

(A) in any case where the deduction referred to in paragraph (4) of subsection (a) results in a net operating loss, such loss shall, for purposes of computing the tax for the taxable year under such paragraph (4), be carried back to the same extent and in the same manner as is provided under section 172; and

(B) in any case where the exclusion referred to in paragraph (5)(B) of subsection (a) results in a net operating loss or capital loss for the prior taxable year (or years), such loss shall, for purposes of computing the decrease in tax for the prior taxable year (or years) under such paragraph (5) (B), be carried back and carried over to the same extent and in the same manner as is provided under section 172 or section 1212, except that no carryover beyond the taxable year shall be taken into account.

(5) For purposes of this chapter, the net operating loss described in paragraph (4)(A) of this subsection, or the net operating loss or capital loss described in paragraph (4)(B) of this subsection, as the case may be, shall (after the application of paragraph (4) or (5)(B) of subsection (a) for the taxable year) be taken into account under section 172 or 1212 for taxable years after the taxable year to the same extent and in the same manner as—

(A) a net operating loss sustained for the taxable year, if paragraph (4) of subsection (a) applied, or

(B) a net operating loss or capital loss sustained for the prior taxable year (or years), if paragraph (5)(B) of subsection (a) applied.

(Aug. 16, 1954, ch. 736, 68A Stat. 348; Pub. L. 85-866, title I, §60(a)-(d), Sept. 2, 1958, 72 Stat. 1647; Pub. L. 87-863, §5(a), Oct. 23, 1962, 76 Stat. 1142; Pub. L. 88-272, title II, §234(b)(7), Feb. 26, 1964, 78 Stat. 116; Pub. L. 94-455, title XIX, §1901(a)(146), Oct. 4, 1976, 90 Stat. 1788.)

REFERENCES IN TEXT

Chapter 1 of the Internal Revenue Code of 1939, referred to in subsec. (a), was comprised of sections 1 to 482 of former Title 26, Internal Revenue Code. Chapter 1 was repealed by section 7851(a)(1)(A) of this title. For table of comparisons of the 1939 Code to the 1986 Code, see Table I preceding section 1 of this title. See also section 7851(e) of this title for provision that references in the 1986 Code to a provision of the 1939 Code, not then applicable, shall be deemed a reference to the corresponding provision of the 1986 Code, which is then applicable.

Subchapter E of chapter 2 of the Internal Revenue Code of 1939, referred to in subsec. (a), was comprised of sections 710 to 784 of former Title 26, Internal Revenue Code. Sections 710 to 736, 740, 742 to 744, 750, 751, 760, 761, and 780 to 784 were repealed by act Nov. 8, 1945, ch. 453, title I, §122(a), 59 Stat. 568. Section 741 was repealed by act Oct. 21, 1942, ch. 619, title II, §§224(b), 228(b), 56 Stat. 920, 925. Section 752 was repealed by act Oct. 21, 1942, ch. 619, title II, §229(a)(1), 56 Stat. 931, eff. as of Oct. 8, 1940.

AMENDMENTS

1976—Subsec. (b)(2). Pub. L. 94-455 struck out provision relating to the applicability of this paragraph where deduction arises out of payments or repayments made pursuant to a price redetermination provision in a subcontract entered into before Jan. 1, 1958.

1964—Subsec. (b)(2). Pub. L. 88-272 substituted “7701(a)(33) without regard to the limitation continued in the last two sentences thereof” for “1503(c) without regard to paragraph (2) thereof”.

1962—Subsec. (b)(4), (5). Pub. L. 87-863 added pars. (4) and (5).

1958—Subsec. (a). Pub. L. 85-866, §60(a), inserted “and subchapter E of chapter 2 of such code” in last sentence.

Subsec. (b)(2). Pub. L. 85-866, §60(b), (c), in second sentence inserted “with respect to rates” and inserted “, or by an order of a court, or are made in settlement of litigation or under threat or imminence of litigation” and inserted last sentence.

Subsec. (b)(3). Pub. L. 85-866, §60(d), added par. (3).

EFFECTIVE DATE OF 1976 AMENDMENT

Amendment by Pub. L. 94-455 effective for 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.

