

1980—Subsec. (c). Pub. L. 96-541 added subsec. (c).
 1978—Subsec. (b). Pub. L. 95-600 substituted “registered historic district (as defined in section 191(d)(2))” for “Registered Historic District” and “Secretary of the Interior has certified that such structure is not a certified historic structure, and that such structure is not of historic significance to the district, and if such certification occurs after the beginning of the demolition of such structure, the taxpayer has certified to the Secretary that, at the time of such demolition, he in good faith was not aware of the certification requirement by the Secretary of the Interior” for “Secretary of the Interior has certified, prior to the demolition of such structure, that such structure is not of historic significance to the district”.

EFFECTIVE DATE OF 1984 AMENDMENT

Pub. L. 98-369, div. A, title X, §1063(c), July 18, 1984, 98 Stat. 1047, as amended by Pub. L. 99-514, title XVIII, §1878(h), Oct. 22, 1986, 100 Stat. 2904, provided that:

“(1) The amendments made by this section [amending this section] shall apply to taxable years ending after December 31, 1983, but shall not apply to any demolition (other than of a certified historic structure) commencing before July 19, 1984.

“(2) For purposes of paragraph (1), if a demolition is delayed until the completion of the replacement structure on the same site, the demolition shall be treated as commencing when construction of the replacement structure commences.

“(3) The amendments made by this section [amending this section] shall not apply to any demolition commencing before September 1, 1984, pursuant to a bank headquarters building project if—

“(A) on April 1, 1984, a corporation was retained to advise the bank on the final completion of the project, and

“(B) on June 12, 1984, the Comptroller of the Currency approved the project.

“(4) The amendments made by this section shall not apply to the remaining adjusted basis at the time of demolition of any structure if—

“(A) such structure was used in the manufacture, storage, or distribution of lead alkyl antiknock products and intermediate and related products at facilities located in or near Baton Rouge, Louisiana, and Houston, Texas, owned by the same corporation, and

“(B) demolition of at least one such structure at the Baton Rouge facility commenced before January 1, 1984.”

EFFECTIVE DATE OF 1981 AMENDMENT

Amendment by Pub. L. 97-34 applicable to expenditures incurred after Dec. 31, 1981, in taxable years ending after such date, see section 212(e) of Pub. L. 97-34, set out as a note under section 46 of this title.

EFFECTIVE DATE OF 1978 AMENDMENT

Amendment by Pub. L. 95-600 effective as if included within the enactment of this section by section 2124 of Pub. L. 94-455, see section 701(f)(8) of Pub. L. 95-600, set out as an Effective and Termination Dates of 1978 Amendments note under section 167 of this title.

EFFECTIVE DATE

Pub. L. 94-455, title XXI, §2124(b)(3), Oct. 4, 1976, 90 Stat. 1918, which had provided that enactment of this section by subsec. (b) shall apply with respect to demolitions commencing after June 30, 1976, and before Jan. 1, 1981, was repealed by Pub. L. 96-541, §2(e)(2), Dec. 17, 1980, 94 Stat. 3205. See subsec. (c) of this section.

§ 280C. Certain expenses for which credits are allowable

(a) Rule for employment credits

No deduction shall be allowed for that portion of the wages or salaries paid or incurred for the

taxable year which is equal to the sum of the credits determined for the taxable year under sections 45A(a), 45P(a), 51(a), and¹ 1396(a), 1400P(b), and 1400R. In the case of a corporation which is a member of a controlled group of corporations (within the meaning of section 52(a)) or a trade or business which is treated as being under common control with other trades or businesses (within the meaning of section 52(b)), this subsection shall be applied under rules prescribed by the Secretary similar to the rules applicable under subsections (a) and (b) of section 52.

(b) Credit for qualified clinical testing expenses for certain drugs

(1) In general

No deduction shall be allowed for that portion of the qualified clinical testing expenses (as defined in section 45C(b)) otherwise allowable as a deduction for the taxable year which is equal to the amount of the credit allowable for the taxable year under section 45C (determined without regard to section 38(c)).

(2) Similar rule where taxpayer capitalizes rather than deducts expenses

If—

(A) the amount of the credit allowable for the taxable year under section 45C (determined without regard to section 38(c)), exceeds

(B) the amount allowable as a deduction for the taxable year for qualified clinical testing expenses (determined without regard to paragraph (1)),

the amount chargeable to capital account for the taxable year for such expenses shall be reduced by the amount of such excess.

