

nor (2) shall constitute the other earnings and profits for such year.

**(g) Effectively connected income**

In the case of a shareholder who is a non-resident alien individual or a foreign corporation, trust, or estate, gains referred to in section 995(c) and all distributions out of accumulated DISC income including deemed distributions shall be treated as gains and distributions which are effectively connected with the conduct of a trade or business conducted through a permanent establishment of such shareholder within the United States and which are derived from sources within the United States.

(Added Pub. L. 92-178, title V, §501 Dec. 10, 1971, 85 Stat. 547; amended Pub. L. 94-455, title XI, §1101(e), title XIX, §§1901(b)(3)(I), Oct. 4, 1976, 90 Stat. 1659, 1793; Pub. L. 95-600, title VII, §703(i)(3), Nov. 6, 1978, 92 Stat. 2940; Pub. L. 98-369, div. A, title VIII, §801(d)(10), July 18, 1984, 98 Stat. 997; Pub. L. 99-514, title XVIII, §1876(k), Oct. 22, 1986, 100 Stat. 2900.)

AMENDMENTS

1986—Subsec. (a)(2). Pub. L. 99-514 inserted last sentence and struck out former last sentence which read as follows: "In the case of any amount of any actual distribution made pursuant to section 992(c) which is required to satisfy the condition of section 992(a)(1)(A), the preceding sentence shall apply to one-half of such amount, and paragraph (1) shall apply to the remaining one-half of such amount."

1984—Subsec. (g). Pub. L. 98-369 inserted "and which are derived from sources within the United States".

1978—Subsec. (a)(2). Pub. L. 95-600 substituted "section (b)(1)(G)" for "section (b)(1)(E)".

1976—Subsec. (a)(2). Pub. L. 94-455, §1101(e), inserted at end "In the case of any amount of any actual distribution made pursuant to section 992(c) which is required to satisfy the condition of section 992(a)(1)(A), the preceding sentence shall apply to one-half of such amount, and paragraph (1) shall apply to the remaining one-half of such amount."

Subsec. (d). Pub. L. 94-455, §1901(b)(3)(I), substituted "ordinary income" for "gain from the sale or exchange of property which is not a capital asset" in par. (1)(A) after "dividend or as" and, in par. (2), after "treated as".

EFFECTIVE DATE OF 1986 AMENDMENT

Amendment by 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 1984 AMENDMENT

Amendment by Pub. L. 98-369 applicable to distributions on or after June 22, 1984, see section 805(a)(3) of Pub. L. 98-369, as amended, set out as a note under section 245 of this title.

EFFECTIVE DATE OF 1978 AMENDMENT

Amendment by Pub. L. 95-600 effective on Oct. 4, 1976, see section 703(r) of Pub. L. 95-600, set out as a note under section 46 of this title.

EFFECTIVE DATE OF 1976 AMENDMENT

Amendment by section 1101(e) of Pub. L. 94-455 applicable to taxable years beginning after Dec. 31, 1975, see section 1101(g)(1) of Pub. L. 94-455, set out as a note under section 905 of this title.

Amendment by section 1901(b)(3)(I) of Pub. L. 94-455 applicable with respect to taxable years beginning after Dec. 31, 1976, see section 1901(d) of Pub. L. 94-455, set out as a note under section 2 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.

**§ 997. Special subchapter C rules**

For purposes of applying the provisions of subchapter C of chapter 1, any distribution in property to a corporation by a DISC or former DISC which is made out of previously taxed income or accumulated DISC income shall—

(1) be treated as a distribution in the same amount as if such distribution of property were made to an individual, and

(2) have a basis, in the hands of the recipient corporation, equal to the amount determined under paragraph (1).

(Added Pub. L. 92-178, title V, §501, Dec. 10, 1971, 85 Stat. 549.)

PART V—INTERNATIONAL BOYCOTT  
DETERMINATIONS

Sec.  
999. Reports by taxpayers; determinations.  
[1000. Reserved.]

