penses (as defined in section 50B(a)) attributable to service performed by such employee.

''(B) ELIGIBLE EMPLOYEES HIRED AFTER SEPTEMBER 26, 1978.—In the case of any eligible employee (as defined in section 50B(h)) hired after September 26, 1978, for purposes of applying the amendments made by this section, such individual shall be treated for purposes of the credit allowed by section 40 as having first begun work for the taxpayer not earlier than January 1, 1979, and any wages paid or incurred after December 31, 1978, with respect to such individual shall be considered to be attributable to services rendered after that date.''

[Section 6(d) of Pub. L. 96–178 provided that: ''Any amendment made by this section to the Revenue Act of 1978 [amending section 322(e)(1) and (2) of Pub. L. 95–600, set out above] shall take effect as if it had been included in the provision of the Revenue Act of 1978 [Pub. L. 95–600] to which such amendment relates.'']

EFFECTIVE DATE

Section applicable to taxable years beginning after Dec. 31, 1976, and to credit carrybacks from such years, see section 202(e) of Pub. L. 95–30, set out as a note under section 51 of this title.

TIME AND FORM OF CERTAIN ELECTIONS UNDER SUBSECTION (c)(3)

Section 7814(e)(2)(B) of Pub. L. 101–239 provided that: ''In the case of a taxable year for which the last date for making the election under section 280C(c)(3) of the Internal Revenue Code of 1986 (as added by subparagraph (A)) is on or before the date which is 75 days after the date of the enactment of this Act [Dec. 19, 1989], such an election for such year may be made—

''(i) at any time before the date which is 75 days after such date of enactment, and

''(ii) in such form and manner as the Secretary of the Treasury or his delegate may prescribe.''

PLAN AMENDMENTS NOT REQUIRED UNTIL JANUARY 1, 1989

For provisions directing that if any amendments made by subtitle A or subtitle C of title XI [§§ 1101–1147 and 1171–1177] or title XVIII [§§ 1800–1899A] of Pub. L. 99–514 require an amendment to any plan, such plan amendment shall not be required to be made before the first plan year beginning on or after Jan. 1, 1989, see section 1140 of Pub. L. 99–514, as amended, set out as a note under section 401 of this title.

[§ 280D. Repealed. Pub. L. 100–418, title I, § 1941(b)(4)(A), Aug. 23, 1988, 102 Stat. 1324]

Section, added Pub. L. 96–499, title XI, § 1131(d)(1), Dec. 5, 1980, 94 Stat. 2693, related to portion of chapter 45 windfall profit tax on domestic crude oil for which credit or refund was allowable under section 6429.

EFFECTIVE DATE OF REPEAL

Repeal applicable to crude oil removed from the premises on or after Aug. 23, 1988, see section 1941(c) of Pub. L. 100–418, set out as an Effective Date of 1988 Amendment note under section 164 of this title.

§ 280E. Expenditures in connection with the illegal sale of drugs

No deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of schedule I and II of the Controlled Substances Act) which is prohibited by Federal law or the law of any State in which such trade or business is conducted.

(Added Pub. L. 97–248, title III, § 351(a), Sept. 3, 1982, 96 Stat. 640.)

REFERENCES IN TEXT

The Controlled Substances Act, referred to in text, is title II of Pub. L. 91–513, Oct. 27, 1970, 84 Stat. 1242, as amended, which is classified principally to subchapter I (§ 801 et seq.) of chapter 13 of Title 21, Food and Drugs. Schedules I and II are set out in section 812 of Title 21. For complete classification of this Act to the Code, see Short Title note set out under section 801 of Title 21 and Tables.

EFFECTIVE DATE

Section 351(c) of Pub. L. 97–248 provided that: ''The amendments made by this section [enacting this section] shall apply to amounts paid or incurred after the date of the enactment of this Act [Sept. 3, 1982] in taxable years ending after such date.''

§ 280F. Limitation on depreciation for luxury automobiles; limitation where certain property used for personal purposes

(a) Limitation on amount of depreciation for luxury automobiles

(1) Depreciation

(A) Limitation

The amount of the depreciation deduction for any taxable year for any passenger automobile shall not exceed—

(i) $2,560 for the 1st taxable year in the recovery period,

(ii) $4,100 for the 2nd taxable year in the recovery period,

(iii) $2,450 for the 3rd taxable year in the recovery period, and

(iv) $1,475 for each succeeding taxable year in the recovery period.

