\$2,500,000	\$2,500,000
Factory	\$4,000,000	\$2,500,000
Inventory	\$ 500,000	\$1,000,000
Equipment	\$3,500,000	\$1,500,000
Patent	\$ 0	\$1,500,000
Copyright	\$5,500,000	\$7,000,000
Investment Securities	\$6,500,000	\$2,000,000

The Factory is subject to a nonrecourse mortgage lien in the amount of \$3,000,000. The Copyright is unrelated to the Wingding business, but relates to video game software and was acquired by W Corporation seven years ago as part of the acquisition of a video game manufacturing business that since been sold to MacroSoft Corp. When the assets of the video game manufacturing business were sold to MacroSoft, W Corporation retained ownership of the copyright and licensed its use (for royalties which are still being earned and received) to Macrosoft.

Recently, a publicly traded corporation offered to purchase all of H, I and J's stock in W Corporation for \$16,000,000 collectively. H, I, and J rejected the offer as inadequate.

W Corporation formed the WH Limited Liability Company (WH LLC), in which W Corporation was the sole member, and transferred the Cash, Factory, Inventory, Equipment, and patent to the WH LLC. All 50 of W Corporation's employees immediately commenced working for the WH LLC. W Corporation then distributed all of the membership units in WH LLC to H, after which the WH LLC continued to conduct the day-to-day business in exactly the same manner as W Corporation formerly had conducted the business. W Corporation distributed the Copyright to I and the Investment Securities to J. What are the tax consequences to each of W Corporation, H, I, and J?