(3) Controlled groups

In the case of a corporation which is a member of a controlled group of corporations (within the meaning of section 41(f)(5)) or a trade or business which is treated as being under common control with other trades or business (within the meaning of section 41(f)(1)(B)), this subsection shall be applied under rules prescribed by the Secretary similar to the rules applicable under subparagraphs (A) and (B) of section 41(f)(1).

(c) Credit for increasing research activities

(1) In general

No deduction shall be allowed for that portion of the qualified research expenses (as defined in section 41(b)) or basic research expenses (as defined in section 41(e)(2)) otherwise allowable as a deduction for the taxable year which is equal to the amount of the credit determined for such taxable year under section 41(a).

(2) Similar rule where taxpayer capitalizes rather than deducts expenses

If—

(A) the amount of the credit determined for the taxable year under section 41(a)(1), exceeds

¹ So in original. The word “and” probably should not appear.

(B) the amount allowable as a deduction for such taxable year for qualified research expenses or basic research expenses (determined without regard to paragraph (1)),

the amount chargeable to capital account for the taxable year for such expenses shall be reduced by the amount of such excess.

(3) Election of reduced credit

(A) In general

In the case of any taxable year for which an election is made under this paragraph—

(i) paragraphs (1) and (2) shall not apply, and

(ii) the amount of the credit under section 41(a) shall be the amount determined under subparagraph (B).

(B) Amount of reduced credit

The amount of credit determined under this subparagraph for any taxable year shall be the amount equal to the excess of—

(i) the amount of credit determined under section 41(a) without regard to this paragraph, over

(ii) the product of—

(I) the amount described in clause (i), and

(II) the maximum rate of tax under section 11(b)(1).

(C) Election

An election under this paragraph for any taxable year shall be made not later than the time for filing the return of tax for such year (including extensions), shall be made on such return, and shall be made in such manner as the Secretary may prescribe. Such an election, once made, shall be irrevocable.

(4) Controlled groups

Paragraph (3) of subsection (b) shall apply for purposes of this subsection.

(d) Credit for low sulfur diesel fuel production

The deductions otherwise allowed under this chapter for the taxable year shall be reduced by the amount of the credit determined for the taxable year under section 45H(a).

(e) Mine rescue team training credit

No deduction shall be allowed for that portion of the expenses otherwise allowable as a deduction for the taxable year which is equal to the amount of the credit determined for the taxable year under section 45N(a).

(f) Credit for security of agricultural chemicals

No deduction shall be allowed for that portion of the expenses otherwise allowable as a deduction taken into account in determining the credit under section 45O for the taxable year which is equal to the amount of the credit determined for such taxable year under section 45O(a).

(g)² Credit for health insurance premiums

No deduction shall be allowed for the portion of the premiums paid by the taxpayer for coverage of 1 or more individuals under a qualified health plan which is equal to the amount of the credit determined for the taxable year under section 36B(a) with respect to such premiums.

²Another subsec. (g) is set out after subsec. (h).

(h) Credit for employee health insurance expenses of small employers

No deduction shall be allowed for that portion of the premiums for qualified health plans (as defined in section 1301(a) of the Patient Protection and Affordable Care Act), or for health insurance coverage in the case of taxable years beginning in 2010, 2011, 2012, or 2013, paid by an employer which is equal to the amount of the credit determined under section 45R(a) with respect to the premiums.

(g)³ Qualifying therapeutic discovery project credit

(1) In general

No deduction shall be allowed for that portion of the qualified investment (as defined in section 48D(b)) otherwise allowable as a deduction for the taxable year which—

(A) would be qualified research expenses (as defined in section 41(b)), basic research expenses (as defined in section 41(e)(2)), or qualified clinical testing expenses (as defined in section 45C(b)) if the credit under section 41 or section 45C were allowed with respect to such expenses for such taxable year, and

(B) is equal to the amount of the credit determined for such taxable year under section 48D(a), reduced by—

(i) the amount disallowed as a deduction by reason of section 48D(e)(2)(B), and

(ii) the amount of any basis reduction under section 48D(e)(1).