(B) Disallowed deductions allowed for years after recovery period

(i) In general

Except as provided in clause (ii), the unrecovered basis of any passenger automobile shall be treated as an expense for the 1st taxable year after the recovery period. Any excess of the unrecovered basis over the limitation of clause (ii) shall be treated as an expense in the succeeding taxable year.

(ii) $1,475 limitation

The amount treated as an expense under clause (i) for any taxable year shall not exceed $1,475.

(iii) Property must be depreciable

No amount shall be allowable as a deduction by reason of this subparagraph with respect to any property for any taxable year unless a depreciation deduction would be allowable with respect to such property for such taxable year.

(iv) Amount treated as depreciation deduction

For purposes of this subtitle, any amount allowable as a deduction by reason of this subparagraph shall be treated as a depreciation deduction allowable under section 168.

(C) Special rule for certain clean-fuel passenger automobiles

(i) Modified automobiles

In the case of a passenger automobile which is propelled by a fuel which is not a clean-burning fuel and to which is installed qualified clean-fuel vehicle property (as defined in section 179A(c)(1)(A)) for purposes of permitting such vehicle to be propelled by a clean burning fuel (as defined in section 179A(e)(1)), subparagraph (A) shall not apply to the cost of the installed qualified clean burning vehicle property.

(ii) Purpose built passenger vehicles

In the case of a purpose built passenger vehicle (as defined in section 4001(a)(2)(C)(ii)), each of the annual limitations specified in subparagraphs (A) and (B) shall be tripled.

(iii) Application of subparagraph

This subparagraph shall apply to property placed in service after August 5, 1997, and before January 1, 2007.

(2) Coordination with reductions in amount allowable by reason of personal use, etc.

This subsection shall be applied before—

(A) the application of subsection (b), and

(B) the application of any other reduction in the amount of any depreciation deduction allowable under section 168 by reason of any use not qualifying the property for such credit or depreciation deduction.

(b) Limitation where business use of listed property not greater than 50 percent

(1) Depreciation

If any listed property is not predominantly used in a qualified business use for any taxable year, the deduction allowed under section 168 with respect to such property for such taxable year and any subsequent taxable year shall be determined under section 168(g) (relating to alternative depreciation system).

(2) Recapture

(A) Where business use percentage does not exceed 50 percent

If—

(i) property is predominantly used in a qualified business use in a taxable year in which it is placed in service, and

(ii) such property is not predominantly used in a qualified business use for any subsequent taxable year,

then any excess depreciation shall be included in gross income for the taxable year referred to in clause (ii), and the depreciation deduction for the taxable year referred to in clause (ii) and any subsequent taxable years shall be determined under section 168(g) (relating to alternative depreciation system).

(B) Excess depreciation

For purposes of subparagraph (A), the term ''excess depreciation'' means the excess (if any) of—

(i) the amount of the depreciation deductions allowable with respect to the property for taxable years before the 1st taxable year in which the property was not predominantly used in a qualified business use, over

(ii) the amount which would have been so allowable if the property had not been predominantly used in a qualified business use for the taxable year in which it was placed in service.

(3) Property predominantly used in qualified business use

For purposes of this subsection, property shall be treated as predominantly used in a qualified business use for any taxable year if the business use percentage for such taxable year exceeds 50 percent.

(c) Treatment of leases

(1) Lessor's deductions not affected

This section shall not apply to any listed property leased or held for leasing by any person regularly engaged in the business of leasing such property.

(2) Lessee's deductions reduced

For purposes of determining the amount allowable as a deduction under this chapter for rentals or other payments under a lease for a period of 30 days or more of listed property, only the allowable percentage of such payments shall be taken into account.

(3) Allowable percentage

For purposes of paragraph (2), the allowable percentage shall be determined under tables prescribed by the Secretary. Such tables shall be prescribed so that the reduction in the deduction under paragraph (2) is substantially equivalent to the applicable restrictions contained in subsections (a) and (b).

