

“(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section [amending this section and sections 244 to 246A, 805, 854, and 861 of this title] shall apply to dividends received or accrued after December 31, 1987, in taxable years ending after such date.

“(2) AMENDMENTS RELATING TO LIMITATIONS.—The amendments made by subsection (c) [amending sections 246 and 805 of this title] shall apply to taxable years beginning after December 31, 1987.”

#### EFFECTIVE DATE OF 1986 AMENDMENT

Amendment by section 411(b)(2)(C)(iv) of Pub. L. 99-514 applicable, except as otherwise provided, to costs paid or incurred after Dec. 31, 1986, in taxable years ending after such date, see section 411(c) of Pub. L. 99-514 set out as a note under section 263 of this title.

Amendment by section 611(a)(1) of Pub. L. 99-514 applicable to dividends received or accrued after Dec. 31, 1986, in taxable years ending after such date, see section 611(b) of Pub. L. 99-514, set out as a note under section 246 of this title.

#### EFFECTIVE DATE OF 1984 AMENDMENT

Amendment by Pub. L. 98-369 applicable to taxable years beginning after Dec. 31, 1983, see section 215 of Pub. L. 98-369, set out as an Effective Date note under section 801 of this title.

#### EFFECTIVE DATE OF 1981 AMENDMENT

Amendment by Pub. L. 97-34 applicable to taxable years beginning after Dec. 31, 1981, see section 232(c) of Pub. L. 97-34, set out as a note under section 535 of this title.

#### EFFECTIVE DATE OF 1976 AMENDMENT

For effective date of amendment by section 1031(b)(2) of Pub. L. 94-455, see section 1031(c) of Pub. L. 94-455, set out as a note set out under section 904 of this title.

For effective date of amendment by section 1051(f)(1), (2) of Pub. L. 94-455, see section 1051(i) of Pub. L. 94-455, set out as a note under section 27 of this title.

Amendment by section 1901(a)(34), (b)(1), (21) of 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.

For effective date of amendment by section 1906(b)(3)(C)(ii) of Pub. L. 94-455, see section 1906(d) of Pub. L. 94-455, set out as a note under section 6013 of this title.

#### EFFECTIVE DATE OF 1975 AMENDMENT

Amendment by Pub. L. 94-12 applicable to taxable years beginning after Dec. 31, 1974, see section 305(c) of Pub. L. 94-12, set out as a note under section 535 of this title.

#### EFFECTIVE DATE OF 1969 AMENDMENT

Pub. L. 91-172, title V, §504(d), Dec. 30, 1969, 83 Stat. 633, as amended by Pub. L. 99-514, §2, Oct. 22, 1986, 100 Stat. 2095, provided that:

“(1) IN GENERAL.—The amendments made by this section [amending this section and sections 381, 615, 617, 703, and 1016 of this title] shall apply with respect to exploration expenditures paid or incurred after December 31, 1969.

“(2) PRESUMPTION OF ELECTION UNDER SECTION 617.—For purposes of section 617 of the Internal Revenue Code of 1986 [formerly I.R.C. 1954], an election under section 615(e) of such Code, which is effective with respect to exploration expenditures paid or incurred before January 1, 1970, shall be treated as an election under section 617(a) of such Code with respect to exploration expenditures paid or incurred after December 31, 1969. The preceding sentence shall not apply to any taxpayer who notifies the Secretary of the Treasury or his delegate (at such time and in such manner as the Secretary or his delegate prescribes by regulations) that

he does not desire his election under section 615(e) to be so treated.”

#### EFFECTIVE DATE OF 1968 AMENDMENT

Pub. L. 90-364, title I, §103(f), June 28, 1968, 82 Stat. 264, provided that: “Except as provided by section 104 [formerly set out as notes under sections 51 and 6154 of this title], the amendments made by this section [enacting section 6425, amending this section and sections 6020, 6154, 6651, 6655, 7203, and 7701, and repealing sections 6016 and 6074 of this title] shall apply with respect to taxable years beginning after December 31, 1967.”

#### EFFECTIVE DATE OF 1964 AMENDMENT

Pub. L. 88-272, title II, §214(c), Feb. 26, 1964, 78 Stat. 55, provided that: “The amendments made by subsections (a) [amending this section] and (b) [amending sections 244, 246, 804, and 809 of this title] shall apply with respect to dividends received in taxable years ending after December 31, 1963.”

#### EFFECTIVE DATE OF 1960 AMENDMENT

Pub. L. 86-779, §3(c), Sept. 14, 1960, 74 Stat. 998, provided that: “The amendments made by subsections (a) and (b) [amending this section and section 861 of this title] shall apply to dividends received after December 31, 1959, in taxable years ending after such date.”

Amendment by section 10(g) of Pub. L. 86-779 applicable with respect to taxable years of real estate investment trusts beginning after Dec. 31, 1960, see section 10(k) of Pub. L. 86-779, set out as an Effective Date note under section 856 of this title.

#### EFFECTIVE DATE OF 1958 AMENDMENT

Pub. L. 85-866, §57(d), Sept. 2, 1958, 72 Stat. 1646, provided that: “The amendments made by this section [enacting sections 1242 and 1243 and amending this section and sections 165 and 246 of this title] shall apply with respect to taxable years beginning after the date of the enactment of this Act [Sept. 2, 1958].”

#### SAVINGS PROVISION

For provisions that nothing in amendment 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.