AMENDMENTS

1976—Pub. L. 94-455, title X, §1064(a), Oct. 4, 1976, 90 Stat. 1650, added part heading and analysis of sections.

**§ 999. Reports by taxpayers; determinations**

**(a) International boycott reports by taxpayers**

**(1) Report required**

If any person, or a member of a controlled group (within the meaning of section 993(a)(3)) which includes that person, has operations in, or related to—

(A) a country (or with the government, a company, or a national of a country) which is on the list maintained by the Secretary under paragraph (3), or

(B) any other country (or with the government, a company, or a national of that country) in which such person or such member had operations during the taxable year if such person (or, if such person is a foreign corporation, any United States shareholder of that corporation) knows or has reason to know that participation in or co-operation with an international boycott is required as a condition of doing business within such country or with such government, company, or national,

that person or shareholder (within the meaning of section 951(b)) shall report such operations to the Secretary at such time and in such manner as the Secretary prescribes, except that in the case of a foreign corporation such report shall be required only of a United States shareholder (within the meaning of such section) of such corporation.

**(2) Participation and cooperation; request therefor**

A taxpayer shall report whether he, a foreign corporation of which he is a United

States shareholder, or any member of a controlled group which includes the taxpayer or such foreign corporation has participated in or cooperated with an international boycott at any time during the taxable year, or has been requested to participate in or cooperate with such a boycott, and, if so, the nature of any operation in connection with which there was participation in or cooperation with such boycott (or there was a request to participate or cooperate).

**(3) List to be maintained**

The Secretary shall maintain and publish not less frequently than quarterly a current list of countries which require or may require participation in or cooperation with an international boycott (within the meaning of subsection (b)(3)).

**(b) Participation in or cooperation with an international boycott**

**(1) General rule**

If the person or a member of a controlled group (within the meaning of section 993(a)(3)) which includes the person participates in or cooperates with an international boycott in the taxable year, all operations of the taxpayer or such group in that country and in any other country which requires participation in or cooperation with the boycott as a condition of doing business within that country, or with the government, a company, or a national of that country, shall be treated as operations in connection with which such participation or cooperation occurred, except to the extent that the person can clearly demonstrate that a particular operation is a clearly separate and identifiable operation in connection with which there was no participation in or cooperation with an international boycott.

**(2) Special rule**

**(A) Nonboycott operations**

A clearly separate and identifiable operation of a person, or of a member of the controlled group (within the meaning of section 993(a)(3)) which includes that person, in or related to any country within the group of countries referred to in paragraph (1) shall not be treated as an operation in or related to a group of countries associated in carrying out an international boycott if the person can clearly demonstrate that he, or that such member, did not participate in or cooperate with the international boycott in connection with that operation.

**(B) Separate and identifiable operations**

A taxpayer may show that different operations within the same country, or operations in different countries, are clearly separate and identifiable operations.

**(3) Definition of boycott participation and cooperation**

For purposes of this section, a person participates in or cooperates with an international boycott if he agrees—

(A) as a condition of doing business directly or indirectly within a country or with the government, a company, or a national of a country—

(i) to refrain from doing business with or in a country which is the object of the boycott or with the government, companies, or nationals of that country;

(ii) to refrain from doing business with any United States person engaged in trade in a country which is the object of the boycott or with the government, companies, or nationals of that country;

(iii) to refrain from doing business with any company whose ownership or management is made up, all or in part, of individuals of a particular nationality, race, or religion, or to remove (or refrain from selecting) corporate directors who are individuals of a particular nationality, race, or religion; or

(iv) to refrain from employing individuals of a particular nationality, race, or religion; or

(B) as a condition of the sale of a product to the government, a company, or a national of a country, to refrain from shipping or insuring that product on a carrier owned, leased, or operated by a person who does not participate in or cooperate with an international boycott (within the meaning of subparagraph (A)).