(2) Similar rule where taxpayer capitalizes rather than deducts expenses

In the case of expenses described in paragraph (1)(A) taken into account in determining the credit under section 48D for the taxable year, if—

(A) the amount of the portion of the credit determined under such section with respect to such expenses, exceeds

(B) the amount allowable as a deduction for such taxable year for such expenses (determined without regard to paragraph (1)),

the amount chargeable to capital account for the taxable year for such expenses shall be reduced by the amount of such excess.

(3) Controlled groups

Paragraph (3) of subsection (b) shall apply for purposes of this subsection.

(Added Pub. L. 95-30, title II, § 202(c)(1), May 23, 1977, 91 Stat. 147; amended Pub. L. 95-600, title III, § 322(d)(1), Nov. 6, 1978, 92 Stat. 2838; Pub. L. 96-178, § 6(c)(4), Jan. 2, 1980, 93 Stat. 1298; Pub. L. 96-222, title I, § 103(a)(7)(D)(iv), Apr. 1, 1980, 94 Stat. 212; Pub. L. 97-414, § 4(b)(1), (2)(A), Jan. 4, 1983, 96 Stat. 2055; Pub. L. 98-369, div. A, title IV, § 474(r)(10), July 18, 1984, 98 Stat. 841; Pub. L. 99-514, title II, § 231(d)(3)(E), title XVIII, § 1847(b)(8), Oct. 22, 1986, 100 Stat. 2179, 2856; Pub. L. 100-647, title IV, § 4008(a), Nov. 10, 1988, 102 Stat. 3652; Pub. L. 101-239, title VII, §§ 7110(c)(1), 7814(e)(2)(A), Dec. 19, 1989, 103 Stat. 2325, 2413; Pub. L. 103-66, title XIII, §§ 13302(b)(1), 13322(c)(1),

³Another subsec. (g) is set out before subsec. (h).

Aug. 10, 1993, 107 Stat. 555, 563; Pub. L. 104-188, title I, §1205(d)(7), Aug. 20, 1996, 110 Stat. 1776; Pub. L. 106-170, title V, §502(c)(2), Dec. 17, 1999, 113 Stat. 1919; Pub. L. 106-554, §1(a)(7) [title III, §311(a)(1)], Dec. 21, 2000, 114 Stat. 2763, 2763A-639; Pub. L. 108-357, title III, §339(c), Oct. 22, 2004, 118 Stat. 1484; Pub. L. 109-135, title I, §103(b)(2), title II, §201(b)(2), Dec. 21, 2005, 119 Stat. 2595, 2607; Pub. L. 109-432, div. A, title IV, §405(c), Dec. 20, 2006, 120 Stat. 2957; Pub. L. 110-172, §7(a)(1)(B), Dec. 29, 2007, 121 Stat. 2481; Pub. L. 110-234, title XV, §15343(c), May 22, 2008, 122 Stat. 1519; Pub. L. 110-245, title I, §111(c), June 17, 2008, 122 Stat. 1635; Pub. L. 110-246, §4(a), title XV, §15343(c), June 18, 2008, 122 Stat. 1664, 2281; Pub. L. 111-148, title I, §§1401(b), 1421(d)(1), title IX, §9023(c)(2), title X, §10105(e)(3), Mar. 23, 2010, 124 Stat. 219, 242, 880, 906.)

REFERENCES IN TEXT

Section 1301(a) of the Patient Protection and Affordable Care Act, referred to in subsec. (h), is classified to section 18021(a) of Title 42, The Public Health and Welfare.

CODIFICATION

Pub. L. 110-234 and Pub. L. 110-246 made identical amendments to this section. The amendments by Pub. L. 110-234 were repealed by section 4(a) of Pub. L. 110-246.

AMENDMENTS

2010—Subsec. (g). Pub. L. 111-148, §9023(c)(2), added subsec. (g) relating to qualifying therapeutic discovery project credit.

Pub. L. 111-148, §1401(b), added subsec. (g) relating to credit for health insurance premiums.

Subsec. (h). Pub. L. 111-148, §10105(e)(3), substituted “2010, 2011” for “2011”.

Pub. L. 111-148, §1421(d)(1), added subsec. (h).