(4) Lease term

In determining the term of any lease for purposes of paragraph (2), the rules of section 168(i)(3)(A) shall apply.

(5) Lessee recapture

Under regulations prescribed by the Secretary, rules similar to the rules of subsection (b)(3) shall apply to any lessee to which paragraph (2) applies.

(d) Definitions and special rules

For purposes of this section—

(1) Coordination with section 179

Any deduction allowable under section 179 with respect to any listed property shall be subject to the limitations of subsections (a) and (b), and the limitation of paragraph (3) of this subsection, in the same manner as if it were a depreciation deduction allowable under section 168.

(2) Subsequent depreciation deductions reduced for deductions allocable to personal use

Solely for purposes of determining the amount of the depreciation deduction for subsequent taxable years, if less than 100 percent of the use of any listed property during any

taxable year is use in a trade or business (including the holding for the production of income), all of the use of such property during such taxable year shall be treated as use so described.

(3) Deductions of employee

(A) In general

Any employee use of listed property shall not be treated as use in a trade or business for purposes of determining the amount of any depreciation deduction allowable to the employee (or the amount of any deduction allowable to the employee for rentals or other payments under a lease of listed property) unless such use is for the convenience of the employer and required as a condition of employment.

(B) Employee use

For purposes of subparagraph (A), the term ''employee use'' means any use in connection with the performance of services as an employee.

(4) Listed property

(A) In general

Except as provided in subparagraph (B), the term ''listed property'' means—

(i) any passenger automobile,

(ii) any other property used as a means of transportation,

(iii) any property of a type generally used for purposes of entertainment, recreation, or amusement,

(iv) any computer or peripheral equipment (as defined in section 168(i)(2)(B)), ''and''[1]

(v) any other property of a type specified by the Secretary by regulations.

(B) Exception for certain computers

The term ''listed property'' shall not include any computer or peripheral equipment (as so defined) used exclusively at a regular business establishment and owned or leased by the person operating such establishment. For purposes of the preceding sentence, any portion of a dwelling unit shall be treated as a regular business establishment if (and only if) the requirements of section 280A(c)(1) are met with respect to such portion.

(C) Exception for property used in business of transporting persons or property

Except to the extent provided in regulations, clause (ii) of subparagraph (A) shall not apply to any property substantially all of the use of which is in a trade or business of providing to unrelated persons services consisting of the transportation of persons or property for compensation or hire.

(5) Passenger automobile

(A) In general

Except as provided in subparagraph (B), the term ''passenger automobile'' means any 4-wheeled vehicle—

(i) which is manufactured primarily for use on public streets, roads, and highways, and

(ii) which is rated at 6,000 pounds unloaded gross vehicle weight or less.

In the case of a truck or van, clause (ii) shall be applied by substituting ''gross vehicle weight'' for ''unloaded gross vehicle weight''.

(B) Exception for certain vehicles

The term ''passenger automobile'' shall not include—

(i) any ambulance, hearse, or combination ambulance-hearse used by the taxpayer directly in a trade or business,

(ii) any vehicle used by the taxpayer directly in the trade or business of transporting persons or property for compensation or hire, and

(iii) under regulations, any truck or van.

(6) Business use percentage

(A) In general

The term ''business use percentage'' means the percentage of the use of any listed property during any taxable year which is a qualified business use.

(B) Qualified business use

Except as provided in subparagraph (C), the term ''qualified business use'' means any use in a trade or business of the taxpayer.

(C) Exception for certain use by 5-percent owners and related persons

(i) In general

The term ''qualified business use'' shall not include—

(I) leasing property to any 5-percent owner or related person,

(II) use of property provided as compensation for the performance of services by a 5-percent owner or related person, or

(III) use of property provided as compensation for the performance of services by any person not described in subclause (II) unless an amount is included in the gross income of such person with respect to such use, and, where required, there was withholding under chapter 24.

(ii) Special rule for aircraft

Clause (i) shall not apply with respect to any aircraft if at least 25 percent of the total use of the aircraft during the taxable year consists of qualified business use not described in clause (i).

(D) Definitions

For purposes of this paragraph—

(i) 5-percent owner

The term ''5-percent owner'' means any person who is a 5-percent owner with respect to the taxpayer (as defined in section 416(i)(1)(B)(i)).