EFFECTIVE DATE OF 1964 AMENDMENT

Amendment by Pub. L. 88-272 applicable to taxable years beginning after Dec. 31, 1963, see section 234(c) of Pub. L. 88-272, set out as a note under section 1503 of this title.

EFFECTIVE DATE OF 1962 AMENDMENT

Pub. L. 87-863, §5(b), Oct. 23, 1962, 76 Stat. 1143, provided that: “The amendment made by subsection (a) [amending this section] shall be effective with respect to taxable years beginning on or after January 1, 1962.”

EFFECTIVE DATE OF 1958 AMENDMENT

Amendment by section 60(a), (c), (d) of Pub. L. 85-866 applicable to taxable years beginning after Dec. 31, 1953, and ending after Aug. 16, 1954, see section 1(c)(1) of Pub. L. 85-866, set out as a note under section 165 of this title.

Pub. L. 85-866, title I, §60(e), Sept. 2, 1958, 72 Stat. 1647, provided that: “The amendment made by subsection (b) [amending this section] shall apply with respect to taxable years beginning after December 31, 1957. No interest shall be allowed or paid on any overpayment resulting from the application of the amendment made by subsection (c) [amending this section].”

[§ 1342. Repealed. Pub. L. 94-455, title XIX, § 1901(a)(147), Oct. 4, 1976, 90 Stat. 1788]

Section, added Aug. 12, 1955, ch. 870, §3, 69 Stat. 717, related to computation of tax where taxpayer recovers substantial amount held by another under claim of right.

EFFECTIVE DATE OF REPEAL

Repeal effective for taxable years beginning after Dec. 31, 1976, see section 1901(d) of Pub. L. 94-455, set out as an Effective Date of 1976 Amendment note under section 2 of this title.

[PART VI—REPEALED]

[§ 1346. Repealed. Pub. L. 94-455, title XIX, § 1901(a)(148), Oct. 4, 1976, 90 Stat. 1788]

Section, act Aug. 16, 1954, ch. 736, 68A Stat. 349, related to recovery of unconstitutional Federal taxes.

EFFECTIVE DATE OF REPEAL

Repeal effective for taxable years beginning after Dec. 31, 1976, see section 1901(d) of Pub. L. 94-455, set out as an Effective Date of 1976 Amendment note under section 2 of this title.

[§ 1347. Repealed. Pub. L. 94-455, title XIX, § 1951(b)(12)(A), Oct. 4, 1976, 90 Stat. 1840]

Section, acts Aug. 16, 1954, ch. 736, 68A Stat. 349; Sept. 2, 1958, Pub. L. 85-866, title I, §61(a), 72 Stat. 1648; Dec. 30, 1969, Pub. L. 91-172, title VIII, §803(d)(5), 83 Stat. 684, related to claims against the United States involving acquisition of property.

SAVINGS PROVISION

Pub. L. 94-455, title XIX, § 1951(b)(12)(B), Oct. 4, 1976, 90 Stat. 1840, provided that: "Notwithstanding subparagraph (A) [repealing this section], if amounts received in a taxable year beginning after December 31, 1976, would have been subject to the provisions of section 1347 if received in a taxable year beginning before such date, the tax imposed by section 1 attributable to such receipt shall be computed as if section 1347 had not been repealed."

[§ 1348. Repealed. Pub. L. 97-34, title I, § 101(c)(1), Aug. 13, 1981, 95 Stat. 183]

Section, added Pub. L. 91-172, title VIII, § 804(a), Dec. 30, 1969, 83 Stat. 685; amended Pub. L. 93-406, title II, § 2005(c)(14), Sept. 2, 1974, 88 Stat. 992; Pub. L. 94-455, title III, § 302(a), Oct. 4, 1976, 90 Stat. 1554; Pub. L. 95-600, title IV, §§ 441(a), 442(a), title VII, § 701(x)(1), (2), Nov. 6, 1978, 92 Stat. 2878, 2920; Pub. L. 95-600, title IV, § 441(a), as amended Pub. L. 96-222, title I, § 104(a)(5)(B), Apr. 1, 1980, 94 Stat. 218, provided for a 50-percent maximum rate on personal service income.

