

Amendment by section 401(a)(1), (b)–(g)(1), (2)(C) of Pub. L. 107–16 applicable to taxable years beginning after Dec. 31, 2001, see section 401(h) of Pub. L. 107–16, set out as a note under section 25A of this title.

Amendment by section 402(a)(4)(A), (C) of Pub. L. 107–16 applicable to taxable years beginning after Dec. 31, 2001, see section 402(h) of Pub. L. 107–16, set out as a note under section 72 of this title.

EFFECTIVE DATE OF 1998 AMENDMENT

Amendment by Pub. L. 105–206 effective, except as otherwise provided, as if included in the provisions of the Taxpayer Relief Act of 1997, Pub. L. 105–34, to which such amendment relates, see section 6024 of Pub. L. 105–206, set out as a note under section 1 of this title.

EFFECTIVE DATE

Section applicable to taxable years beginning after Dec. 31, 1997, see section 213(f) of Pub. L. 105–34, set out as an Effective Date of 1997 Amendment note under section 26 of this title.

**Subchapter G—Corporations Used to Avoid Income Tax on Shareholders**

- Part I. Corporations improperly accumulating surplus.
- II. Personal holding companies.
- [III. Repealed.]
- IV. Deduction for dividends paid.

AMENDMENTS

2004—Pub. L. 108–357, title IV, §413(c)(31), Oct. 22, 2004, 118 Stat. 1509, struck out item for part III “Foreign personal holding companies”.

**PART I—CORPORATIONS IMPROPERLY ACCUMULATING SURPLUS**

- Sec. 531. Imposition of accumulated earnings tax.
- 532. Corporations subject to accumulated earnings tax.
- 533. Evidence of purpose to avoid income tax.
- 534. Burden of proof.
- 535. Accumulated taxable income.
- 536. Income not placed on annual basis.
- 537. Reasonable needs of the business.

**§ 531. Imposition of accumulated earnings tax**

In addition to other taxes imposed by this chapter, there is hereby imposed for each taxable year on the accumulated taxable income (as defined in section 535) of each corporation described in section 532, an accumulated earnings tax equal to 20 percent of the accumulated taxable income.

(Aug. 16, 1954, ch. 736, 68A Stat. 179; Pub. L. 100–647, title I, §1001(a)(2)(A), Nov. 10, 1988, 102 Stat. 3349; Pub. L. 103–66, title XIII, §§13201(b)(1), 13202(b), Aug. 10, 1993, 107 Stat. 459, 461; Pub. L. 107–16, title I, §101(c)(4), June 7, 2001, 115 Stat. 43; Pub. L. 108–27, title III, §302(e)(5), May 28, 2003, 117 Stat. 764; Pub. L. 112–240, title I, §102(c)(1)(A), Jan. 2, 2013, 126 Stat. 2319.)

AMENDMENTS

2013—Pub. L. 112–240 substituted “20 percent” for “15 percent”.

2003—Pub. L. 108–27 substituted “equal to 15 percent of the accumulated taxable income.” for “equal to the product of the highest rate of tax under section 1(c) and the accumulated taxable income.”

2001—Pub. L. 107–16 substituted “equal to the product of the highest rate of tax under section 1(c) and the ac-

cumulated taxable income.” for “equal to 39.6 percent of the accumulated taxable income.”

1993—Pub. L. 103–66, §13202(b), substituted “39.6 percent” for “36 percent”.

Pub. L. 103–66, §13201(b)(1), substituted “36 percent” for “28 percent”.

1988—Pub. L. 100–647 amended section generally. Prior to amendment, section read as follows: “In addition to other taxes imposed by this chapter, there is hereby imposed for each taxable year on the accumulated taxable income (as defined in section 535) of every corporation described in section 532, an accumulated earnings tax equal to the sum of—

- “(1) 27½ percent of the accumulated taxable income not in excess of \$100,000, plus
- “(2) 38½ percent of the accumulated taxable income in excess of \$100,000.”

EFFECTIVE DATE OF 2013 AMENDMENT

Amendment by Pub. L. 112–240 applicable to taxable years beginning after Dec. 31, 2012, see section 102(d)(1) of Pub. L. 112–240, set out as a note under section 1 of this title.

EFFECTIVE DATE OF 2003 AMENDMENT

Amendment by Pub. L. 108–27 applicable, except as otherwise provided, to taxable years beginning after Dec. 31, 2002, see section 302(f) of Pub. L. 108–27, set out as an Effective and Termination Dates of 2003 Amendment note under section 1 of this title.

EFFECTIVE DATE OF 2001 AMENDMENT

Amendment by Pub. L. 107–16 applicable to taxable years beginning after Dec. 31, 2000, see section 101(d)(1) of Pub. L. 107–16, set out as an Effective and Termination Dates of 2001 Amendment note under section 1 of this title.

EFFECTIVE DATE OF 1993 AMENDMENT

Amendment by Pub. L. 103–66 applicable to taxable years beginning after Dec. 31, 1992, see sections 13201(c) and 13202(c) of Pub. L. 103–66, set out as notes under section 1 of this title.

EFFECTIVE DATE OF 1988 AMENDMENT

Pub. L. 100–647, title I, §1001(a)(2)(B), Nov. 10, 1988, 102 Stat. 3349, provided that: “The amendment made by subparagraph (A) [amending this section] shall apply to taxable years beginning after December 31, 1987. Such amendment shall not be treated as a change in a rate of tax for purposes of section 15 of the 1986 Code.”

**§ 532. Corporations subject to accumulated earnings tax**

**(a) General rule**

The accumulated earnings tax imposed by section 531 shall apply to every corporation (other than those described in subsection (b)) formed or availed of for the purpose of avoiding the income tax with respect to its shareholders or the shareholders of any other corporation, by permitting earnings and profits to accumulate instead of being divided or distributed.

**(b) Exceptions**

The accumulated earnings tax imposed by section 531 shall not apply to—

- (1) a personal holding company (as defined in section 542),
- (2) a corporation exempt from tax under subchapter F (section 501 and following), or
- (3) a passive foreign investment company (as defined in section 1297).

**(c) Application determined without regard to number of shareholders**

The application of this part to a corporation shall be determined without regard to the number of shareholders of such corporation.