2008—Subsec. (a). Pub. L. 110-245 inserted “45P(a),” after “45A(a).”

Subsec. (f). Pub. L. 110-246, §15343(c), added subsec. (f).
2007—Subsec. (d). Pub. L. 110-172 amended heading and text generally. Prior to amendment, text read as follows: “No deduction shall be allowed for that portion of the expenses otherwise allowable as a deduction for the taxable year which is equal to the amount of the credit determined for the taxable year under section 45H(a).”

2006—Subsec. (e). Pub. L. 109-432 added subsec. (e).

2005—Subsec. (a). Pub. L. 109-135, §201(b)(2), substituted “1400P(b), and 1400R” for “and 1400P(b).”

Pub. L. 109-135, §103(b)(2), substituted “1396(a), and 1400P(b)” for “and 1396(a).”

2004—Subsec. (d). Pub. L. 108-357 added subsec. (d).

2000—Subsec. (c)(1). Pub. L. 106-554 struck out “or credit” after “deduction” in two places.

1999—Subsec. (c)(1). Pub. L. 106-170 inserted “or credit” after “deduction” in two places.

1996—Subsec. (b)(1). Pub. L. 104-188, §1205(d)(7), substituted “section 45C(b)” for “section 28(b)”, “section 45C” for “section 28”, and “section 38(c)” for “subsection (d)(2) thereof”.

Subsec. (b)(2)(A). Pub. L. 104-188, §1205(d)(7)(B), (C), substituted “section 45C” for “section 28” and “section 38(c)” for “subsection (d)(2) thereof”.

1993—Subsec. (a). Pub. L. 103-66, §13322(c)(1), substituted “45A(a), 51(a), and” for “51(a).”

Pub. L. 103-66, §13302(b)(1), substituted “Rule for employment credits” for “Rule for targeted jobs credit” in heading and “the sum of the credits determined for the taxable year under sections 51(a) and 1396(a)” for “the amount of the credit determined for the taxable year under section 51(a)” in text.

1989—Subsec. (c)(1), (2)(A). Pub. L. 101-239, §7110(c)(1), struck out “50 percent of” before “the amount of the credit”.

Subsec. (c)(3). Pub. L. 101-239, §7814(e)(2)(A), added par. (3). Former par. (3) redesignated (4).

Subsec. (c)(3)(B)(ii)(I). Pub. L. 101-239, §7110(c)(1), struck out “50 percent of” before “the amount described”.

Subsec. (c)(4). Pub. L. 101-239, §7814(e)(2)(A), redesignated par. (3) as (4).

1988—Subsec. (c). Pub. L. 100-647 added subsec. (c).

1986—Subsec. (b)(1), (2)(A). Pub. L. 99-514, §1847(b)(8), substituted “section 28(b)” for “section 29(b)” in par. (1) and “section 28” for “section 29” in pars. (1) and (2)(A).

Subsec. (b)(3). Pub. L. 99-514, §231(d)(3)(E), substituted “section 41(f)(5)”, “section 41(f)(1)(B)”, and “section 41(f)(1)” for “section 30(f)(5)”, “section 30(f)(1)(B)”, and “section 30(f)(1)”, respectively.

1984—Subsec. (a). Pub. L. 98-369, §474(r)(10)(A), (B), redesignated subsec. (b) as (a), in heading substituted “targeted jobs credit” for “section 44B credit”, and in text substituted “No deduction shall be allowed for that portion of the wages or salaries paid or incurred for the taxable year which is equal to the amount of the credit determined for the taxable year under section 51(a)” for “No deduction shall be allowed for that portion of the wage or salaries paid or incurred for the taxable year which is equal to the amount of the credit allowable for the taxable year under section 44B (relating to credit for employment of certain new employees) determined without regard to the provisions of section 53 (relating to limitation based on amount of tax)”. Former subsec. (a), which had provided that no deduction would be allowed for that portion of the work incentive program expenses paid or incurred for the taxable year which was equal to the amount of the credit allowable for the taxable year under section 40 (relating to credit for expenses of work incentive programs) determined without regard to the provisions of section 50A(a)(2) (relating to limitation based on amount of tax), and that in the case of a corporation which was a member of a controlled group of corporations (within the meaning of section 50B(g)(1) or a trade or business which was treated as being under common control with other trades or businesses within the meaning of section 50B(g)(2), this subsection would be applied under rules prescribed by the Secretary similar to the rules applicable under paragraphs (1) and (2) of section 50B(g), was struck out.

