Table 14.2 Comparison of [illegible] Various Taxable [illegible] Freestanding C Co[illegible]

Fact Pattern:	
Asset purchase price	$1,000.00
Stock purchase price	$685.00
ADSP[1] =	$1,000.00
Target's net asset basis	$100.00
Target shareholders' stock basis	$100.00
t_c =	35%
t_{cg} =	20%
r =	10%
Amortization/depreciation period (n) =	10

	Transaction Structure			
	Asset Acquisition		Stock Acquisition	
	No Liquidation	*Liquidation*	*With a §338 Election*	*Without a §338 Election*
Purchase Price	$1,000.00	$1,000.00	$685.00	$685.00
Tax Costs:				
Tax paid by T corporation[2]	(315.00)	(315.00)	0.00	0.00
Tax paid by A from the §338 election[3]	0.00	0.00	(315.00)	0.00
Tax paid by T's shareholders[4]	0.00	(117.00)	(117.00)	(117.00)
Total Tax Paid	($315.00)	($432.00)	($432.00)	($117.00)
Target Shareholder Consequences:				
Gross cash received	n/a	685.00	685.00	685.00
Less: shareholder taxes[4]	n/a	(117.00)	(117.00)	(117.00)
After-tax cash to target's shareholders	n/a	$568.00	$568.00	$568.00
Acquirer Net After-Tax Cost:				
Gross cost	$1,000.00	$1,000.00	$1,000.00	$685.00
Less: present value of tax benefits[5]	(193.55)	(193.55)	(193.55)	0.00
Net after-tax cost of the acquisition	$806.45	$806.45	$806.45	$685.00
Acquirer's Tax Basis in the Target's:				
Stock	n/a	n/a	$685.00	$685.00
Assets	$1,000.00	$1,000.00	$1,000.00	$100.00

[1] *ADSP* is the aggregated deemed sale price of the target's assets in a taxable stock transaction in which a §338 election is made. *ADSP* is computed as $ADSP = P + L + t(ADSP - \text{Basis})$, where P is the price paid for the target's stock, L is the target's liabilities, t is the corporate tax rate, and Basis is the gross tax basis of the target's assets preacquisition.

[2] Tax liability at the target corporation level from the sale of the target's assets preacquisition.

[3] Tax liability at the target corporation level on the deemed sale of its assets after the stock acquisition. The liability is ultimately the contractual responsibility, indirectly, of the acquiring firm because when the liability is triggered, the target is a subsidiary of the acquirer.

[4] Capital gains taxes resulting from the redemption of target shares by the target corporation in the liquidation following an asset sale and from the direct sale of the shares to the acquirer in the stock acquisitions.