

par. (B) generally. Prior to amendment, text read as follows: “For purposes of subparagraph (A), the term ‘qualified reserve fund’ means any reasonably required reserve to provide for full payment of expenses of the REMIC or amounts due on regular interests in the event of defaults on qualified mortgages or lower than expected returns on cash flow investments. The amount of any such reserve shall be promptly and appropriately reduced as payments of qualified mortgages are received.”

1996—Subsec. (a)(3)(D). Pub. L. 104-188 added subpar. (D).

1990—Subsec. (a)(3)(A). Pub. L. 101-508 struck out comma after “secured” in introductory provisions.

1989—Subsec. (a)(3). Pub. L. 101-239 substituted “subparagraph (A)” for “this subparagraph” in last sentence.

1988—Subsec. (a)(1). Pub. L. 100-647, §1006(t)(5)(A), amended par. (1) generally. Prior to amendment, par. (1) read as follows: “The term ‘regular interest’ means an interest in a REMIC the terms of which are fixed on the startup day, and which—

“(A) unconditionally entitles the holder to receive a specified principal amount (or other similar amount), and

“(B) provides that interest payments (or other similar amounts), if any, at or before maturity are payable based on a fixed rate (or to the extent provided in regulations, at a variable rate).

An interest shall not fail to meet the requirements of subparagraph (A) merely because the timing (but not the amount) of the principal payments (or other similar amounts) may be contingent on the extent of prepayments on qualified mortgages and the amount of income from permitted investments.”

Subsec. (a)(2). Pub. L. 100-647, §1006(t)(5)(B), amended par. (2) generally. Prior to amendment, par. (2) read as follows: “The term ‘residual interest’ means an interest in a REMIC which is not a regular interest and is designated as a residual interest.”

Subsec. (a)(3). Pub. L. 100-647, §1006(t)(6)(B), inserted at end “For purposes of this subparagraph, any obligation secured by stock held by a person as a tenant-stockholder (as defined in section 216) in a cooperative housing corporation (as so defined) shall be treated as secured by an interest in real property.”

Subsec. (a)(3)(A). Pub. L. 100-647, §1006(t)(6)(A), struck out “directly or indirectly.”

Subsec. (a)(3)(A)(i). Pub. L. 100-647, §1006(t)(5)(C)(i), substituted “on the startup day in exchange for regular or residual interests in the REMIC” for “on or before the startup day”.

Subsec. (a)(3)(A)(ii). Pub. L. 100-647, §1006(t)(5)(C)(ii), inserted before comma at end “if, except as provided in regulations, such purchase is pursuant to a fixed-price contract in effect on the startup day”.

Subsec. (a)(3)(C). Pub. L. 100-647, §1006(t)(5)(C)(iii), substituted “on the startup day in exchange for regular or residual interests in the REMIC” for “on or before the startup day”.

Subsec. (a)(4)(A). Pub. L. 100-647, §1006(t)(5)(D), amended subpar. (A) generally. Prior to amendment, subpar. (A) read as follows: “which would be described in paragraph (3)(A) if it were transferred to the REMIC on or before the startup day, and”.

Subsec. (a)(7)(B). Pub. L. 100-647, §1006(t)(7), inserted before period at end of first sentence “or lower than expected returns on cash flow investments”.

Subsec. (a)(8). Pub. L. 100-647, §1006(t)(8)(A), substituted “section 856(e) (without regard to paragraph (5) thereof)” for “section 856(e)” in subpar. (A) and amended last sentence generally. Prior to amendment, last sentence read as follows: “Property shall cease to be foreclosure property with respect to the REMIC on the date which is 1 year after the date such real estate mortgage pool acquired such property.”

Subsec. (a)(9). Pub. L. 100-647, §1006(t)(5)(E), amended par. (9) generally. Prior to amendment, par. (9) read as follows: “The term ‘startup day’ means any day selected by a REMIC which is on or before the 1st day on which interests in such REMIC are issued.”

Subsec. (c). Pub. L. 100-647, §1006(t)(8)(B), added subsec. (c). Former subsec. (c) redesignated (d).

Subsec. (d). Pub. L. 100-647, §1006(t)(9)(A), added subsec. (d). Former subsec. (d) redesignated (e).