Subsec. (b). Pub. L. 98-369, §474(r)(10)(A), redesignated subsec. (c) as (b). Former subsec. (b) redesignated (a).

Subsec. (b)(1), (2)(A). Pub. L. 98-369, §474(r)(10)(C), substituted “29” for “44H”.

Subsec. (b)(3). Pub. L. 98-369, §474(r)(10)(D), substituted “section 30(f)(5)” for “section 44F(f)(5)”, “section 30(f)(1)(B)” for “section 44F(f)(1)(B)”, and “section 30(f)(1)” for “section 44F(f)(1)”.

Subsec. (c). Pub. L. 98-369, §474(r)(10)(A), redesignated subsec. (c) as (b).

1983—Pub. L. 97-414, §4(b)(2)(A), substituted “Certain expenses for which credits are allowable” for “Portion of wages for which credit is claimed under section 40 or 44B” in section catchline.

Subsec. (c). Pub. L. 97-414, §4(b)(1), added subsec. (c).

1978—Pub. L. 95-600, as amended by Pub. L. 96-178 and Pub. L. 96-222, substituted “section 40 or 44B” for “section 44B” in section catchline, and in text designated existing provisions as subsec. (b) and added subsec. (a).

EFFECTIVE DATE OF 2010 AMENDMENT

Amendment by section 1401(b) of Pub. L. 111-148 applicable to taxable years ending after Dec. 31, 2013, see section 1401(e) of Pub. L. 111-148, set out as a note under section 36B of this title.

Amendment by section 1421(d)(1) of Pub. L. 111-148 applicable to amounts paid or incurred in taxable years beginning after Dec. 31, 2009, see section 1421(f)(1) of Pub. L. 111-148, set out as a note under section 38 of this title.

Amendment by section 9023(c)(2) of Pub. L. 111-148 applicable to amounts paid or incurred after Dec. 31, 2008, in taxable years beginning after such date, see section

9023(f) of Pub. L. 111-148, set out as a note under section 46 of this title.

Amendment by section 10105(e)(3) of Pub. L. 111-148 effective as if included in the enactment of section 1421 of Pub. L. 111-148, see section 10105(e)(5) of Pub. L. 111-148, set out as a note under section 45R of this title.

EFFECTIVE DATE OF 2008 AMENDMENT

Amendment of this section and repeal of Pub. L. 110-234 by Pub. L. 110-246 effective May 22, 2008, the date of enactment of Pub. L. 110-234, except as otherwise provided, see section 4 of Pub. L. 110-246, set out as an Effective Date note under section 8701 of Title 7, Agriculture.

Amendment by section 15343(c) of Pub. L. 110-246 applicable to amounts paid or incurred after June 18, 2008, see section 15343(e) of Pub. L. 110-246, set out as a note under section 38 of this title.

Amendment by Pub. L. 110-245 applicable to amounts paid after June 17, 2008, see section 111(e) of Pub. L. 110-245, set out as a note under section 38 of this title.

EFFECTIVE DATE OF 2007 AMENDMENT

Amendment by Pub. L. 110-172 effective as if included in the provision of the American Jobs Creation Act of 2004, Pub. L. 108-357, to which such amendment relates, see section 7(e) of Pub. L. 110-172, set out as a note under section 1092 of this title.

EFFECTIVE DATE OF 2006 AMENDMENT

Amendment by Pub. L. 109-432 applicable to taxable years beginning after Dec. 31, 2005, see section 405(e) of Pub. L. 109-432, set out as a note under section 38 of this title.

EFFECTIVE DATE OF 2004 AMENDMENT

Amendment by Pub. L. 108-357 applicable to expenses paid or incurred after Dec. 31, 2002, in taxable years ending after such date, see section 339(f) of Pub. L. 108-357, set out as a note under section 38 of this title.

EFFECTIVE DATE OF 2000 AMENDMENT

Amendment by Pub. L. 106-554 effective as if included in the provisions of the Ticket to Work and Work Incentives Improvement Act of 1999, Pub. L. 106-170, to which such amendment relates, see section 1(a)(7) [title III, §311(d)] of Pub. L. 106-554, set out as a note under section 30A of this title.

