Parent Corporation has owned 60% of Subsidiary Corporation’s single class of stock for a number of years. Tyrone owns the remaining 40% of the Subsidiary stock. On August 10 of the current year, Parent purchases Tyrone’s Subsidiary stock for cash. On September 15, Subsidiary adopts a plan of liquidation. Subsidiary then makes a single liquidating distribution on October 1. The activities of Subsidiary continue as a separate division of Parent. Does the liquidation of Subsidiary qualify for nonrecognition treatment under Secs. 332 and 337? Must Parent assume Subsidiary’s E&P balance?

A partial list of research sources is

IRC Secs. 332 (b) and 381

Reg. Sec. 1.332-2 (a)