(ii) Related person

The term ''related person'' means any person related to the taxpayer (within the meaning of section 267(b)).

(7) Automobile price inflation adjustment

(A) In general

In the case of any passenger automobile placed in service after 1988, subsection (a)

[1] So in original. The quotation marks probably should not appear.

shall be applied by increasing each dollar amount contained in such subsection by the automobile price inflation adjustment for the calendar year in which such automobile is placed in service. Any increase under the preceding sentence shall be rounded to the nearest multiple of $100 (or if the increase is a multiple of $50, such increase shall be increased to the next higher multiple of $100).

(B) Automobile price inflation adjustment

For purposes of this paragraph—

(i) In general

The automobile price inflation adjustment for any calendar year is the percentage (if any) by which—

(I) the CPI automobile component for October of the preceding calendar year, exceeds

(II) the CPI automobile component for October of 1987.

(ii) CPI automobile component

The term ''CPI automobile component'' means the automobile component of the Consumer Price Index for All Urban Consumers published by the Department of Labor.

(8) Unrecovered basis

For purposes of subsection (a)(2), the term ''unrecovered basis'' means the adjusted basis of the passenger automobile determined after the application of subsection (a) and as if all use during the recovery period were use in a trade or business (including the holding of property for the production of income).

(9) All taxpayers holding interests in passenger automobile treated as 1 taxpayer

All taxpayers holding interests in any passenger automobile shall be treated as 1 taxpayer for purposes of applying subsection (a) to such automobile, and the limitations of subsection (a) shall be allocated among such taxpayers in proportion to their interests in such automobile.

(10) Special rule for property acquired in nonrecognition transactions

For purposes of subsection (a)(2) any property acquired in a nonrecognition transaction shall be treated as a single property originally placed in service in the taxable year in which it was placed in service after being so acquired.

(e) Regulations

The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section, including regulations with respect to items properly included in, or excluded from, the adjusted basis of any listed property.

(Added Pub. L. 98–369, div. A, title I, § 179(a), July 18, 1984, 98 Stat. 713; amended Pub. L. 99–44, § 4, May 24, 1985, 99 Stat. 78; Pub. L. 99–514, title II, § 201(d)(4), title XVIII, § 1812(e)(1)(A), (C), (2)–(5), Oct. 22, 1986, 100 Stat. 2139, 2836, 2837; Pub. L. 100–647, title I, §§ 1002(a)(10), (b)(2), 1018(u)(3), Nov. 10, 1988, 102 Stat. 3354, 3357, 3590; Pub. L. 101–239, title VII, § 7643(a), Dec. 19, 1989, 103 Stat. 2381; Pub. L. 101–508, title XI, § 11813(b)(13)(A)–(E), Nov. 5, 1990, 104 Stat. 1388–554, 1388–555; Pub. L. 104–188, title I, § 1702(h)(5), Aug. 20, 1996, 110 Stat. 1874; Pub. L. 105–34, title IX, § 971(a), Aug. 5, 1997, 111 Stat. 897; Pub. L. 105–206, title VI, § 6009(c), July 22, 1998, 112 Stat. 812; Pub. L. 107–147, title VI, § 602(b)(1), Mar. 9, 2002, 116 Stat. 59; Pub. L. 111–240, title II, § 2043(a), Sept. 27, 2010, 124 Stat. 2560.)

INFLATION ADJUSTED ITEMS FOR CERTAIN CALENDAR YEARS

For inflation adjustment of certain items in this section, see Revenue Procedures listed in a table below.

AMENDMENTS

2010—Subsec. (d)(4)(A). Pub. L. 111–240 inserted '' 'and' '' at end of clause (iv), redesignated clause (vi) as (v), and struck out former cl. (v) which read as follows: ''any cellular telephone (or other similar telecommunications equipment), and''.

2002—Subsec. (a)(1)(C)(iii). Pub. L. 107–147 added cl. (iii).

1998—Subsec. (a)(1)(C)(ii). Pub. L. 105–206 substituted ''subparagraphs (A) and (B)'' for ''subparagraph (A)''.

