

loan, advance, or deposit, of money, or anything of value, and includes a contract, promise, or agreement to make a contribution, whether or not legally enforceable.

### (3) Expenditures

For purposes of paragraph (1)(C), the term "expenditures" includes a payment, distribution, loan, advance, deposit, or gift, of money, or anything of value, and includes a contract, promise, or agreement to make an expenditure, whether or not legally enforceable.

### (c) Exception

In the case of a taxpayer who uses an accrual method of accounting, subsection (a) shall not apply to a debt which accrued as a receivable on a bona fide sale of goods or services in the ordinary course of the taxpayer's trade or business if—

(1) for the taxable year in which such receivable accrued, more than 30 percent of all receivables which accrued in the ordinary course of the trades and businesses of the taxpayer were due from political parties, and

(2) the taxpayer made substantial continuing efforts to collect on the debt.

(Aug. 16, 1954, ch. 736, 68A Stat. 82; Pub. L. 94-455, title XXI, §2104(a), Oct. 4, 1976, 90 Stat. 1901.)

#### AMENDMENTS

1976—Subsec. (c). Pub. L. 94-455 added subsec. (c).

#### EFFECTIVE DATE OF 1976 AMENDMENT

Pub. L. 94-455, title XXI, §2104(b), Oct. 4, 1976, 90 Stat. 1902, provided that: "The amendment made by subsection (a) [amending this section] shall apply to taxable years beginning after December 31, 1975."

### § 272. Disposal of coal or domestic iron ore

Where the disposal of coal or iron ore is covered by section 631, no deduction shall be allowed for expenditures attributable to the making and administering of the contract under which such disposition occurs and to the preservation of the economic interest retained under such contract, except that if in any taxable year such expenditures plus the adjusted depletion basis of the coal or iron ore disposed of in such taxable year exceed the amount realized under such contract, such excess, to the extent not availed of as a reduction of gain under section 1231, shall be a loss deductible under section 165(a). This section shall not apply to any taxable year during which there is no income under the contract.

(Aug. 16, 1954, ch. 736, 68A Stat. 82; Pub. L. 88-272, title II, §227(a)(3), (b)(3), Feb. 26, 1964, 78 Stat. 98.)

#### AMENDMENTS

1964—Pub. L. 88-272 inserted "or domestic iron ore" in section catchline, and "or iron ore" wherever appearing in text.

#### EFFECTIVE DATE OF 1964 AMENDMENT

Pub. L. 88-272, title II, §227(c), Feb. 26, 1964, 78 Stat. 98, provided that: "The amendments made by this section [amending this section and sections 631, 1016, 1231, and 1402 and section 411 of Title 42, The Public Health and Welfare] shall apply with respect to amounts received or accrued in taxable years beginning after De-

ember 31, 1963, attributable to iron ore mined in such taxable years."

### § 273. Holders of life or terminable interest

Amounts paid under the laws of a State, the District of Columbia, a possession of the United States, or a foreign country as income to the holder of a life or terminable interest acquired by gift, bequest, or inheritance shall not be reduced or diminished by any deduction for shrinkage (by whatever name called) in the value of such interest due to the lapse of time.

(Aug. 16, 1954, ch. 736, 68A Stat. 83; Pub. L. 94-455, title XIX, §1901(c)(2), Oct. 4, 1976, 90 Stat. 1803.)

#### AMENDMENTS

1976—Pub. L. 94-455 struck out reference to amounts paid under laws of a Territory.

#### 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.

### § 274. Disallowance of certain entertainment, etc., expenses

#### (a) Entertainment, amusement, or recreation

##### (1) In general

No deduction otherwise allowable under this chapter shall be allowed for any item—

##### (A) Activity

With respect to an activity which is of a type generally considered to constitute entertainment, amusement, or recreation, unless the taxpayer establishes that the item was directly related to, or, in the case of an item directly preceding or following a substantial and bona fide business discussion (including business meetings at a convention or otherwise), that such item was associated with, the active conduct of the taxpayer's trade or business, or

##### (B) Facility

With respect to a facility used in connection with an activity referred to in subparagraph (A).

In the case of an item described in subparagraph (A), the deduction shall in no event exceed the portion of such item which meets the requirements of subparagraph (A).

##### (2) Special rules

For purposes of applying paragraph (1)—

(A) Dues or fees to any social, athletic, or sporting club or organization shall be treated as items with respect to facilities.

(B) An activity described in section 212 shall be treated as a trade or business.

(C) In the case of a club, paragraph (1)(B) shall apply unless the taxpayer establishes that the facility was used primarily for the furtherance of the taxpayer's trade or business and that the item was directly related to the active conduct of such trade or business.

##### (3) Denial of deduction for club dues

Notwithstanding the preceding provisions of this subsection, no deduction shall be allowed