EFFECTIVE DATE OF 1999 AMENDMENT

Amendment by Pub. L. 106-170 applicable to amounts paid or incurred after June 30, 1999, see section 502(c)(3) of Pub. L. 106-170, set out as a note under section 41 of this title.

EFFECTIVE DATE OF 1996 AMENDMENT

Amendment by Pub. L. 104-188 applicable to amounts paid or incurred in taxable years ending after June 30, 1996, see section 1205(e) of Pub. L. 104-188, set out as a note under section 45K of this title.

EFFECTIVE DATE OF 1993 AMENDMENT

Amendment by section 13322(c)(1) of Pub. L. 103-66 applicable to wages paid or incurred after Dec. 31, 1993, see section 13322(f) of Pub. L. 103-66, set out as a note under section 38 of this title.

EFFECTIVE DATE OF 1989 AMENDMENT

Amendment by section 7110(c)(1) of Pub. L. 101-239 applicable to taxable years beginning after Dec. 31, 1989, see section 7110(e) of Pub. L. 101-239, set out as a note under section 41 of this title.

Amendment by section 7814(e)(2)(A) of 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

Amendment by Pub. L. 100-647 applicable to taxable years beginning after Dec. 31, 1988, see section 4008(d) of Pub. L. 100-647, set out as a note under section 41 of this title.

EFFECTIVE DATE OF 1986 AMENDMENT

Amendment by section 231(d)(3)(E) of Pub. L. 99-514 applicable to taxable years beginning after Dec. 31, 1985, see section 231(g) of Pub. L. 99-514, set out as a note under section 41 of this title.

Amendment by section 1847(b)(8) 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 1984 AMENDMENT

Amendment by Pub. L. 98-369 applicable to taxable years beginning after Dec. 31, 1983, and to carrybacks from such years, see section 475(a) of Pub. L. 98-369, set out as a note under section 21 of this title.

EFFECTIVE DATE OF 1983 AMENDMENT

Amendment by Pub. L. 97-414 applicable to amounts paid or incurred after December 31, 1982, in taxable years ending after such date, see section 4(d) of Pub. L. 97-414, set out as an Effective Date note under section 28 of this title.

EFFECTIVE DATE OF 1978 AMENDMENT

Pub. L. 95-600, title III, §322(e), Nov. 6, 1978, 92 Stat. 2839, as amended by Pub. L. 96-178, §6(a), (b), Jan. 2, 1980, 93 Stat. 1297; Pub. L. 96-222, title I, §103(a)(7)(A), (B), Apr. 1, 1980, 94 Stat. 211; Pub. L. 99-514, §2, Oct. 22, 1986, 100 Stat. 2095, provided that:

“(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section [amending this section and sections 50A and 50B of this title] shall apply to work incentive program expenses paid or incurred after December 31, 1978, in taxable years ending after such date; except that so much of the amendment made by subsection (a) as affects section 50A(a)(2) of the Internal Revenue Code of 1986 [formerly I.R.C. 1954] shall apply to taxable years beginning after December 31, 1978. For purposes of applying section 50A(a)(2) of the Internal Revenue Code of 1986 with respect to a taxable year beginning before January 1, 1979, the rules of sections 50A(a)(4), 50A(a)(5), and 50B(e)(3) of such Code (as in effect on the day before the date of the enactment of this Act [Nov. 6, 1978]) shall apply.

“(2) SPECIAL RULES FOR CERTAIN ELIGIBLE EMPLOYEES.—

“(A) ELIGIBLE EMPLOYEES HIRED BEFORE SEPTEMBER 27, 1978.—In the case of any eligible employee (as defined in section 50B(h)) hired before September 27, 1978, no credit shall be allowed under section 40 with respect to second-year work incentive program expenses (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.”

[Pub. L. 96-178, §6(d), Jan. 2, 1980, 93 Stat. 1298, 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)

Pub. L. 101-239, title VII, §7814(e)(2)(B), Dec. 19, 1989, 103 Stat. 2413, 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

Pub. L. 97-248, title III, §351(c), Sept. 3, 1982, 96 Stat. 640, provided that: “The amendments made by this sec-

tion [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