

“(2) each regulated futures contract held by the taxpayer on the first day of the taxable year described in subsection (a)(1), and the date such contract was acquired,

“(3) the fair market value on the last business day of the preceding taxable year for each regulated futures contract described in paragraph (2), and

“(4) such other information for purposes of carrying out the provisions of this section as may be required by such regulations.”

§ 1257. Disposition of converted wetlands or highly erodible croplands

(a) Gain treated as ordinary income

Any gain on the disposition of converted wetland or highly erodible cropland shall be treated as ordinary income. Such gain shall be recognized notwithstanding any other provision of this subtitle, except that this section shall not apply to the extent such gain is recognized as ordinary income under any other provision of this part.

(b) Loss treated as long-term capital loss

Any loss recognized on the disposition of converted wetland or highly erodible cropland shall be treated as a long-term capital loss.

(c) Definitions

For purposes of this section—

(1) Converted wetland

The term “converted wetland” means any converted wetland (as defined in section 1201(a)(7) of the Food Security Act of 1985 (16 U.S.C. 3801(7))) held—

(A) by the person whose activities resulted in such land being converted wetland, or

(B) by any other person who at any time used such land for farming purposes.

(2) Highly erodible cropland

The term “highly erodible cropland” means any highly erodible cropland (as defined in section 1201(a)(10) of the Food Security Act of 1985 (16 U.S.C. 3801(10))), if at any time the taxpayer used such land for farming purposes (other than the grazing of animals).

(3) Treatment of successors

If any land is converted wetland or highly erodible cropland in the hands of any person, such land shall be treated as converted wetland or highly erodible cropland in the hands of any other person whose adjusted basis in such land is determined (in whole or in part) by reference to the adjusted basis of such land in the hands of such person.

(d) Special rules

Under regulations prescribed by the Secretary, rules similar to the rules applicable under section 1245 shall apply for purposes of subsection (a). For purposes of sections 170(e) and 751(c), amounts treated as ordinary income under subsection (a) shall be treated in the same manner as amounts treated as ordinary income under section 1245.

(Added Pub. L. 99-514, title IV, § 403(a), Oct. 22, 1986, 100 Stat. 2222; amended Pub. L. 108-27, title III, § 302(e)(4)(B)(ii), May 28, 2003, 117 Stat. 764; Pub. L. 115-141, div. U, title IV, § 401(a)(177), (178), Mar. 23, 2018, 132 Stat. 1192.)

Editorial Notes

AMENDMENTS

2018—Subsec. (c)(1). Pub. L. 115-141, § 401(a)(177), substituted “section 1201(a)(7)” for “section 1201(4)” and “16 U.S.C. 3801(7)” for “16 U.S.C. 3801(4)” in introductory provisions.

Subsec. (c)(2). Pub. L. 115-141, § 401(a)(178), substituted “section 1201(a)(10)” for “section 1201(6)” and “16 U.S.C. 3801(10)” for “16 U.S.C. 3801(6)”.

2003—Subsec. (d). Pub. L. 108-27 struck out “, 341(e)(12),” after “170(e)”.

Statutory Notes and Related Subsidiaries

EFFECTIVE DATE OF 2003 AMENDMENT

Amendment by Pub. L. 108-27 applicable, except as otherwise provided, to taxable years beginning after Dec. 31, 2002, see section 302(f) of Pub. L. 108-27, set out as an Effective and Termination Dates of 2003 Amendment note under section 1 of this title.

EFFECTIVE DATE

Pub. L. 99-514, title IV, § 403(c), Oct. 22, 1986, 100 Stat. 2222, provided that: “The amendments made by this section [enacting this section] shall apply to dispositions of converted wetland or highly erodible cropland (as defined in section 1257(c) of the Internal Revenue Code of 1986 as added by this section) first used for farming after March 1, 1986, in taxable years ending after that date.”

§ 1258. Recharacterization of gain from certain financial transactions

(a) General rule

In the case of any gain—

(1) which (but for this section) would be treated as gain from the sale or exchange of a capital asset, and

(2) which is recognized on the disposition or other termination of any position which was held as part of a conversion transaction,

such gain (to the extent such gain does not exceed the applicable imputed income amount) shall be treated as ordinary income.

(b) Applicable imputed income amount

For purposes of subsection (a), the term “applicable imputed income amount” means, with respect to any disposition or other termination referred to in subsection (a), an amount equal to—

(1) the amount of interest which would have accrued on the taxpayer’s net investment in the conversion transaction for the period ending on the date of such disposition or other termination (or, if earlier, the date on which the requirements of subsection (c) ceased to be satisfied) at a rate equal to 120 percent of the applicable rate, reduced by

(2) the amount treated as ordinary income under subsection (a) with respect to any prior disposition or other termination of a position which was held as a part of such transaction.

The Secretary shall by regulations provide for such reductions in the applicable imputed income amount as may be appropriate by reason of amounts capitalized under section 263(g), ordinary income received, or otherwise.

(c) Conversion transaction

For purposes of this section, the term “conversion transaction” means any transaction—