

IV, § 403(e)(1), Dec. 21, 2005, 119 Stat. 2623; Pub. L. 110-343, div. C, title V, § 502(a), (b), (d), Oct. 3, 2008, 122 Stat. 3876, 3877; Pub. L. 111-312, title VII, § 744(a), Dec. 17, 2010, 124 Stat. 3319; Pub. L. 112-240, title III, § 317(a), Jan. 2, 2013, 126 Stat. 2331; Pub. L. 113-295, div. A, title I, § 129(a), Dec. 19, 2014, 128 Stat. 4018; Pub. L. 114-113, div. Q, title I, § 169(a)–(b)(2), (c), Dec. 18, 2015, 129 Stat. 3067, 3068.)

PRIOR PROVISIONS

A prior section 181, Pub. L. 87-834, § 2(c), Oct. 16, 1962, 76 Stat. 970, related to a deduction for unused investment credit, prior to repeal by Pub. L. 88-272, title II, § 203(a)(3)(B), (4), Feb. 26, 1964, 78 Stat. 34, applicable in case of property placed in service after Dec. 31, 1963, with respect to taxable years ending after such date, and in case of property placed in service before Jan. 1, 1964, with respect to taxable years beginning after Dec. 31, 1963.

AMENDMENTS

2015—Pub. L. 114-113, § 169(b)(2)(C), inserted “and live theatrical” after “film and television” in section catchline.

Subsec. (a)(1). Pub. L. 114-113, § 169(b)(1), inserted “, and any qualified live theatrical production,” after “any qualified film or television production”.

Subsecs. (a)(2)(A), (B), (b), (c)(1). Pub. L. 114-113, § 169(b)(2)(A), inserted “or any qualified live theatrical production” after “qualified film or television production”.

Subsec. (e). Pub. L. 114-113, § 169(c)(2), added subsec. (e). Former subsec. (e) redesignated (f).

Subsec. (f). Pub. L. 114-113, § 169(c)(1), redesignated subsec. (e) as (f). Former subsec. (f) redesignated (g).

Pub. L. 114-113, § 169(b)(2)(B), which directed insertion of “or qualified live theatrical productions” after “qualified film or television productions”, was executed by making the insertion after “qualified film and television productions”, to reflect the probable intent of Congress.

Pub. L. 114-113, § 169(a), substituted “December 31, 2016” for “December 31, 2014”.

Subsec. (g). Pub. L. 114-113, § 169(c)(1), redesignated subsec. (f) as (g).

2014—Subsec. (f). Pub. L. 113-295 substituted “December 31, 2014” for “December 31, 2013”.

2013—Subsec. (f). Pub. L. 112-240 substituted “December 31, 2013” for “December 31, 2011”.

2010—Subsec. (f). Pub. L. 111-312 substituted “December 31, 2011” for “December 31, 2009”.

2008—Subsec. (a)(2)(A). Pub. L. 110-343, § 502(b), reenacted heading without change and amended text generally. Prior to amendment, text read as follows: “Paragraph (1) shall not apply to any qualified film or television production the aggregate cost of which exceeds \$15,000,000.”

Subsec. (d)(3)(A). Pub. L. 110-343, § 502(d), substituted “actors, production personnel, directors, and producers.” for “actors, directors, producers, and other relevant production personnel.”

Subsec. (f). Pub. L. 110-343, § 502(a), substituted “December 31, 2009” for “December 31, 2008”.

2005—Subsec. (d)(2). Pub. L. 109-135 struck out “For purposes of a television series, only the first 44 episodes of such series may be taken into account.” at end of subpar. (A), added subpar. (B), and redesignated former subpar. (B) as (C).

EFFECTIVE DATE OF 2015 AMENDMENT

Pub. L. 114-113, div. Q, title I, § 169(d), Dec. 18, 2015, 129 Stat. 3069, provided that:

“(1) EXTENSION.—The amendment made by subsection (a) [amending this section] shall apply to productions commencing after December 31, 2014.

“(2) MODIFICATIONS.—

“(A) IN GENERAL.—The amendments made by subsections (b) and (c) [amending this section] shall

apply to productions commencing after December 31, 2015.

“(B) COMMENCEMENT.—For purposes of subparagraph (A), the date on which a qualified live theatrical production commences is the date of the first public performance of such production for a paying audience.”

EFFECTIVE DATE OF 2014 AMENDMENT

Pub. L. 113-295, div. A, title I, § 129(b), Dec. 19, 2014, 128 Stat. 4018, provided that: “The amendment made by this section [amending this section] shall apply to productions commencing after December 31, 2013.”

