

made in a way that tends to restore the fair market value of the stock to not more than the agreed percentage.

(Pub. L. 109-304, §8(c), Oct. 6, 2006, 120 Stat. 1594.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
53506	46 App.:1177(c).	June 29, 1936, ch. 858, title VI, §607(c), 49 Stat. 2005; June 23, 1938, ch. 600, §§23-28, 52 Stat. 960; Aug. 4, 1939, ch. 417, §10, 53 Stat. 1185; July 17, 1952, ch. 939, §§17-19, 66 Stat. 764; Pub. L. 85-637, Aug. 14, 1958, 72 Stat. 216; Pub. L. 86-518, §1, June 12, 1960, 74 Stat. 216; Pub. L. 87-45, §6, May 27, 1961, 75 Stat. 91; Pub. L. 87-271, Sept. 21, 1961, 75 Stat. 570; restated Pub. L. 91-469, §21(a), Oct. 21, 1970, 84 Stat. 1027; Pub. L. 97-31, §12(97)(A), Aug. 6, 1981, 95 Stat. 162.

In subsection (b)(1)(B), the words “prudent investor” are substituted for “prudent men of discretion and intelligence in such matters” to eliminate unnecessary words.

§ 53507. Nontaxation of deposits

(a) TAX TREATMENT.—Subject to subsection (b), under the Internal Revenue Code of 1986 (26 U.S.C. 1 et seq.)—

(1) taxable income (determined without regard to this chapter and section 7518 of such Code (26 U.S.C. 7518)) for the taxable year shall be reduced by the amount deposited for the taxable year out of amounts referred to in section 53505(a)(1) of this title;

(2) a gain from a transaction referred to in section 53505(a)(3) of this title shall not be taken into account if an amount equal to the net proceeds (as defined in joint regulations) from the transaction is deposited in the fund;

(3) the earnings (including gains and losses) from the investment and reinvestment of amounts held in the fund shall not be taken into account;

(4) the earnings and profits of a corporation (within the meaning of section 316 of such Code (26 U.S.C. 316)) shall be determined without regard to this chapter and section 7518 of such Code (26 U.S.C. 7518); and

(5) in applying the tax imposed by section 531 of such Code (26 U.S.C. 531), amounts held in the fund shall not be taken into account.

(b) CONDITION.—This section applies to an amount only if the amount is deposited in the fund under the agreement within the time provided in joint regulations.

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§ 53508. Separate accounts within a fund

(a) IN GENERAL.—A capital construction fund shall have three accounts:

- (1) The capital account.
- (2) The capital gain account.
- (3) The ordinary income account.

(b) CAPITAL ACCOUNT.—The capital account shall consist of—

- (1) amounts referred to in section 53505(a)(2) of this title;
- (2) amounts referred to in section 53505(a)(3) of this title, except that portion representing a gain not taken into account because of section 53507(a)(2) of this title;
- (3) the percentage applicable under section 243(a)(1) of the Internal Revenue Code of 1986 (26 U.S.C. 243(a)(1)) of any dividend received by the fund for which the person maintaining the fund would be allowed (were it not for section 53507(a)(3) of this title) a deduction under section 243 of such Code (26 U.S.C. 243); and
- (4) interest income exempt from taxation under section 103 of such Code (26 U.S.C. 103).

(c) CAPITAL GAIN ACCOUNT.—The capital gain account shall consist of—

- (1) amounts representing capital gains on assets held for more than 6 months and referred to in section 53505(a)(3) or (4) of this title; minus
- (2) amounts representing capital losses on assets held in the fund for more than 6 months.

(d) ORDINARY INCOME ACCOUNT.—The ordinary income account shall consist of—

- (1) amounts referred to in section 53505(a)(1) of this title;
- (2)(A) amounts representing capital gains on assets held for not more than 6 months and referred to in section 53505(a)(3) or (4) of this title; minus
- (B) amounts representing capital losses on assets held in the fund for not more than 6 months;
- (3) interest (except tax-exempt interest referred to in subsection (b)(4)) and other ordinary income (except any dividend referred to in paragraph (5)) received on assets held in the fund;
- (4) ordinary income from a transaction described in section 53505(a)(3) of this title; and
- (5) that portion of any dividend referred to in subsection (b)(3) not taken into account under subsection (b)(3).

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