

“(D) have more than 1 class of stock.

“(2) **INELIGIBLE CORPORATION DEFINED.**—For purposes of paragraph (1), the term ‘ineligible corporation’ means any corporation which is—

“(A) a member of an affiliated group (determined under section 1504 without regard to the exceptions contained in subsection (b) thereof),

“(B) a financial institution to which section 585 or 593 applies,

26 USC 801.

“(C) an insurance company subject to tax under subchapter L,

“(D) a corporation to which an election under section 936 applies, or

“(E) a DISC or former DISC.

“(c) **SPECIAL RULES FOR APPLYING SUBSECTION (b).**—

“(1) **HUSBAND AND WIFE TREATED AS 1 SHAREHOLDER.**—For purposes of subsection (b)(1)(A), a husband and wife (and their estates) shall be treated as 1 shareholder.

“(2) **CERTAIN TRUSTS PERMITTED AS SHAREHOLDERS.**—

“(A) **IN GENERAL.**—For purposes of subsection (b)(1)(B), the following trusts may be shareholders:

26 USC 671.

“(i) A trust all of which is treated (under subpart E of part I of subchapter J of this chapter) as owned by an individual who is a citizen or resident of the United States.

“(ii) A trust which was described in clause (i) immediately before the death of the deemed owner and which continues in existence after such death, but only for the 60-day period beginning on the day of the deemed owner’s death. If a trust is described in the preceding sentence and if the entire corpus of the trust is includible in the gross estate of the deemed owner, the preceding sentence shall be applied by substituting ‘2-year period’ for ‘60-day period’.

“(iii) A trust with respect to stock transferred to it pursuant to the terms of a will, but only for the 60-day period beginning on the day on which such stock is transferred to it.

“(iv) A trust created primarily to exercise the voting power of stock transferred to it.

This subparagraph shall not apply to any foreign trust.

“(B) **TREATMENT AS SHAREHOLDERS.**—For purposes of subsection (b)(1)—

“(i) In the case of a trust described in clause (i) of subparagraph (A), the deemed owner shall be treated as the shareholder.

“(ii) In the case of a trust described in clause (ii) of subparagraph (A), the estate of the deemed owner shall be treated as the shareholder.

“(iii) In the case of a trust described in clause (iii) of subparagraph (A), the estate of the testator shall be treated as the shareholder.

“(iv) In the case of a trust described in clause (iv) of subparagraph (A), each beneficiary of the trust shall be treated as a shareholder.

“(3) **ESTATE OF INDIVIDUAL IN BANKRUPTCY MAY BE SHAREHOLDER.**—For purposes of subsection (b)(1)(B), the term ‘estate’