EFFECTIVE DATE OF 2013 AMENDMENT

Pub. L. 112-240, title III, § 317(b), Jan. 2, 2013, 126 Stat. 2331, provided that: “The amendment made by this section [amending this section] shall apply to productions commencing after December 31, 2011.”

EFFECTIVE DATE OF 2010 AMENDMENT

Pub. L. 111-312, title VII, § 744(b), Dec. 17, 2010, 124 Stat. 3319, provided that: “The amendment made by this section [amending this section] shall apply to productions commencing after December 31, 2009.”

EFFECTIVE DATE OF 2008 AMENDMENT

Pub. L. 110-343, div. C, title V, § 502(e), Oct. 3, 2008, 122 Stat. 3877, provided that:

“(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section [amending this section and section 199 of this title] shall apply to qualified film and television productions commencing after December 31, 2007.

“(2) DEDUCTION.—The amendments made by subsection (c) [amending section 199 of this title] shall apply to taxable years beginning after December 31, 2007.”

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.

EFFECTIVE DATE

Pub. L. 108-357, title II, § 244(c), Oct. 22, 2004, 118 Stat. 1447, provided that: “The amendments made by this section [enacting this section] shall apply to qualified film and television productions (as defined in section 181(d)(1) of the Internal Revenue Code of 1986, as added by this section) commencing after the date of the enactment of this Act [Oct. 22, 2004].”

[§ 182. Repealed. Pub. L. 99-514, title IV, § 402(a), Oct. 22, 1986, 100 Stat. 2221]

Section, added Pub. L. 87-834, § 21(a), Oct. 16, 1962, 76 Stat. 1063; amended Pub. L. 94-455, title XIX, § 1906(b)(13)(A), Oct. 4, 1976, 90 Stat. 1834, authorized deduction of expenditures by farmers for clearing land.

EFFECTIVE DATE OF REPEAL

Pub. L. 99-514, title IV, § 402(c), Oct. 22, 1986, 100 Stat. 2221, provided that: “The amendments made by this section [amending sections 263 and 1252 of this title and repealing this section] shall apply to amounts paid or incurred after December 31, 1985, in taxable years ending after such date.”

§ 183. Activities not engaged in for profit

(a) General rule

In the case of an activity engaged in by an individual or an S corporation, if such activity is not engaged in for profit, no deduction attributable to such activity shall be allowed under this chapter except as provided in this section.

(b) Deductions allowable

In the case of an activity not engaged in for profit to which subsection (a) applies, there shall be allowed—

(1) the deductions which would be allowable under this chapter for the taxable year without regard to whether or not such activity is engaged in for profit, and

(2) a deduction equal to the amount of the deductions which would be allowable under this chapter for the taxable year only if such activity were engaged in for profit, but only to the extent that the gross income derived from such activity for the taxable year exceeds the deductions allowable by reason of paragraph (1).

(c) Activity not engaged in for profit defined

For purposes of this section, the term “activity not engaged in for profit” means any activity other than one with respect to which deductions are allowable for the taxable year under section 162 or under paragraph (1) or (2) of section 212.

(d) Presumption

If the gross income derived from an activity for 3 or more of the taxable years in the period of 5 consecutive taxable years which ends with the taxable year exceeds the deductions attributable to such activity (determined without regard to whether or not such activity is engaged in for profit), then, unless the Secretary establishes to the contrary, such activity shall be presumed for purposes of this chapter for such taxable year to be an activity engaged in for profit. In the case of an activity which consists in major part of the breeding, training, showing, or racing of horses, the preceding sentence shall be applied by substituting “2” for “3” and “7” for “5”.

(e) Special rule**(1) In general**

A determination as to whether the presumption provided by subsection (d) applies with respect to any activity shall, if the taxpayer so elects, not be made before the close of the fourth taxable year (sixth taxable year, in the case of an activity described in the last sentence of such subsection) following the taxable year in which the taxpayer first engages in the activity.

(2) Initial period

If the taxpayer makes an election under paragraph (1), the presumption provided by subsection (d) shall apply to each taxable year in the 5-taxable year (or 7-taxable year) period beginning with the taxable year in which the taxpayer first engages in the activity, if the gross income derived from the activity for 3 (or 2 if applicable) or more of the taxable years in such period exceeds the deductions attributable to the activity (determined without regard to whether or not the activity is engaged in for profit).

