

**(g) Regulations**

The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section, including regulations which—

- (1) allow in appropriate cases the aggregation of property subject to the same lease, and
- (2) provide for the determination of the allocation of interest expense for purposes of this section.

(Added Pub. L. 108-357, title VIII, §848(a), Oct. 22, 2004, 118 Stat. 1602; amended Pub. L. 110-172, §7(c), Dec. 29, 2007, 121 Stat. 2482.)

AMENDMENTS

2007—Subsec. (c)(2). Pub. L. 110-172, §7(c)(1), reenacted heading without change and amended text generally. Prior to amendment, text read as follows: “The term ‘tax-exempt use property’ has the meaning given to such term by section 168(h), except that such section shall be applied—

“(A) without regard to paragraphs (1)(C) and (3) thereof, and

“(B) as if property described in—

“(i) section 167(f)(1)(B),

“(ii) section 167(f)(2), and

“(iii) section 197 intangible,

were tangible property.

Such term shall not include property which would (but for this sentence) be tax-exempt use property solely by reason of section 168(h)(6) if any credit is allowable under section 42 or 47 with respect to such property.”

Subsec. (d)(1)(A). Pub. L. 110-172, §7(c)(2), in introductory provisions, substituted “(at all times during the lease term)” for “(at any time during the lease term)”.

EFFECTIVE DATE OF 2007 AMENDMENT

Amendment by Pub. L. 110-172 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 7(e) of Pub. L. 110-172, set out as a note under section 1092 of this title.

EFFECTIVE DATE

Pub. L. 108-357, title VIII, §849, Oct. 22, 2004, 118 Stat. 1606, as amended by Pub. L. 109-135, title IV, §403(ff), Dec. 21, 2005, 119 Stat. 2631, provided that:

“(a) IN GENERAL.—Except as provided in this section, the amendments made by this part [part III (§§847-849) of subtitle B of title VIII of Pub. L. 108-357, enacting this section and amending sections 167, 168, and 197 of this title] shall apply to leases entered into after March 12, 2004, and in the case of property treated as tax-exempt use property other than by reason of a lease, to property acquired after March 12, 2004.

“(b) EXCEPTION.—

“(1) IN GENERAL.—The amendments made by this part shall not apply to qualified transportation property.

“(2) QUALIFIED TRANSPORTATION PROPERTY.—For purposes of paragraph (1), the term ‘qualified transportation property’ means domestic property subject to a lease with respect to which a formal application—

“(A) was submitted for approval to the Federal Transit Administration (an agency of the Department of Transportation) after June 30, 2003, and before March 13, 2004,

“(B) is approved by the Federal Transit Administration before January 1, 2006, and

“(C) includes a description of such property and the value of such property.

“(3) EXCHANGES AND CONVERSION OF TAX-EXEMPT USE PROPERTY.—Section 470(e)(4) of the Internal Revenue Code of 1986, as added by section 848, shall apply to property exchanged or converted after the date of the enactment of this Act [Oct. 22, 2004].

“(4) INTANGIBLES AND INDIAN TRIBAL GOVERNMENTS.—The amendments made subsections (b)(2), (b)(3), and (e) of section 847 [amending sections 167, 168, and 197 of this title], and the treatment of property described in clauses (ii) and (iii) of section 470(c)(2)(B) of the Internal Revenue Code of 1986 (as added by section 848) as tangible property, shall apply to leases entered into after October 3, 2004.”

SUBPART D—INVENTORIES

Sec.

471. General rule for inventories.

472. Last-in, first-out inventories.

473. Qualified liquidations of LIFO inventories.

474. Simplified dollar-value LIFO method for certain small businesses.

475. Mark to market accounting method for dealers in securities.

AMENDMENTS

1993—Pub. L. 103-66, title XIII, §13223(b)(2), Aug. 10, 1993, 107 Stat. 484, added item 475.

1986—Pub. L. 99-514, title VIII, §802(b), Oct. 22, 1986, 100 Stat. 2350, substituted “Simplified dollar-value LIFO method for certain small businesses” for “Election by certain small businesses to use one inventory pool” in item 474.

1981—Pub. L. 97-34, title II, §237(b), Aug. 13, 1981, 95 Stat. 253, added item 474.

1980—Pub. L. 96-223, title IV, §403(a)(2), Apr. 2, 1980, 94 Stat. 304, added item 473.

**§ 471. General rule for inventories**

**(a) General rule**

Whenever in the opinion of the Secretary the use of inventories is necessary in order clearly to determine the income of any taxpayer, inventories shall be taken by such taxpayer on such basis as the Secretary may prescribe as conforming as nearly as may be to the best accounting practice in the trade or business and as most clearly reflecting the income.

**(b) Estimates of inventory shrinkage permitted**

A method of determining inventories shall not be treated as failing to clearly reflect income solely because it utilizes estimates of inventory shrinkage that are confirmed by a physical count only after the last day of the taxable year if—

(1) the taxpayer normally does a physical count of inventories at each location on a regular and consistent basis, and

(2) the taxpayer makes proper adjustments to such inventories and to its estimating methods to the extent such estimates are greater than or less than the actual shrinkage.

**(c) Cross reference**

**For rules relating to capitalization of direct and indirect costs of property, see section 263A.**

(Aug. 16, 1954, ch. 736, 68A Stat. 159; Pub. L. 94-455, title XIX, §1906(b)(13)(A), Oct. 4, 1976, 90 Stat. 1834; Pub. L. 99-514, title VIII, §803(b)(4), Oct. 22, 1986, 100 Stat. 2356; Pub. L. 105-34, title IX, §961(a), Aug. 5, 1997, 111 Stat. 891.)

AMENDMENTS

1997—Subsecs. (b), (c). Pub. L. 105-34 added subsec. (b) and redesignated former subsec. (b) as (c).

1986—Pub. L. 99-514 designated existing provisions as subsec. (a) and added subsec. (b).

1976—Pub. L. 94-455 struck out “or his delegate” after “Secretary” wherever appearing.