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Corporations and Corporate Distributions

Lester R. Rusoff

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Rusoff: Book Review
BOOK REVIEW

Corporations and Corporate Distributions. ROBERT J. McDONALD. New York, New York: Practising Law Institute, 1962. Pp. 176. \$2.00.

This pamphlet is one of a series published by the Practising Law Institute under the title, *Fundamentals of Federal Taxation*. The chapter headings of this pamphlet are: the taxes to which a corporation may be subject; the tax base; selection of capital structure upon formation; debt or stock and thin incorporation; corporation distributions; distributions in redemption of stock; dividend to remaining shareholders or to buying or selling shareholders on corporate redemptions in connection with sales; redemption of stock to pay death taxes—section 303; redemption through use of related corporations—section 304; stock dividends and stock rights—section 305; basis and holding period of stock dividends and stock rights—section 307; section 306 stock; corporate liquidations; collapsible corporations; Subchapter S; and penalty taxes. The tax on undistributed personal holding company income is treated lightly. The tax on improper accumulations of surplus is merely touched, and is covered in another pamphlet published by the Practising Law Institute, *Taxing the Improper Accumulation of Corporate Surplus*, by Richard Kilcullen. Exchanges in connection with the formation, reorganization, and division of corporations are omitted entirely, to be covered by another pamphlet, *Tax-Free Exchanges*, now apparently under revision by its authors, George Stinson and Robert Anthoine.

This reviewer has reached certain conclusions about learning and teaching federal tax law which affect his judgment of Mr. McDonald's book. Federal taxation is a statutory subject; the ultimate authority for any proposition dealing with it, apart from constitutional questions, is the Internal Revenue Code. In some areas, the provision of the Code is relatively simple, and a useful discussion may be directed largely to case law. In others, such as those dealing with the taxation of corporations and corporate distributions, the subject of Mr. McDonald's pamphlet, the statutes are complex. There, this reviewer has found that learning is slow and difficult and that it can best be promoted by making frequent, careful reference to the language of the Code. In the light of these conclusions, this reviewer believes that Mr. McDonald's pamphlet will be most useful to the tax expert who is familiar with the statutes in this area and wishes merely to keep fresh his grasp of problems he has not considered lately. The book is small and light and can easily be carried in a coat pocket or briefcase. For such a lawyer, the footnote citations to the Code, regulations, rulings, and cases, should be adequate. A lawyer who is not expert in this part of federal taxation but has studied other tax problems sufficiently to be able to work through strange sections of the Code and regulations will be able to learn from this book if he keeps a copy of the Code handy and uses it often while he reads. His reading, if he wants to retain anything, will be slow. Probably he would learn more readily from Professor Bittker's *Federal Income Taxation of Corpora-*

tions and Shareholders, a larger and more complete book which cites the Code more frequently and in more detail. [Bittker, *Federal Income Taxation of Corporations and Shareholders*, Federal Tax Press, Hamden, Connecticut, 1959, with 1962 pocket supplement.]

A lawyer who has not worked much in any area of federal taxation will do best to get a copy of a federal tax course, such as that published by Prentice-Hall or Commerce Clearing House, a copy of the Internal Revenue Code, and a copy of the regulations; study the text of the course; and work out the problems included with the course, by reference to the text, Code, and regulations. He can check his solutions against those presented by the editors. Thereafter, he may find books such as Mr. McDonald's or Professor Bittker's useful for learning the subject in greater detail.

In short, Mr. McDonald's book will not enable the uninformed easily to learn the taxation of corporations and corporate distributions, but it is a useful book within its limitations.

LESTER R. RUSOFF*

*Professor of Law, Montana State University.