

any period before the date on which such contract meets such requirements. Any death benefits paid under a flexible premium life insurance contract (within the meaning of section 101(f)(3)(A) of such Code) before the date which is 1 year after such date of enactment [Sept. 3, 1982] shall be excluded from gross income.

“(3) SPECIAL RULE FOR CERTAIN CONTRACTS.—Any contract entered into before January 1, 1983, shall be treated as meeting the requirements of subparagraph (A) of section 101(f)(1) of such Code if such contract would meet such requirements if section 101(f)(2)(C) of such Code were applied by substituting ‘3 percent’ for ‘4 percent.’”

## § 102. Gifts and inheritances

### (a) General rule

Gross income does not include the value of property acquired by gift, bequest, devise, or inheritance.

### (b) Income

Subsection (a) shall not exclude from gross income—

- (1) the income from any property referred to in subsection (a); or
- (2) where the gift, bequest, devise, or inheritance is of income from property, the amount of such income.

Where, under the terms of the gift, bequest, devise, or inheritance, the payment, crediting, or distribution thereof is to be made at intervals, then, to the extent that it is paid or credited or to be distributed out of income from property, it shall be treated for purposes of paragraph (2) as a gift, bequest, devise, or inheritance of income from property. Any amount included in the gross income of a beneficiary under subchapter J shall be treated for purposes of paragraph (2) as a gift, bequest, devise, or inheritance of income from property.

### (c) Employee gifts

#### (1) In general

Subsection (a) shall not exclude from gross income any amount transferred by or for an employer to, or for the benefit of, an employee.

#### (2) Cross references

**For provisions excluding certain employee achievement awards from gross income, see section 74(c).**

**For provisions excluding certain de minimis fringes from gross income, see section 132(e).**

(Aug. 16, 1954, ch. 736, 68A Stat. 28; Pub. L. 99-514, title I, §122(b), Oct. 22, 1986, 100 Stat. 2110.)

#### AMENDMENTS

1986—Subsec. (c). Pub. L. 99-514 added subsec. (c).

#### EFFECTIVE DATE OF 1986 AMENDMENT

Amendment by Pub. L. 99-514 applicable to prizes and awards granted after Dec. 31, 1986, see section 151(c) of Pub. L. 99-514, set out as a note under section 1 of this title.

## § 103. Interest on State and local bonds

### (a) Exclusion

Except as provided in subsection (b), gross income does not include interest on any State or local bond.

### (b) Exceptions

Subsection (a) shall not apply to—

#### (1) Private activity bond which is not a qualified bond

Any private activity bond which is not a qualified bond (within the meaning of section 141).

#### (2) Arbitrage bond

Any arbitrage bond (within the meaning of section 148).

#### (3) Bond not in registered form, etc.

Any bond unless such bond meets the applicable requirements of section 149.

### (c) Definitions

For purposes of this section and part IV—

#### (1) State or local bond

The term “State or local bond” means an obligation of a State or political subdivision thereof.

#### (2) State

The term “State” includes the District of Columbia and any possession of the United States.

(Aug. 16, 1954, ch. 736, 68A Stat. 29; Pub. L. 90-364, title I, §107(a), June 28, 1968, 82 Stat. 266; Pub. L. 90-634, title IV, §401(a), Oct. 24, 1968, 82 Stat. 1349; Pub. L. 91-172, title VI, §601(a), Dec. 30, 1969, 83 Stat. 656; Pub. L. 92-178, title III, §315(a), (b), Dec. 10, 1971, 85 Stat. 529; Pub. L. 94-164, §7(a), Dec. 23, 1975, 89 Stat. 976; Pub. L. 94-182, title III, §301(a), Dec. 31, 1975, 89 Stat. 1056; Pub. L. 94-455, title XIX, §§1901(a)(17), (b)(8)(B), 1906(b)(13)(A), title XXI, §§2105(a)-(c), 2137(d), Oct. 4, 1976, 90 Stat. 1765, 1766, 1794, 1834, 1902, 1931; Pub. L. 95-339, title II, §201(a), Aug. 8, 1978, 92 Stat. 467; Pub. L. 95-600, title III, §§331(a), (b), 332(a), 333(a), 334(a), (b), title VII, §703(j)(1), (q)(1), Nov. 6, 1978, 92 Stat. 2839-2841, 2941, 2944; Pub. L. 96-222, title I, §107(a)(3)(C), Apr. 1, 1980, 94 Stat. 223; Pub. L. 96-223, title II, §§241(a), 242(a), 244(a), Apr. 2, 1980, 94 Stat. 281, 283, 286; Pub. L. 96-499, title XI, §1103, Dec. 5, 1980, 94 Stat. 2669; Pub. L. 97-34, title VIII, §§811(a), (b), 812(a), Aug. 13, 1981, 95 Stat. 349, 350; Pub. L. 97-248, title II, §§214(a)-(e), 215(a), (b), 217(a)-(d), 219(a), 221(a), (b), (c)(1), title III, §310(b)(1), (c)(1), (2), Sept. 3, 1982, 96 Stat. 466-469, 472-474, 477, 478, 596, 599; Pub. L. 97-424, title V, §547(a), Jan. 6, 1983, 96 Stat. 2199; Pub. L. 97-473, title II, §202(b)(2), Jan. 14, 1983, 96 Stat. 2609; Pub. L. 98-369, div. A, title IV, §474(r)(4), title VI, §§621-624(a), (b)(2), (3), 626(a), 627, 628(a), (c)-(e), (g), 630, July 18, 1984, 98 Stat. 839, 915-922, 924, 926, 928, 931-933; Pub. L. 99-272, title XIII, §13209(e), Apr. 7, 1986, 100 Stat. 323; Pub. L. 99-514, title XIII, §1301(a), title XVIII, §§1864(a)(1), (b)-(e), 1865(a), 1869(a), (b), 1870, 1871(a)(1), (b), 1899A(2)-(4), Oct. 22, 1986, 100 Stat. 2602, 2885, 2886, 2888, 2890, 2891, 2958; Pub. L. 100-647, title I, §1013(a)(34)(A), (c)(12)(A), Nov. 10, 1988, 102 Stat. 3544, 3547.)

#### AMENDMENTS

1988—Subsec. (b)(6)(N). Pub. L. 100-647, §1013(c)(12)(A), amended subpar. (N), as in effect on the day before the date of the enactment of Pub. L. 99-514 [Oct. 22, 1986], by redesignating cls. (ii) and (iii) as (iii) and (iv), re-