**(4) Compliance with certain laws**

This section shall not apply to any agreement by a person (or such member)—

(A) to meet requirements imposed by a foreign country with respect to an international boycott if United States law or regulations, or an Executive Order, sanctions participation in, or cooperation with, that international boycott,

(B) to comply with a prohibition on the importation of goods produced in whole or in part in any country which is the object of an international boycott, or

(C) to comply with a prohibition imposed by a country on the exportation of products obtained in such country to any country which is the object of an international boycott.

**(c) International boycott factor**

**(1) International boycott factor**

For purposes of sections 908(a), 952(a)(3), and 995(b)(1)(F)(ii), the international boycott factor is a fraction, determined under regulations prescribed by the Secretary, the numerator of which reflects the world-wide operations of a person (or, in the case of a controlled group (within the meaning of section 993(a)(3)) which includes that person, of the group) which are operations in or related to a group of countries associated in carrying out an international boycott in or with which that person or a member of that controlled group has participated or cooperated in the taxable year, and the denominator of which reflects the world-wide operations of that person or group.

**(2) Specifically attributable taxes and income**

If the taxpayer clearly demonstrates that the foreign taxes paid and income earned for the taxable year are attributable to specific operations, then, in lieu of applying the inter-

national boycott factor for such taxable year, the amount of the credit disallowed under section 908(a), the addition to subpart F income under section 952(a)(3), and the amount of deemed distribution under section 995(b)(1)(F)(ii) for the taxable year, if any, shall be the amount specifically attributable to the operations in which there was participation in or cooperation with an international boycott under section 999(b)(1).

**(3) World-wide operations**

For purposes of this subsection, the term “world-wide operations” means operations in or related to countries other than the United States.

**(d) Determination with respect to particular operations**

Upon a request made by the taxpayer, the Secretary shall issue a determination with respect to whether a particular operation of a person, or of a member of a controlled group which includes that person, constitutes participation in or cooperation with an international boycott. The Secretary may issue such a determination in advance of such operation in cases which are of such a nature that an advance determination is possible and appropriate under the circumstances. If the request is made before the operation is commenced, or before the end of a taxable year in which the operation is carried out, the Secretary may decline to issue such a determination before close of the taxable year.

**(e) Participation or cooperation by related persons**

If a person controls (within the meaning of section 304(c)) a corporation—

(1) participation in or cooperation with an international boycott by such corporation shall be presumed to be such participation or cooperation by such person, and

(2) participation in or cooperation with such a boycott by such person shall be presumed to be such participation or cooperation by such corporation.

**(f) Willful failure to report**

Any person (within the meaning of section 6671(b)) required to report under this section who willfully fails to make such report shall, in addition to other penalties provided by law, be fined not more than \$25,000, imprisoned for not more than one year, or both.

(Added Pub. L. 94-455, title X, §1064(a), Oct. 4, 1976, 90 Stat. 1650; amended Pub. L. 95-600, title VII, §703(h)(2), (3), Nov. 6, 1978, 92 Stat. 2940; Pub. L. 98-369, div. A, title VIII, §802(c)(3), July 18, 1984, 98 Stat. 999; Pub. L. 99-514, title XVIII, §1876(p)(3), Oct. 22, 1986, 100 Stat. 2902; Pub. L. 106-519, §4(5), Nov. 15, 2000, 114 Stat. 2433; Pub. L. 108-357, title I, §101(b)(8), Oct. 22, 2004, 118 Stat. 1423.)

AMENDMENTS

2004—Subsec. (c)(1). Pub. L. 108-357 struck out “941(a)(5),” after “sections 908(a).”

2000—Subsec. (c)(1). Pub. L. 106-519 inserted “941(a)(5),” after “908(a).”

1986—Subsec. (c)(1), (2). Pub. L. 99-514 repealed section 802(c)(3) of Pub. L. 98-369 thereby restoring former text. See 1984 Amendment note below.

1984—Subsec. (c)(1), (2). Pub. L. 98-369 which substituted “995(b)(1)(F)(i)” for “995(b)(1)(F)(ii)” wherever appearing was repealed. See 1986 Amendment note above.

1978—Subsec. (c)(1). Pub. L. 95-600, §703(h)(2), substituted “995(b)(1)(F)(ii)” for “995(b)(3)”.

