

Pub. L. 95-600, set out as a note under section 11 of this title.

EFFECTIVE DATE OF 1976 AMENDMENT

Amendment by section 1031(b)(3) of Pub. L. 94-455 applicable to taxable years beginning after Dec. 31, 1975, with exceptions for certain mining operations, and for income from possessions, see section 1031(c) of Pub. L. 94-455, set out as a note under section 904 of this title.

EFFECTIVE DATE

Pub. L. 89-384, §2, Apr. 8, 1966, 80 Stat. 105, as amended by Pub. L. 99-514, §2, Oct. 22, 1986, 100 Stat. 2095, provided that: "The amendments made by section 1 (except subsection (b)) [enacting this section and section 6167 of this title and amending sections 46, 901, 6503, and 6601 of this title] shall apply with respect to amounts received after December 31, 1964, in respect of foreign expropriation losses (as defined in section 1351(b) of the Internal Revenue Code of 1986 [formerly I.R.C. 1954] added by section 1(a)) sustained after December 31, 1958."

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.

**Subchapter R—Election To Determine Corporate Tax on Certain International Shipping Activities Using Per Ton Rate**

Sec.	
1352.	Alternative tax on qualifying shipping activities.
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PRIOR PROVISIONS

A prior subchapter R, consisting of section 1361, related to election of certain partnerships and proprietorships to be taxed as domestic corporations, prior to repeal by Pub. L. 89-389, §4(b)(1), Apr. 14, 1966, 80 Stat. 116, effective Jan. 1, 1969.

**§ 1352. Alternative tax on qualifying shipping activities**

In the case of an electing corporation, the tax imposed by section 11 shall be the amount equal to the sum of—

(1) the tax imposed by section 11 determined after the application of this subchapter, and

(2) a tax equal to—

(A) the highest rate of tax specified in section 11, multiplied by

(B) the notional shipping income for the taxable year.

(Added Pub. L. 108-357, title II, §248(a), Oct. 22, 2004, 118 Stat. 1450.)

EFFECTIVE DATE

Subchapter applicable to taxable years beginning after Oct. 22, 2004, see section 248(c) of Pub. L. 108-357,

set out as an Effective Date of 2004 Amendments note under section 56 of this title.

**§ 1353. Notional shipping income**

**(a) In general**

For purposes of this subchapter, the notional shipping income of an electing corporation shall be the sum of the amounts determined under subsection (b) for each qualifying vessel operated by such electing corporation.

**(b) Amounts**

**(1) In general**

For purposes of subsection (a), the amount of notional shipping income of an electing corporation for each qualifying vessel for the taxable year shall equal the product of—

(A) the daily notional shipping income, and

(B) the number of days during the taxable year that the electing corporation operated such vessel as a qualifying vessel in United States foreign trade.

**(2) Treatment of vessels the income from which is not otherwise subject to tax**

In the case of a qualifying vessel any of the income from which is not included in gross income by reason of section 883 or otherwise, the amount of notional shipping income from such vessel for the taxable year shall be the amount which bears the same ratio to such shipping income (determined without regard to this paragraph) as the gross income from the operation of such vessel in the United States foreign trade bears to the sum of such gross income and the income so excluded.

**(c) Daily notional shipping income**

For purposes of subsection (b), the daily notional shipping income from the operation of a qualifying vessel is—

(1) 40 cents for each 100 tons of so much of the net tonnage of the vessel as does not exceed 25,000 net tons, and

(2) 20 cents for each 100 tons of so much of the net tonnage of the vessel as exceeds 25,000 net tons.

**(d) Multiple operators of vessel**

If for any period 2 or more persons are operators of a qualifying vessel, the notional shipping income from the operation of such vessel for such period shall be allocated among such persons on the basis of their respective ownership, charter, and operating agreement interests in such vessel or on such other basis as the Secretary may prescribe by regulations.

(Added Pub. L. 108-357, title II, §248(a), Oct. 22, 2004, 118 Stat. 1450; amended Pub. L. 109-135, title IV, §403(g)(1)(A), Dec. 21, 2005, 119 Stat. 2624.)