1997—Subsec. (a)(1)(C). Pub. L. 105–34 added subpar. (C).

1996—Subsec. (a). Pub. L. 104–188 struck out ''investment tax credit and'' after ''amount of'' in heading.

1990—Pub. L. 101–508, § 11813(b)(13)(E), struck out ''investment tax credit and'' after ''Limitation on'' in section catchline.

Subsec. (a)(1). Pub. L. 101–508, § 11813(b)(13)(A)(i), redesignated par. (2) as (1) and struck out former par. (1) ''Investment tax credit'' which read as follows: ''The amount of the credit determined under section 46(a) for any passenger automobile shall not exceed $675.''

Subsec. (a)(2). Pub. L. 101–508, § 11813(b)(13)(A)(i), redesignated par. (3) as (2). Former par. (2) redesignated (1).

Subsec. (a)(2)(B). Pub. L. 101–508, § 11813(b)(13)(A)(ii), struck out ''the credit determined under section 46(a) or'' after ''the amount of''.

Subsec. (a)(3). Pub. L. 101–508, § 11813(b)(13)(A)(i), redesignated par. (3) as (2).

Subsec. (a)(4). Pub. L. 101–508, § 11813(b)(13)(A)(i), struck out par. (4) ''Special rule where election of reduced credit in lieu of the basis adjustment'' which read as follows: ''In the case of any election under section 48(q)(4) with respect to any passenger automobile, the limitation of paragraph (1) applicable to such passenger automobile shall be ⅔ of the amount which would be so applicable but for this paragraph.''

Subsec. (b). Pub. L. 101–508, § 11813(b)(13)(B), redesignated pars. (2) to (4) as (1) to (3), respectively, and struck out former par. (1) ''Investment tax credit'' which read as follows: ''For purposes of this subtitle, any listed property shall not be treated as section 38 property for any taxable year unless such property is predominantly used in a qualified business use for such taxable year.''

Subsec. (c)(1). Pub. L. 101–508, § 11813(b)(13)(C), struck out ''credits and'' after ''Lessor's'' in heading.

Subsec. (d)(3)(A). Pub. L. 101–508, § 11813(b)(13)(D), struck out ''the amount of any credit allowable under section 38 to the employee or'' after ''of determining''.

1989—Subsec. (d)(4)(A)(v), (vi). Pub. L. 101–239 added cl. (v) and redesignated former cl. (v) as (vi).

1988—Subsec. (b)(3)(B)(i). Pub. L. 100–647, § 1018(u)(3), substituted ''depreciation deductions'' for ''recovery deductions''.

Subsec. (d)(1). Pub. L. 100–647, § 1002(b)(2), substituted ''subsections (a) and (b), and the limitation of paragraph (3) of this subsection,'' for ''subsections (a) and (b)''.

Subsec. (d)(3)(A). Pub. L. 100–647, § 1002(a)(10), substituted ''depreciation deduction'' for ''recovery deduction''.

1986—Subsec. (a)(2)(A). Pub. L. 99–514, §201(d)(4)(A)(i), (K), substituted ''depreciation deduction'' for ''recovery deduction'' in introductory provisions and substituted cls. (i) to (iv) for former cls. (i) and (ii) which read as follows:

''(i) $3,200 for the first taxable year in the recovery period, and

''(ii) $4,800 for each succeeding taxable year in the recovery period.''

Subsec. (a)(2)(B). Pub. L. 99–514, §201(d)(4)(A)(ii), (K), substituted ''$1,475'' for ''$4,800'' in heading and text of cl. (ii), and ''depreciation deduction'' for ''recovery deduction'' in heading and text of cl. (iv).

Subsec. (a)(3)(B). Pub. L. 99–514, §201(d)(4)(K), substituted ''depreciation deduction'' for ''recovery deduction'' in two places.

Subsec. (b)(2). Pub. L. 99–514, §201(d)(4)(J), substituted ''section 168(g) (relating to alternative depreciation system)'' for ''the straight line method over the earnings and profits life for such property''.

Subsec. (b)(3)(A). Pub. L. 99–514, §201(d)(4)(B), (K), substituted ''depreciation deduction'' for ''recovery deduction'' and ''section 168(g) (relating to alternative depreciation system)'' for ''the straight line method over the earnings and profits life'' in closing provisions.