Pub. L. 100-647, §1006(t)(8)(B), redesignated former subsec. (c) as (d).

Subsec. (e). Pub. L. 100-647, §1006(t)(9)(A), redesignated former subsec. (d) as (e).

Subsec. (e)(4), (5). Pub. L. 100-647, §1006(t)(10), added pars. (4) and (5).

Statutory Notes and Related Subsidiaries

EFFECTIVE DATE OF 2005 AMENDMENT

Amendments by Pub. L. 109-135 effective as if included in the provisions of the American Jobs Creation Act of 2004, Pub. L. 108-357, to which they relate, see section 403(nn) of Pub. L. 109-135, set out as a note under section 26 of this title.

EFFECTIVE DATE OF 2004 AMENDMENT

Amendment by Pub. L. 108-357 effective Jan. 1, 2005, with exception for any FASIT in existence on Oct. 22, 2004, to the extent that regular interests issued by the FASIT before such date continue to remain outstanding in accordance with the original terms of issuance, see section 835(c) of Pub. L. 108-357, set out as a note under section 56 of this title.

EFFECTIVE DATE OF 1996 AMENDMENT

Amendment by Pub. L. 104-188 effective Sept. 1, 1997, see section 1621(d) of Pub. L. 104-188, set out as a note under section 26 of this title.

EFFECTIVE DATE OF 1989 AMENDMENT

Amendment by Pub. L. 101-239 effective, except as otherwise provided, as if included in the provision of the Technical and Miscellaneous Revenue Act of 1988, Pub. L. 100-647, to which such amendment relates, see section 7817 of Pub. L. 101-239, set out as a note under section 1 of this title.

EFFECTIVE DATE OF 1988 AMENDMENT

Pub. L. 100-647, title I, §1006(t)(5)(F), Nov. 10, 1988, 102 Stat. 3421, provided that: “The amendments made by this paragraph [amending this section] shall not apply to any REMIC where the startup day (as defined in section 860G(a)(9) of the 1986 Code as in effect on the day before the date of the enactment of this Act [Nov. 10, 1988]) is before July 1, 1987.”

Pub. L. 100-647, title I, §1006(t)(9)(B), Nov. 10, 1988, 102 Stat. 3422, provided that: “The amendment made by subparagraph (A) [amending this section] shall not apply to any REMIC where the startup day (as defined in section 860G(a)(9) of the 1986 Code as in effect on the day before the date of the enactment of this Act [Nov. 10, 1988]) is before July 1, 1987.”

Amendment by section 1006(t)(6)–(8)(B), (10) of 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.

[PART V—REPEALED]

[[§§ 860H to 860L. Repealed. Pub. L. 108-357, title VIII, § 835(a), Oct. 22, 2004, 118 Stat. 1593]]

Section 860H, added Pub. L. 104-188, title I, §1621(a), Aug. 20, 1996, 110 Stat. 1858, set forth general rules relating to taxation of a FASIT.

Section 860I, added Pub. L. 104-188, title I, §1621(a), Aug. 20, 1996, 110 Stat. 1859, related to gain recognition on contributions to a FASIT and in other cases.

Section 860J, added Pub. L. 104-188, title I, §1621(a), Aug. 20, 1996, 110 Stat. 1860, prohibited offset of certain FASIT inclusions by non-FASIT losses.

Section 860K, added Pub. L. 104-188, title I, §1621(a), Aug. 20, 1996, 110 Stat. 1861, related to treatment of transfers of high-yield interests to disqualified holders.

Section 860L, added Pub. L. 104-188, title I, §1621(a), Aug. 20, 1996, 110 Stat. 1862; amended Pub. L. 105-34, title XVI, §1601(f)(6), Aug. 5, 1997, 111 Stat. 1091, defined terms and set forth special rules relating to FASITs.

Statutory Notes and Related Subsidiaries

EFFECTIVE DATE OF REPEAL

Repeal effective Jan. 1, 2005, with exception for any FASIT in existence on Oct. 22, 2004, to the extent that regular interests issued by the FASIT before such date continue to remain outstanding in accordance with the original terms of issuance, see section 835(c) of Pub. L. 108-357, set out as an Effective Date of 2004 Amendments note under section 56 of this title.