AMENDMENTS

2005—Subsec. (d). Pub. L. 109-135 substituted "ownership, charter, and operating agreement interests" for "ownership and charter interests".

EFFECTIVE DATE OF 2005 AMENDMENT

Amendment by Pub. L. 109-135 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 403(nn) of Pub. L. 109-135, set out as a note under section 26 of this title.

**§ 1354. Alternative tax election; revocation; termination**

**(a) In general**

A qualifying vessel operator may elect the application of this subchapter.

**(b) Time and manner; years for which effective**

An election under this subchapter—

(1) shall be made in such form as prescribed by the Secretary, and

(2) shall be effective for the taxable year for which made and all succeeding taxable years until terminated under subsection (d).

Such election may be effective for any taxable year only if made on or before the due date (including extensions) for filing the corporation's return for such taxable year.

**(c) Consistent elections by members of controlled groups**

An election under subsection (a) by a member of a controlled group shall apply to all qualifying vessel operators that are members of such group.

**(d) Termination**

**(1) By revocation**

**(A) In general**

An election under subsection (a) may be terminated by revocation.

**(B) When effective**

Except as provided in subparagraph (C)—

(i) a revocation made during the taxable year and on or before the 15th day of the 3d month thereof shall be effective on the 1st day of such taxable year, and

(ii) a revocation made during the taxable year but after such 15th day shall be effective on the 1st day of the following taxable year.

**(C) Revocation may specify prospective date**

If the revocation specifies a date for revocation which is on or after the day on which the revocation is made, the revocation shall be effective for taxable years beginning on and after the date so specified.

**(2) By person ceasing to be qualifying vessel operator**

**(A) In general**

An election under subsection (a) shall be terminated whenever (at any time on or after the 1st day of the 1st taxable year for which the corporation is an electing corporation) such corporation ceases to be a qualifying vessel operator.

**(B) When effective**

Any termination under this paragraph shall be effective on and after the date of cessation.

**(C) Annualization**

The Secretary shall prescribe such annualization and other rules as are appropriate in the case of a termination under this paragraph.

**(e) Election after termination**

If a qualifying vessel operator has made an election under subsection (a) and if such elec-

tion has been terminated under subsection (d), such operator (and any successor operator) shall not be eligible to make an election under subsection (a) for any taxable year before its 5th taxable year which begins after the 1st taxable year for which such termination is effective, unless the Secretary consents to such election.

(Added Pub. L. 108-357, title II, §248(a), Oct. 22, 2004, 118 Stat. 1451; amended Pub. L. 109-135, title IV, §403(g)(4), Dec. 21, 2005, 119 Stat. 2624.)

AMENDMENTS

2005—Subsec. (b). Pub. L. 109-135 inserted “on or” after “only if made” in concluding provisions.

EFFECTIVE DATE OF 2005 AMENDMENT

Amendment by Pub. L. 109-135 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 403(nn) of Pub. L. 109-135, set out as a note under section 26 of this title.

**§ 1355. Definitions and special rules**

**(a) Definitions**

For purposes of this subchapter—

**(1) Electing corporation**

The term “electing corporation” means any corporation for which an election is in effect under this subchapter.

**(2) Electing group; controlled group**

**(A) Electing group**

The term “electing group” means a controlled group of which one or more members is an electing corporation.

**(B) Controlled group**

The term “controlled group” means any group which would be treated as a single employer under subsection (a) or (b) of section 52 if paragraphs (1) and (2) of section 52(a) did not apply.

**(3) Qualifying vessel operator**

The term “qualifying vessel operator” means any corporation—

(A) who operates one or more qualifying vessels, and

(B) who meets the shipping activity requirement in subsection (c).

**(4) Qualifying vessel**

The term “qualifying vessel” means a self-propelled (or a combination self-propelled and non-self-propelled) United States flag vessel of not less than 6,000 deadweight tons used exclusively in the United States foreign trade during the period that the election under this subchapter is in effect.

**(5) United States flag vessel**

The term “United States flag vessel” means any vessel documented under the laws of the United States.

**(6) United States domestic trade**

The term “United States domestic trade” means the transportation of goods or passengers between places in the United States.

**(7) United States foreign trade**

The term “United States foreign trade” means the transportation of goods or pas-