Subsec. (b)(4). Pub. L. 99–514, §201(d)(4)(C), in amending par. (4) generally, struck out heading ''Definitions'', redesignated as par. (4) former subpar. (A) heading and text, substituted ''For purposes of this section, property'' for ''Property'', and struck out former subpar. (B) definition of straight line method over earnings and profits life.

Subsec. (c)(4). Pub. L. 99–514, §201(d)(4)(D), substituted ''section 168(i)(3)(A)'' for ''section 168(j)(6)(B)''.

Subsec. (d)(1). Pub. L. 99–514, §201(d)(4)(E), substituted ''depreciation deduction'' for ''recovery deduction''.

Subsec. (d)(2). Pub. L. 99–514, §1812(e)(5), substituted ''is use described in'' for ''is not use described in''.

Pub. L. 99–514, §201(d)(4)(F), substituted ''depreciation deduction'' for ''recovery deduction'' and ''use in a trade or business (including the holding for the production of income)'' for ''use described in section 168(c)(1) (defining recovery property)''.

Subsec. (d)(3)(A). Pub. L. 99–514, §1812(e)(2), inserted ''(or the amount of any deduction allowable to the employee for rentals or other payments under a lease of listed property)''.

Subsec. (d)(4)(A)(iv). Pub. L. 99–514, §201(d)(4)(G), substituted ''section 168(i)(2)(B)'' for ''section 168(j)(5)(D)''.

Subsec. (d)(4)(B). Pub. L. 99–514, §1812(e)(3), inserted ''and owned or leased by the person operating such establishment''.

Subsec. (d)(4)(C). Pub. L. 99–514, §1812(e)(4), added subpar. (C).

Subsec. (d)(5)(A). Pub. L. 99–514, §1812(e)(1)(A), (C), substituted ''unloaded gross vehicle weight'' for ''gross vehicle weight'' in cl. (ii) and inserted at end ''In the case of a truck or van, clause (ii) shall be applied by substituting 'gross vehicle weight' for 'unloaded gross vehicle weight'.''

Subsec. (d)(8). Pub. L. 99–514, §201(d)(4)(H), amended par. (8) generally. Prior to amendment, par. (8) read as follows: ''For purposes of subsection (a)(2), the term ''unrecovered basis'' means the excess (if any) of—

''(A) the unadjusted basis (as defined in section 168(d)(1)(A)) of the passenger automobile, over

''(B) the amount of the recovery deductions which would have been allowable for taxable years in the recovery period determined after the application of subsection (a) and as if all use during the recovery period were use described in section 168(c)(1).''

Subsec. (d)(10). Pub. L. 99–514, §201(d)(4)(I), struck out '', notwithstanding any regulations prescribed under section 168(f)(7),'' after ''For purposes of subsection (a)(2)''.

1985—Subsec. (a)(1). Pub. L. 99–44, §4(a)(1), substituted ''$675'' for ''$1,000''.

Subsec. (a)(2)(A)(i). Pub. L. 99–44, §4(a)(2)(A), substituted ''$3,200'' for ''$4,000''.

Subsec. (a)(2)(A)(ii), (B)(ii). Pub. L. 99–44, §4(a)(2)(B), substituted ''$4,800'' for ''$6,000'' wherever appearing in text and heading.

Subsec. (d)(7)(A). Pub. L. 99–44, §4(b)(1), inserted ''placed in service after 1988'' after ''passenger automobile''.

Subsec. (d)(7)(B)(i). Pub. L. 99–44, §4(b)(3), struck out last sentence which directed that in the case of calendar year 1984, the automobile price inflation adjustment would be zero.

Subsec. (d)(7)(B)(i)(II). Pub. L. 99–44, §4(b)(2), substituted ''1987'' for ''1983''.

EFFECTIVE DATE OF 2010 AMENDMENT

Pub. L. 111–240, title II, §2043(b), Sept. 27, 2010, 124 Stat. 2560, provided that: ''The amendment made by this section [amending this section] shall apply to taxable years beginning after December 31, 2009.''