EFFECTIVE DATE OF REPEAL

Repeal effective for taxable years beginning after Dec. 31, 1981, see section 101(f)(1) of Pub. L. 97-34, set out as an Effective Date of 1981 Amendment note under section 1 of this title.

TRANSITIONAL RULE IN CASE OF TAXABLE YEAR BEGINNING BEFORE NOV. 1, 1978, AND ENDING AFTER OCT. 31, 1978

Pub. L. 95-600, title IV, § 441(b)(2), Nov. 6, 1978, 92 Stat. 2878, as amended by Pub. L. 96-222, title I, § 104(a)(5)(A), Apr. 1, 1980, 94 Stat. 218, provided that in the case of a taxable year which began before Nov. 1, 1978, and ended after Oct. 31, 1978, the amount taken into account under subsec. (b)(2)(B) of section 1348 of this title by reason of section 57(a)(9) of this title be 50 percent of the lesser of the net capital gain for the taxable year or the net capital gain taking into account only gain or loss properly taken into account for the portion of the taxable year before Nov. 1, 1978.

PART VII—RECOVERIES OF FOREIGN EXPROPRIATION LOSSES

Sec. 1351. Treatment of recoveries of foreign expropriation losses.

§ 1351. Treatment of recoveries of foreign expropriation losses

(a) Election

(1) In general

This section shall apply only to a recovery, by a domestic corporation subject to the tax imposed by section 11 or 801, of a foreign expropriation loss sustained by such corporation and only if such corporation was subject to the tax imposed by section 11 or 801, as the case may be, for the year of the loss and elects to have the provisions of this section apply with respect to such loss.

(2) Time, manner, and scope

An election under paragraph (1) shall be made at such time and in such manner as the Secretary may prescribe by regulations. An election made with respect to any foreign expropriation loss shall apply to all recoveries in respect of such loss.

(b) Definition of foreign expropriation loss

For purposes of this section, the term "foreign expropriation loss" means any loss sustained by

reason of the expropriation, intervention, seizure, or similar taking of property by the government of any foreign country, any political subdivision thereof, or any agency or instrumentality of the foregoing. For purposes of the preceding sentence, a debt which becomes worthless shall, to the extent of any deduction allowed under section 166(a), be treated as a loss.

(c) Amount of recovery

(1) General rule

The amount of any recovery of a foreign expropriation loss is the amount of money and the fair market value of other property received in respect of such loss, determined as of the date of receipt.

(2) Special rule for life insurance companies

The amount of any recovery of a foreign expropriation loss includes, in the case of a life insurance company, the amount of decrease of any item taken into account under section 807(c), to the extent such decrease is attributable to the release, by reason of such loss, of its liabilities with respect to such item.

(d) Adjustment for prior tax benefits

(1) In general

That part of the amount of a recovery of a foreign expropriation loss to which this section applies which, when added to the aggregate of the amounts of previous recoveries with respect to such loss, does not exceed the allowable deductions in prior taxable years on account of such loss shall be excluded from gross income for the taxable year of the recovery for purposes of computing the tax under this subtitle; but there shall be added to, and assessed and collected as a part of, the tax under this subtitle for such taxable year an amount equal to the total increase in the tax under this subtitle for all taxable years which would result by decreasing, in an amount equal to such part of the recovery so excluded, the deductions allowable in the prior taxable years on account of such loss. For purposes of this paragraph, if the loss to which the recovery relates was taken into account as a loss from the sale or exchange of a capital asset, the amount of the loss shall be treated as an allowable deduction even though there were no gains against which to allow such loss.

(2) Computation

The increase in the tax for each taxable year referred to in paragraph (1) shall be computed in accordance with regulations prescribed by the Secretary. Such regulations shall give effect to previous recoveries of any kind (including recoveries described in section 111, relating to recovery of tax benefit items) with respect to any prior taxable year, but shall otherwise treat the tax previously determined for any taxable year in accordance with the principles set forth in section 1314(a) (relating to correction of errors). Subject to the provisions of paragraph (3), all credits allowable against the tax for any taxable year, and all carryovers and carrybacks affected by so decreasing the allowable deductions, shall be taken into account in computing the increase in the tax.