#### [§ 244. Repealed. Pub. L. 113-295, div. A, title II, § 221(a)(41)(A), Dec. 19, 2014, 128 Stat. 4043]

Section, Aug. 16, 1954, ch. 736, 68A Stat. 73; Pub. L. 88-272, title II, §214(b)(1), Feb. 26, 1964, 78 Stat. 55; Pub. L. 95-600, title III, §301(b)(3), Nov. 6, 1978, 92 Stat. 2820; Pub. L. 99-514, title VI, §611(a)(2), Oct. 22, 1986, 100 Stat. 2249; Pub. L. 100-203, title X, §10221(a)(2), Dec. 22, 1987, 101 Stat. 1330-408; Pub. L. 100-647, title II, §2004(i)(2), Nov. 10, 1988, 102 Stat. 3603, allowed to corporations as a deduction a percentage of the amount received as dividends on the preferred stock of a public utility.

#### EFFECTIVE DATE OF REPEAL

Repeal not applicable to preferred stock issued before Oct. 1, 1942 (determined in the same manner as under section 247 of this title as in effect before its repeal by Pub. L. 113-295), see section 221(a)(41)(K) of Pub. L. 113-295, set out as an Effective Date of 2014 Amendment note under section 172 of this title.

Except as otherwise provided in section 221(a) of Pub. L. 113-295, repeal effective Dec. 19, 2014, subject to a savings provision, see section 221(b) of Pub. L. 113-295, set out as an Effective Date of 2014 Amendment note under section 1 of this title.

**§ 245. Dividends received from certain foreign corporations**

**(a) Dividends from 10-percent owned foreign corporations**

**(1) In general**

In the case of dividends received by a corporation from a qualified 10-percent owned foreign corporation, there shall be allowed as a deduction an amount equal to the percent (specified in section 243 for the taxable year) of the U.S.-source portion of such dividends.

**(2) Qualified 10-percent owned foreign corporation**

For purposes of this subsection, the term “qualified 10-percent owned foreign corporation” means any foreign corporation (other than a passive foreign investment company) if at least 10 percent of the stock of such corporation (by vote and value) is owned by the taxpayer.

**(3) U.S.-source portion**

For purposes of this subsection, the U.S.-source portion of any dividend is an amount which bears the same ratio to such dividend as—

- (A) the post-1986 undistributed U.S. earnings, bears to
- (B) the total post-1986 undistributed earnings.

**(4) Post-1986 undistributed earnings**

For purposes of this subsection, the term “post-1986 undistributed earnings” has the meaning given to such term by section 902(c)(1).

**(5) Post-1986 undistributed U.S. earnings**

For purposes of this subsection, the term “post-1986 undistributed U.S. earnings” means the portion of the post-1986 undistributed earnings which is attributable to—

(A) income of the qualified 10-percent owned foreign corporation which is effectively connected with the conduct of a trade or business within the United States and subject to tax under this chapter, or

(B) any dividend received (directly or through a wholly owned foreign corporation) from a domestic corporation at least 80 percent of the stock of which (by vote and value) is owned (directly or through such wholly owned foreign corporation) by the qualified 10-percent owned foreign corporation.

**(6) Special rule**

If the 1st day on which the requirements of paragraph (2) are met with respect to any foreign corporation is in a taxable year of such corporation beginning after December 31, 1986, the post-1986 undistributed earnings and the post-1986 undistributed U.S. earnings of such corporation shall be determined by only taking into account periods beginning on and after the 1st day of the 1st taxable year in which such requirements are met.

**(7) Coordination with subsection (b)**

Earnings and profits of any qualified 10-percent owned foreign corporation for any tax-

able year shall not be taken into account under this subsection if the deduction provided by subsection (b) would be allowable with respect to dividends paid out of such earnings and profits.

**(8) Disallowance of foreign tax credit**

No credit shall be allowed under section 901 for any taxes paid or accrued (or treated as paid or accrued) with respect to the United States-source portion of any dividend received by a corporation from a qualified 10-percent-owned foreign corporation.

**(9) Coordination with section 904**

For purposes of section 904, the U.S.-source portion of any dividend received by a corporation from a qualified 10-percent owned foreign corporation shall be treated as from sources in the United States.

**(10) Coordination with treaties**

If—

(A) any portion of a dividend received by a corporation from a qualified 10-percent-owned foreign corporation would be treated as from sources in the United States under paragraph (9),

(B) under a treaty obligation of the United States (applied without regard to this subsection), such portion would be treated as arising from sources outside the United States, and

(C) the taxpayer chooses the benefits of this paragraph,

this subsection shall not apply to such dividend (but subsections (a), (b), and (c) of section 904 and sections 902, 907, and 960 shall be applied separately with respect to such portion of such dividend).

**(11) Coordination with section 1248**

For purposes of this subsection, the term “dividend” does not include any amount treated as a dividend under section 1248.

**(12) Dividends derived from RICs and REITs ineligible for deduction**

Regulated investment companies and real estate investment trusts shall not be treated as domestic corporations for purposes of paragraph (5)(B).

**(b) Certain dividends received from wholly owned foreign subsidiaries**

**(1) In general**

In the case of dividends described in paragraph (2) received from a foreign corporation by a domestic corporation which, for its taxable year in which such dividends are received, owns (directly or indirectly) all of the outstanding stock of such foreign corporation, there shall be allowed as a deduction (in lieu of the deduction provided by subsection (a)) an amount equal to 100 percent of such dividends.

**(2) Eligible dividends**

Paragraph (1) shall apply only to dividends which are paid out of the earnings and profits of a foreign corporation for a taxable year during which—

(A) all of its outstanding stock is owned (directly or indirectly) by the domestic cor-