(3) Election

An election under paragraph (1) shall be made at such time and manner, and subject to such terms and conditions, as the Secretary may prescribe.

(4) Time for assessing deficiency attributable to activity

If a taxpayer makes an election under paragraph (1) with respect to an activity, the statutory period for the assessment of any deficiency attributable to such activity shall not expire before the expiration of 2 years after the date prescribed by law (determined without extensions) for filing the return of tax under chapter 1 for the last taxable year in the period of 5 taxable years (or 7 taxable years) to which the election relates. Such deficiency may be assessed notwithstanding the provisions of any law or rule of law which would otherwise prevent such an assessment.

(Added Pub. L. 91-172, title II, §213(a), Dec. 30, 1969, 83 Stat. 571; amended Pub. L. 92-178, title III, §311(a), Dec. 10, 1971, 85 Stat. 525; Pub. L. 94-455, title II, §214(a), title XIX, §1906(b)(13)(A), Oct. 4, 1976, 90 Stat. 1549, 1834; Pub. L. 97-354, §5(a)(23), Oct. 19, 1982, 96 Stat. 1694; Pub. L. 99-514, title I, §143(a), Oct. 22, 1986, 100 Stat. 2120; Pub. L. 100-647, title I, §1001(h)(3), Nov. 10, 1988, 102 Stat. 3352; Pub. L. 113-295, div. A, title II, §221(a)(36), Dec. 19, 2014, 128 Stat. 4042.)

AMENDMENTS

2014—Subsec. (e)(1). Pub. L. 113-295 struck out “For purposes of the preceding sentence, a taxpayer shall be treated as not having engaged in an activity during any taxable year beginning before January 1, 1970.” at end.

1988—Subsec. (e)(2). Pub. L. 100-647 substituted “activity for 3 (or 2 if applicable)” for “activity for 2”.

1986—Subsec. (d). Pub. L. 99-514 substituted “3” for “2” before “or more” in first sentence and “2” for “3” and “7” for “5” for “the period of 7 consecutive taxable years for the period of 5 consecutive taxable years” in second sentence.

1982—Subsec. (a). Pub. L. 97-354 substituted “an S corporation” for “an electing small business corporation (as defined in section 1371(b))”.

1976—Subsecs. (d), (e)(3). Pub. L. 94-455, §1906(b)(13)(A), struck out “or his delegate” after “Secretary”.

Subsec. (e)(4). Pub. L. 94-455, §214(a), added par. (4).

1971—Subsec. (e). Pub. L. 92-178 added subsec. (e).

EFFECTIVE DATE OF 2014 AMENDMENT

Amendment by Pub. L. 113-295 effective Dec. 19, 2014, subject to a savings provision, see section 221(b) of Pub. L. 113-295, set out as a note under section 1 of this title.

EFFECTIVE DATE OF 1988 AMENDMENT

Amendment by 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.

EFFECTIVE DATE OF 1986 AMENDMENT

Amendment by Pub. L. 99-514 applicable to taxable years beginning after Dec. 31, 1986, see section 151(a) of Pub. L. 99-514, set out as a note under section 1 of this title.

EFFECTIVE DATE OF 1982 AMENDMENT

Amendment by Pub. L. 97-354 applicable to taxable years beginning after Dec. 31, 1982, see section 6(a) of Pub. L. 97-354, set out as an Effective Date note under section 1361 of this title.

EFFECTIVE DATE OF 1976 AMENDMENT

Pub. L. 94-455, title II, §214(c), Oct. 4, 1976, 90 Stat. 1549, provided that: “The amendments made by this

section [amending this section and section 6212 of this title] shall apply with respect to taxable years beginning after December 31, 1969; except that such amendments shall not apply to any taxable year ending before the date of the enactment of this Act [Oct. 4, 1976] with respect to which the period for assessing a deficiency has expired before such date of enactment."

EFFECTIVE DATE OF 1971 AMENDMENT

Pub. L. 92-178, title III, §311(b), Dec. 10, 1971, 85 Stat. 526, provided that: "The amendment made by subsection (a) [amending this section] shall apply to taxable years beginning after December 31, 1969."

EFFECTIVE DATE

Pub. L. 91-172, title II, §213(d), Dec. 30, 1969, 83 Stat. 572, provided that: "The amendments made by this section [enacting this section, amending section 6504 of this title, and repealing section 270 of this title] shall apply to taxable years beginning after December 31, 1969."