Subsec. (c)(2). Pub. L. 95-600, §703(h)(3), substituted “995(b)(1)(F)(ii)” for “995(b)(1)(D)(ii)”.

EFFECTIVE DATE OF 2004 AMENDMENT

Amendment by Pub. L. 108-357 applicable to transactions after Dec. 31, 2004, see section 101(c) of Pub. L. 108-357, set out as a note under section 56 of this title.

EFFECTIVE DATE OF 2000 AMENDMENT

Amendment by Pub. L. 106-519 applicable to transactions after Sept. 30, 2000, with special rules relating to existing foreign sales corporations, see section 5 of Pub. L. 106-519, set out as a note under section 56 of this title.

EFFECTIVE DATE OF 1986 AMENDMENT

Amendment by 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 1984 AMENDMENT

Amendment by Pub. L. 98-369 applicable to transactions after Dec. 31, 1984, in taxable years ending after such date, see section 805(a)(1) of Pub. L. 98-369, as amended, set out as a note under section 245 of this title.

EFFECTIVE DATE OF 1978 AMENDMENT

Amendment by Pub. L. 95-600 effective on Oct. 4, 1976, see section 703(r) of Pub. L. 95-600, set out as a note under section 46 of this title.

EFFECTIVE DATE

Section applicable to participation in or cooperation with an international boycott more than 30 days after Oct. 4, 1976, with special provisions for existing contracts, see section 1066(a) of Pub. L. 94-455, set out as an Effective Date of 1976 Amendment note under section 908 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.

REPORTS BY THE SECRETARY

Pub. L. 94-455, title X, §1067, Oct. 4, 1976, 90 Stat. 1654, as amended by Pub. L. 98-369, div. A, title IV, §441(c), July 18, 1984, 98 Stat. 815, which required the Secretary to transmit a report every four years to the Committee on Ways and Means of the House of Representatives and to the Committee on Finance of the Senate relating to reports filed under section 999(a) of this title and describing the administration of provisions relating to international boycott activity, terminated, effective May 15, 2000, pursuant to section 3003 of Pub. L. 104-66, as amended, set out as a note under section 1113 of Title 31, Money and Finance. See, also, page 141 of House Document No. 103-7.

**[§ 1000. Reserved]****Subchapter O—Gain or Loss on Disposition of Property**

- Part  
 I. Determination of amount of and recognition of gain or loss.  
 II. Basis rules of general application.  
 III. Common nontaxable exchanges.  
 IV. Special rules.  
 [V. Repealed.]  
 [VI. Repealed.]<sup>1</sup>  
 VII. Wash sales; straddles.

## AMENDMENTS

1995—Pub. L. 104-7, §2(c), Apr. 11, 1995, 109 Stat. 93, struck out item for part V “Changes to effectuate F.C.C. policy”.

1990—Pub. L. 101-508, title XI, §11801(b)(9), Nov. 5, 1990, 104 Stat. 1388-522, struck out item for part VIII “Distributions pursuant to Bank Holding Company Act”.

1981—Pub. L. 97-34, title V, §501(d)(3), Aug. 13, 1981, 95 Stat. 327, substituted “Wash sales; straddles” for “Wash sales of stock or securities” in item for part VII.

1976—Pub. L. 94-455, title XIX, §1901(b)(32)(I), Oct. 4, 1976, 90 Stat. 1800, struck out item for part IX “Distributions pursuant to orders enforcing the antitrust laws”.

Pub. L. 94-452, §2(c), Oct. 2, 1976, 90 Stat. 1512, struck out “of 1956” after “Bank Holding Company Act” in item for part VIII.

1962—Pub. L. 87-403, §1(b), Feb. 2, 1962, 76 Stat. 5, added item for part IX.

1956—Act May 9, 1956, ch. 240, §10(b), 70 Stat. 146, added item for part VIII.