Subchapter N—Tax Based on Income From Sources Within or Without the United States

- Part
I. Source rules and other general rules relating to foreign income.
II. Nonresident aliens and foreign corporations.
III. Income from sources without the United States.
IV. Domestic international sales corporations.¹
V. International boycott determinations.

Editorial Notes

AMENDMENTS

1988—Pub. L. 100-647, title I, §1012(h)(2)(D), Nov. 10, 1988, 102 Stat. 3503, substituted “Source rules and other general rules relating to foreign income” for “Determination of sources of income” in item for part I.

1976—Pub. L. 94-455, title X, §1064(b), Oct. 4, 1976, 90 Stat. 1653, added item V.

PART I—SOURCE RULES AND OTHER GENERAL RULES RELATING TO FOREIGN INCOME

- Sec.
861. Income from sources within the United States.
862. Income from sources without the United States.
863. Special rules for determining source.
864. Definitions and special rules.
865. Source rules for personal property sales.

Editorial Notes

AMENDMENTS

1988—Pub. L. 100-647, title I, §§1012(e)(3)(B), (h)(2)(C), 1018(u)(37), Nov. 10, 1988, 102 Stat. 3500, 3502, 3592, substituted “SOURCE RULES AND OTHER GENERAL RULES RELATING TO FOREIGN INCOME” for “DETERMINATION OF SOURCES OF INCOME” as part I heading, substituted “Special rules for determining source” for “Items not specified in section 861 or 862” in item 863, and added item 865.

1986—Pub. L. 99-514, title XII, §1215(b)(2), Oct. 22, 1986, 100 Stat. 2545, substituted “Definitions and special rules” for “Definitions” in item 864.

§ 861. Income from sources within the United States

(a) Gross income from sources within United States

The following items of gross income shall be treated as income from sources within the United States:

¹ Editorially supplied. Part IV added by Pub. L. 92-178 without corresponding amendment of subchapter analysis.

(1) Interest

Interest from the United States or the District of Columbia, and interest on bonds, notes, or other interest-bearing obligations of noncorporate residents or domestic corporations not including—

(A) interest—

(i) on deposits with a foreign branch of a domestic corporation or a domestic partnership if such branch is engaged in the commercial banking business, and

(ii) on amounts satisfying the requirements of subparagraph (B) of section 871(i)(3) which are paid by a foreign branch of a domestic corporation or a domestic partnership, and

(B) in the case of a foreign partnership, which is predominantly engaged in the active conduct of a trade or business outside the United States, any interest not paid by a trade or business engaged in by the partnership in the United States and not allocable to income which is effectively connected (or treated as effectively connected) with the conduct of a trade or business in the United States.

(2) Dividends

The amount received as dividends—

(A) from a domestic corporation, or

(B) from a foreign corporation unless less than 25 percent of the gross income from all sources of such foreign corporation for the 3-year period ending with the close of its taxable year preceding the declaration of such dividends (or for such part of such period as the corporation has been in existence) was effectively connected (or treated as effectively connected other than income described in section 884(d)(2)) with the conduct of a trade or business within the United States; but only in an amount which bears the same ratio to such dividends as the gross income of the corporation for such period which was effectively connected (or treated as effectively connected other than income described in section 884(d)(2)) with the conduct of a trade or business within the United States bears to its gross income from all sources; but dividends (other than dividends for which a deduction is allowable under section 245(b)) from a foreign corporation shall, for purposes of subpart A of part III (relating to foreign tax credit), be treated as income from sources without the United States to the extent (and only to the extent) exceeding the amount which is 100/50th of the amount of the deduction allowable under section 245 in respect of such dividends, or

(C) from a foreign corporation to the extent that such amount is required by section 243(e) (relating to certain dividends from foreign corporations) to be treated as dividends from a domestic corporation which is subject to taxation under this chapter, and to such extent subparagraph (B) shall not apply to such amount, or

(D) from a DISC or former DISC (as defined in section 992(a)) except to the extent attributable (as determined under regulations prescribed by the Secretary) to quali-