[§ 184. Repealed. Pub. L. 101-508, title XI, § 11801(a)(12), Nov. 5, 1990, 104 Stat. 1388-520]

Section, added Pub. L. 91-172, title VII, §705(a), Dec. 30, 1969, 83 Stat. 670; amended Pub. L. 93-625, §3(b), Jan. 3, 1975, 88 Stat. 2109; Pub. L. 94-455, title XIX, §1906(b)(13)(A), Oct. 4, 1976, 90 Stat. 1834, related to amortization of certain railroad rolling stock.

SAVINGS PROVISION

For provisions that nothing in repeal by Pub. L. 101-508 be construed to affect treatment of certain transactions occurring, property acquired, or items of income, loss, deduction, or credit taken into account prior to Nov. 5, 1990, for purposes of determining liability for tax for periods ending after Nov. 5, 1990, see section 11821(b) of Pub. L. 101-508, set out as a note under section 45K of this title.

[§ 185. Repealed. Pub. L. 99-514, title II, § 242(a), Oct. 22, 1986, 100 Stat. 2181]

Section, added Pub. L. 91-172, title VII, §705(a), Dec. 30, 1969, 83 Stat. 672; amended Pub. L. 94-455, title XVII, §1702, title XIX, §1906(b) (13)(A), Oct. 4, 1976, 90 Stat. 1760, 1834; Pub. L. 95-473, §2(a)(2)(B), Oct. 17, 1978, 92 Stat. 1464, related to amortization of railroad grading and tunnel bores.

EFFECTIVE DATE OF REPEAL

Pub. L. 99-514, title II, §242(c), Oct. 22, 1986, 100 Stat. 2181, provided that:

"(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section [amending sections 1082 and 1250 of this title and repealing this section] shall apply to that portion of the basis of any property which is attributable to expenditures paid or incurred after December 31, 1986.

"(2) TRANSITIONAL RULE.—The amendments made by this section shall not apply to any expenditure incurred—

"(A) pursuant to a binding contract entered into before March 2, 1986, or

"(B) with respect to any improvement commenced before March 2, 1986, but only if not less than the lesser of \$1,000,000 or 5 percent of the aggregate cost of such improvement has been incurred or committed before such date.

The preceding sentence shall not apply to any expenditure with respect to an improvement placed in service after December 31, 1987."

§ 186. Recoveries of damages for antitrust violations, etc.

(a) Allowance of deduction

If a compensatory amount which is included in gross income is received or accrued during the

taxable year for a compensable injury, there shall be allowed as a deduction for the taxable year an amount equal to the lesser of—

(1) the amount of such compensatory amount, or

(2) the amount of the unrecovered losses sustained as a result of such compensable injury.

(b) Compensable injury

For purposes of this section, the term "compensable injury" means—

(1) injuries sustained as a result of an infringement of a patent issued by the United States,

(2) injuries sustained as a result of a breach of contract or a breach of fiduciary duty or relationship, or

(3) injuries sustained in business, or to property, by reason of any conduct forbidden in the antitrust laws for which a civil action may be brought under section 4 of the Act entitled "An Act to supplement existing laws against unlawful restraints and monopolies, and for other purposes", approved October 15, 1914 (commonly known as the Clayton Act).

(c) Compensatory amount

For purposes of this section, the term "compensatory amount" means the amount received or accrued during the taxable year as damages as a result of an award in, or in settlement of, a civil action for recovery for a compensable injury, reduced by any amounts paid or incurred in the taxable year in securing such award or settlement.

(d) Unrecovered losses

(1) In general

For purposes of this section, the amount of any unrecovered loss sustained as a result of any compensable injury is—

(A) the sum of the amount of the net operating losses (as determined under section 172) for each taxable year in whole or in part within the injury period, to the extent that such net operating losses are attributable to such compensable injury, reduced by

(B) the sum of—

(i) the amount of the net operating losses described in subparagraph (A) which were allowed for any prior taxable year as a deduction under section 172 as a net operating loss carryback or carryover to such taxable year, and

(ii) the amounts allowed as a deduction under subsection (a) for any prior taxable year for prior recoveries of compensatory amounts for such compensable injury.

(2) Injury period

For purposes of paragraph (1), the injury period is—

(A) with respect to any infringement of a patent, the period in which such infringement occurred,

(B) with respect to a breach of contract or breach of fiduciary duty or relationship, the period during which amounts would have been received or accrued but for the breach of contract or breach of fiduciary duty or relationship, and

(C) with respect to injuries sustained by reason of any conduct forbidden in the anti-