EFFECTIVE DATE OF 2002 AMENDMENT

Amendment by Pub. L. 107–147 applicable to property placed in service after Dec. 31, 2001, see section 602(c) of Pub. L. 107–147, set out as a note under section 30 of this title.

EFFECTIVE DATE OF 1998 AMENDMENT

Amendment by Pub. L. 105–206 effective, except as otherwise provided, as if included in the provisions of the Taxpayer Relief Act of 1997, Pub. L. 105–34, to which such amendment relates, see section 6024 of Pub. L. 105–206, set out as a note under section 1 of this title.

EFFECTIVE DATE OF 1997 AMENDMENT

Pub. L. 105–34, title IX, §971(b), Aug. 5, 1997, 111 Stat. 897, as amended by Pub. L. 107–147, title VI, §602(b)(2), Mar. 9, 2002, 116 Stat. 59, provided that: ''The amendments made by this section [amending this section] shall apply to property placed in service after the date of enactment of this Act [Aug. 5, 1997].''

EFFECTIVE DATE OF 1996 AMENDMENT

Amendment by Pub. L. 104–188 effective, except as otherwise expressly provided, as if included in the provision of the Revenue Reconciliation Act of 1990, Pub. L. 101–508, title XI, to which such amendment relates, see section 1702(i) of Pub. L. 104–188, set out as a note under section 38 of this title.

EFFECTIVE DATE OF 1990 AMENDMENT

Amendment by Pub. L. 101–508 applicable to property placed in service after Dec. 31, 1990, but not applicable to any transition property (as defined in section 49(e) of this title), any property with respect to which qualified progress expenditures were previously taken into account under section 46(d) of this title, and any property described in section 46(b)(2)(C) of this title, as such sections were in effect on Nov. 4, 1990, see section 11813(c) of Pub. L. 101–508, set out as a note under section 45K of this title.

EFFECTIVE DATE OF 1989 AMENDMENT

Section 7643(b) of Pub. L. 101–239 provided that: ''The amendment made by subsection (a) [amending this section] shall apply to property placed in service or leased in taxable years beginning after December 31, 1989.''

EFFECTIVE DATE OF 1988 AMENDMENT

Amendment by Pub. L. 100–647 effective, except as otherwise provided, as if included in the provision of the Tax Reform Act of 1986, Pub. L. 99–514, to which such amendment relates, see section 1019(a) of Pub. L. 100–647, set out as a note under section 1 of this title.

EFFECTIVE DATE OF 1986 AMENDMENT

Amendment by section 201(d)(4) of Pub. L. 99–514 applicable to property placed in service after Dec. 31, 1986, in taxable years ending after such date, with exceptions, see sections 203 and 204 of Pub. L. 99–514, set out as a note under section 168 of this title.

Amendment by section 201(d)(4) of Pub. L. 99–514 not applicable to any property placed in service before Jan.

1, 1994, if such property placed in service as part of specified rehabilitations, and not applicable to certain additional rehabilitations, see section 251(d)(2), (3) of Pub. L. 99–514, set out as a note under section 46 of this title.

Amendment by section 1812(e)(1)(A), (C), (2)–(5) of Pub. L. 99–514 effective, except as otherwise provided, as if included in the provisions of the Tax Reform Act of 1984, Pub. L. 98–369, div. A, to which such amendment relates, see section 1881 of Pub. L. 99–514, set out as a note under section 48 of this title.

EFFECTIVE DATE OF 1985 AMENDMENT

Section 6(e) of Pub. L. 99–44 provided that:

''(1) Except as provided in paragraph (2), the amendments made by section 4 [amending this section] shall apply to—

''(A) property placed in service after April 2, 1985, in taxable years ending after such date, and

''(B) property leased after April 2, 1985, in taxable years ending after such date.

''(2) The amendments made by section 4 [amending this section] shall not apply to any property—

''(A) acquired by the taxpayer pursuant to a binding contract in effect on April 1, 1985, and at all times thereafter, but only if the property is placed in service before August 1, 1985, or

''(B) of which the taxpayer is the lessee, but only if the lease is pursuant to a binding contract in effect on April 1, 1985, and at all times thereafter, and only if the taxpayer first uses such property under the lease before August 1, 1985.''

