

“(B) the transaction resulting in such constructive sale of such position remains open (with respect to the decedent or any related person)—

“(i) for not less than 2 years after the date of such transaction (whether such period is before or after June 8, 1997), and

“(ii) at any time during the 3-year period ending on the date of the decedent’s death, and

“(C) such transaction is not closed before the close of the 30th day after the date of the enactment of this Act,

then, for purposes of such Code [probably means the Internal Revenue Code of 1986], such position (and the transaction resulting in such constructive sale) shall be treated as property constituting rights to receive an item of income in respect of a decedent under section 691 of such Code. Section 1014(c) of such Code shall not apply to so much of such position’s or property’s value (as included in the decedent’s estate for purposes of chapter 11 of such Code) as exceeds its fair market value as of the date such transaction is closed.

“(4) ELECTION OF MARK TO MARKET BY SECURITIES TRADERS AND TRADERS AND DEALERS IN COMMODITIES.—

“(A) IN GENERAL.—The amendments made by subsection (b) [amending this section] shall apply to taxable years ending after the date of the enactment of this Act.

“(B) 4-YEAR SPREAD OF ADJUSTMENTS.—In the case of a taxpayer who elects under subsection (e) or (f) of section 475 of the Internal Revenue Code of 1986 (as added by this section) to change its method of accounting for the taxable year which includes the date of the enactment of this Act—

“(i) any identification required under such subsection with respect to securities and commodities held on the date of the enactment of this Act shall be treated as timely made if made on or before the 30th day after such date of enactment, and

“(ii) the net amount of the adjustments required to be taken into account by the taxpayer under section 481 of such Code shall be taken into account ratably over the 4-taxable year period beginning with such first taxable year.”

EFFECTIVE DATE

Pub. L. 103-66, title XIII, §13223(c), Aug. 10, 1993, 107 Stat. 484, provided that:

“(1) IN GENERAL.—The amendments made by this section [enacting this section and amending section 988 of this title] shall apply to all taxable years ending on or after December 31, 1993.

“(2) CHANGE IN METHOD OF ACCOUNTING.—In the case of any taxpayer required by this section to change its method of accounting for any taxable year—

“(A) such change shall be treated as initiated by the taxpayer,

“(B) such change shall be treated as made with the consent of the Secretary, and

“(C) except as provided in paragraph (3), the net amount of the adjustments required to be taken into account by the taxpayer under section 481 of the Internal Revenue Code of 1986 shall be taken into account ratably over the 5-taxable year period beginning with the first taxable year ending on or after December 31, 1993.

“(3) SPECIAL RULE FOR FLOOR SPECIALISTS AND MARKET MAKERS.—

“(A) IN GENERAL.—If—

“(i) a taxpayer (or any predecessor) used the last-in first-out (LIFO) method of accounting with respect to any qualified securities for the 5-taxable year period ending with its last taxable year ending before December 31, 1993, and

“(ii) any portion of the net amount described in paragraph (2)(C) is attributable to the use of such method of accounting,

then paragraph (2)(C) shall be applied by taking such portion into account ratably over the 15-taxable year period beginning with the first taxable year ending on or after December 31, 1993.

“(B) QUALIFIED SECURITY.—For purposes of this paragraph, the term ‘qualified security’ means any security acquired—

“(i) by a floor specialist (as defined in section 1236(d)(2) of the Internal Revenue Code of 1986) in connection with the specialist’s duties as a specialist on an exchange, but only if the security is one in which the specialist is registered with the exchange, or

“(ii) by a taxpayer who is a market maker in connection with the taxpayer’s duties as a market maker, but only if—

“(I) the security is included on the National Association of Security Dealers Automated Quotation System,

“(II) the taxpayer is registered as a market maker in such security with the National Association of Security Dealers, and

“(III) as of the last day of the taxable year preceding the taxpayer’s first taxable year ending on or after December 31, 1993, the taxpayer (or any predecessor) has been actively and regularly engaged as a market maker in such security for the 2-year period ending on such date (or, if shorter, the period beginning 61 days after the security was listed in such quotation system and ending on such date).”

PART III—ADJUSTMENTS

- Sec. 481. Adjustments required by changes in method of accounting.
- 482. Allocation of income and deductions among taxpayers.
- 483. Interest on certain deferred payments.

AMENDMENTS

1964—Pub. L. 88-272, title II, §224(b), Feb. 26, 1964, 78 Stat. 79, added item 483.

§ 481. Adjustments required by changes in method of accounting

(a) General rule

In computing the taxpayer’s taxable income for any taxable year (referred to in this section as the “year of the change”)—

(1) if such computation is under a method of accounting different from the method under which the taxpayer’s taxable income for the preceding taxable year was computed, then

(2) there shall be taken into account those adjustments which are determined to be necessary solely by reason of the change in order to prevent amounts from being duplicated or omitted, except there shall not be taken into account any adjustment in respect of any taxable year to which this section does not apply unless the adjustment is attributable to a change in the method of accounting initiated by the taxpayer.

(b) Limitation on tax where adjustments are substantial

(1) Three year allocation

If—

(A) the method of accounting from which the change is made was used by the taxpayer in computing his taxable income for the 2 taxable years preceding the year of the change, and

(B) the increase in taxable income for the year of the change which results solely by reason of the adjustments required by subsection (a)(2) exceeds \$3,000,