

- (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 4th 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 cor-