**PART I—DETERMINATION OF AMOUNT OF AND RECOGNITION OF GAIN OR LOSS**

- Sec.  
 1001. Determination of amount of and recognition of gain or loss.  
 [1002. Repealed.]

## AMENDMENTS

1976—Pub. L. 94-455, title XIX, §1901(b)(28)(B)(ii), Oct. 4, 1976, 90 Stat. 1799, struck out item 1002 “Recognition of gain or loss”.

**§ 1001. Determination of amount of and recognition of gain or loss****(a) Computation of gain or loss**

The gain from the sale or other disposition of property shall be the excess of the amount realized therefrom over the adjusted basis provided in section 1011 for determining gain, and the loss shall be the excess of the adjusted basis provided in such section for determining loss over the amount realized.

**(b) Amount realized**

The amount realized from the sale or other disposition of property shall be the sum of any money received plus the fair market value of the property (other than money) received. In determining the amount realized—

(1) there shall not be taken into account any amount received as reimbursement for real property taxes which are treated under section 164(d) as imposed on the purchaser, and

(2) there shall be taken into account amounts representing real property taxes

which are treated under section 164(d) as imposed on the taxpayer if such taxes are to be paid by the purchaser.

**(c) Recognition of gain or loss**

Except as otherwise provided in this subtitle, the entire amount of the gain or loss, determined under this section, on the sale or exchange of property shall be recognized.

**(d) Installment sales**

Nothing in this section shall be construed to prevent (in the case of property sold under contract providing for payment in installments) the taxation of that portion of any installment payment representing gain or profit in the year in which such payment is received.

**(e) Certain term interests****(1) In general**

In determining gain or loss from the sale or other disposition of a term interest in property, that portion of the adjusted basis of such interest which is determined pursuant to section 1014, 1015, or 1041 (to the extent that such adjusted basis is a portion of the entire adjusted basis of the property) shall be disregarded.

**(2) Term interest in property defined**

For purposes of paragraph (1), the term “term interest in property” means—

- (A) a life interest in property,  
 (B) an interest in property for a term of years, or  
 (C) an income interest in a trust.

**(3) Exception**

Paragraph (1) shall not apply to a sale or other disposition which is a part of a transaction in which the entire interest in property is transferred to any person or persons.

(Aug. 16, 1954, ch. 736, 68A Stat. 295; Pub. L. 91-172, title II, §231(c)(2), title V, §516(a), Dec. 30, 1969, 83 Stat. 579, 646; Pub. L. 94-455, title XIX, §1901(a)(121), Oct. 4, 1976, 90 Stat. 1784; Pub. L. 95-600, title VII, §702(c)(9), Nov. 6, 1978, 92 Stat. 2928; Pub. L. 96-223, title IV, §401(a), Apr. 2, 1980, 94 Stat. 299; Pub. L. 98-369, div. A, title IV, §421(b)(4), July 18, 1984, 98 Stat. 794; Pub. L. 103-66, title XIII, §13213(a)(2)(E), Aug. 10, 1993, 107 Stat. 474.)

## AMENDMENTS

1993—Subsec. (f). Pub. L. 103-66 struck out heading and text of subsec. (f). Text read as follows: “For treatment of certain expenses incident to the sale of a residence which were deducted as moving expenses by the taxpayer or his spouse under section 217(a), see section 217(e).”

1984—Subsec. (e)(1). Pub. L. 98-369 inserted reference to section 1041.

1980—Subsec. (e)(1). Pub. L. 96-223 repealed the amendment made by Pub. L. 95-600. See 1978 Amendment note below.

1978—Subsec. (e)(1). Pub. L. 95-600 inserted reference to section 1023. See Repeals note below.

1976—Subsec. (c). Pub. L. 94-455 substituted provision recognizing the entire amount of gain or loss, except as otherwise provided, for provision referring to section 1002 for the determination of the extent of gain or loss to be recognized.

1969—Subsec. (e). Pub. L. 91-172, §516(a), added subsec. (e).

<sup>1</sup>Part repealed by Pub. L. 109-135 without corresponding amendment of subchapter analysis.