EFFECTIVE DATE

Section 179(d) of Pub. L. 98–369 provided that:

''(1) IN GENERAL.—

''(A) Except as provided in subparagraph (B), the amendments made by subsections (a) and (c) [enacting this section] shall apply to—

''(i) property placed in service after June 18, 1984, in taxable years ending after such date, and

''(ii) property leased after June 18, 1984, in taxable years ending after such date.

''(B) The amendments made by subsections (a) and (c) shall not apply to any property—

''(i) acquired by the taxpayer pursuant to a binding contract in effect on June 18, 1984, and at all times thereafter (or under construction on such date) but only if the property is placed in service before January 1, 1985 (January 1, 1987, in the case of 15-year real property), or

''(ii) of which the taxpayer is the lessee but only if the lease is pursuant to a binding contract in effect on June 18, 1984, and at all times thereafter and only if the taxpayer first uses such property under the lease before January 1, 1985 (January 1, 1987, in the case of 15-year real property).

For purposes of the preceding sentence, the term '15-year real property' includes 18-year real property.

''(2) COMPLIANCE PROVISIONS.—The amendments made by subsection (b) [amending sections 274, 6653, and 6695 of this title] shall apply to taxable years beginning after December 31, 1984.''

SAVINGS PROVISION

For provisions that nothing in amendment by Pub. L. 101–508 be construed to affect treatment of certain transactions occurring, property acquired, or items of income, loss, deduction, or credit taken into account prior to Nov. 5, 1990, for purposes of determining liability for tax for periods ending after Nov. 5, 1990, see section 11821(b) of Pub. L. 101–508, set out as a note under section 45K of this title.

PLAN AMENDMENTS NOT REQUIRED UNTIL JANUARY 1, 1989

For provisions directing that if any amendments made by subtitle A or subtitle C of title XI [§§ 1101–1147 and 1171–1177] or title XVIII [§§ 1800–1899A] of Pub. L. 99–514 require an amendment to any plan, such plan amendment shall not be required to be made before the first plan year beginning on or after Jan. 1, 1989, see section 1140 of Pub. L. 99–514, as amended, set out as a note under section 401 of this title.

INFLATION ADJUSTED ITEMS FOR CERTAIN CALENDAR YEARS

Provisions relating to inflation adjustment of items in this section for certain calendar years were contained in the following:

2011—Revenue Procedure 2011–21.
2010—Revenue Procedure 2010–18.
2009—Revenue Procedure 2009–24.
2008—Revenue Procedure 2008–22.
2007—Revenue Procedure 2007–30.
2006—Revenue Procedure 2006–18.
2005—Revenue Procedure 2005–13.
2004—Revenue Procedure 2004–20.
2003—Revenue Procedure 2003–75.
2002—Revenue Procedure 2002–14.
2001—Revenue Procedure 2001–19.
2000—Revenue Procedure 2000–18.
1999—Revenue Procedure 99–14.
1998—Revenue Procedures 98–24 and 98–30.
1997—Revenue Procedure 97–20.
1996—Revenue Procedure 96–25.

§ 280G. Golden parachute payments

(a) General rule

No deduction shall be allowed under this chapter for any excess parachute payment.

(b) Excess parachute payment

For purposes of this section—

(1) In general

The term ''excess parachute payment'' means an amount equal to the excess of any parachute payment over the portion of the base amount allocated to such payment.

(2) Parachute payment defined

(A) In general

The term ''parachute payment'' means any payment in the nature of compensation to (or for the benefit of) a disqualified individual if—

(i) such payment is contingent on a change—

(I) in the ownership or effective control of the corporation, or

(II) in the ownership of a substantial portion of the assets of the corporation, and

(ii) the aggregate present value of the payments in the nature of compensation to (or for the benefit of) such individual which are contingent on such change equals or exceeds an amount equal to 3 times the base amount.

For purposes of clause (ii), payments not treated as parachute payments under paragraph (4)(A), (5), or (6) shall not be taken into account.

(B) Agreements

The term ''parachute payment'' shall also include any payment in the nature of compensation to (or for the benefit of) a disqualified individual if such payment is made pursuant to an agreement which violates any generally enforced securities laws or