

§ 224. Cross reference

For deductions in respect of a decedent, see section 691.

(Aug. 16, 1954, ch. 736, 68A Stat. 72, §217; renumbered §218, Pub. L. 88-272, title II, §213(a)(1), Feb. 26, 1964, 78 Stat. 50; renumbered §219, Pub. L. 92-178, title VII, §702(a), Dec. 10, 1971, 85 Stat. 561; renumbered §220, Pub. L. 93-406, title II, §2002(a)(1), Sept. 2, 1974, 88 Stat. 958; renumbered §221, Pub. L. 94-455, title XV, §1501(a), Oct. 4, 1976, 90 Stat. 1734; renumbered §222, renumbered §223, Pub. L. 97-34, title I, §§103(a), 125(a), Aug. 13, 1981, 95 Stat. 187, 201; renumbered §220 and amended Pub. L. 99-514, title I, §135(b)(1), title III, §301(b)(5)(A), Oct. 22, 1986, 100 Stat. 2116, 2217; renumbered §221, Pub. L. 100-647, title VI, §6007(a), Nov. 10, 1988, 102 Stat. 3687; renumbered §220, Pub. L. 101-508, title XI, §11802(e)(2), Nov. 5, 1990, 104 Stat. 1388-530; renumbered §221, Pub. L. 104-191, title III, §301(a), Aug. 21, 1996, 110 Stat. 2037; renumbered §222, Pub. L. 105-34, title II, §202(a), Aug. 5, 1997, 111 Stat. 806; renumbered §223, Pub. L. 107-16, title IV, §431(a), June 7, 2001, 115 Stat. 66; renumbered §224, Pub. L. 108-173, title XII, §1201(a), Dec. 8, 2003, 117 Stat. 2469.)

AMENDMENTS

2003—Pub. L. 108-173 renumbered section 223 of this title as this section.

2001—Pub. L. 107-16 renumbered section 222 of this title as this section.

1997—Pub. L. 105-34 renumbered section 221 of this title as this section.

1996—Pub. L. 104-191 renumbered section 220 of this title as this section.

1990—Pub. L. 101-508 renumbered section 221 of this title as this section.

1986—Pub. L. 99-514, §135(b)(1), renumbered section 223 of this title as this section.

Pub. L. 99-514, §301(b)(5)(A), amended section generally, substituting “reference” for “references” in section catchline, striking out par. (1) which referred to section 1202 for deduction for long-term capital gains in the case of a taxpayer other than a corporation, and striking out par. (2) designation.

1981—Pub. L. 97-34 successively renumbered sections 221 and 222 of this title as this section.

1976—Pub. L. 94-455 renumbered section 220 of this title as this section.

1974—Pub. L. 93-406 renumbered section 219 of this title as this section.

1971—Pub. L. 92-178 renumbered section 218 of this title as this section.

1964—Pub. L. 88-272 renumbered section 217 of this title as this section.

EFFECTIVE DATE OF 2003 AMENDMENT

Amendment by Pub. L. 108-173 applicable to taxable years beginning after Dec. 31, 2003, see section 1201(k) of Pub. L. 108-173, set out as a note under section 62 of this title.

EFFECTIVE DATE OF 2001 AMENDMENT

Amendment by Pub. L. 107-16 applicable to payments made in taxable years beginning after Dec. 31, 2001, see section 431(d) of Pub. L. 107-16, set out as a note under section 62 of this title.

EFFECTIVE DATE OF 1986 AMENDMENT

Amendment by section 301(b)(5)(A) of Pub. L. 99-514 applicable to taxable years beginning after Dec. 31, 1986, see section 301(c) of Pub. L. 99-514, set out as a note under section 62 of this title.

SAVINGS PROVISION

For provisions that nothing in amendment by section 11802(e)(2) of Pub. L. 101-508 be construed to affect

treatment of certain transactions occurring, property acquired, or items of income, loss, deduction, or credit taken into account prior to Nov. 5, 1990, for purposes of determining liability for tax for periods ending after Nov. 5, 1990, see section 11821(b) of Pub. L. 101-508, set out as a note under section 45K of this title.

PART VIII—SPECIAL DEDUCTIONS FOR CORPORATIONS

Sec.	
241.	Allowance of special deductions.
[242.]	Repealed.]
243.	Dividends received by corporations.
[244.]	Repealed.]
245.	Dividends received from certain foreign corporations.
245A.	Deduction for foreign source-portion of dividends received by domestic corporations from certain 10-percent owned foreign corporations. ¹
246.	Rules applying to deductions for dividends received.
246A.	Dividends received deduction reduced where portfolio stock is debt financed.
247.	Contributions to Alaska Native Settlement Trusts.
248.	Organizational expenditures.
249.	Limitation on deduction of bond premium on repurchase.
250.	Foreign-derived intangible income and global intangible low-taxed income.

AMENDMENTS

2017—Pub. L. 115-97, title I, §§13821(b)(2), 14101(e)(3), 14202(b)(4), Dec. 22, 2017, 131 Stat. 2181, 2192, 2216, added items 245A, 247, and 250.

2014—Pub. L. 113-295, div. A, title II, §221(a)(41)(A), Dec. 19, 2014, 128 Stat. 4043, struck out item 244 “Dividends received on certain preferred stock” and item 247 “Dividends paid on certain preferred stock of public utilities”.

1990—Pub. L. 101-508, title XI, §11801(b)(4), Nov. 5, 1990, 104 Stat. 1388-522, struck out item 250 “Certain payments to the National Railroad Passenger Corporation”.

1984—Pub. L. 98-369, div. A, title I, §51(b), July 18, 1984, 98 Stat. 564, added item 246A.

1976—Pub. L. 94-455, title XIX, §1901(b)(1)(AA), Oct. 4, 1976, 90 Stat. 1792, struck out item 242 “Partially tax-exempt interest”.

1970—Pub. L. 91-518, title IX, §901(b), Oct. 30, 1970, 84 Stat. 1342, added item 250.

1969—Pub. L. 91-172, title IV, §414(b), Dec. 30, 1969, 83 Stat. 613, added item 249.

§ 241. Allowance of special deductions

In addition to the deductions provided in part VI (sec. 161 and following), there shall be allowed as deductions in computing taxable income the items specified in this part.

(Aug. 16, 1954, ch. 736, 68A Stat. 72.)

[§ 242. Repealed. Pub. L. 94-455, title XIX, § 1901(a)(33), Oct. 4, 1976, 90 Stat. 1769]

Section, acts Aug. 16, 1954, ch. 736, 68A Stat. 72; Feb. 26, 1964, Pub. L. 88-272, title I, §123(c), 78 Stat. 30, allowed to corporations as a deduction the amount received as interest on obligations of the United States or on obligations of corporations organized under Acts of Congress which are instrumentalities of the United States under certain conditions.

EFFECTIVE DATE OF REPEAL

Repeal effective for taxable years beginning after Dec. 31, 1976, see section 1901(d) of Pub. L. 94-455, set

¹ So in original. Does not conform to section catchline.

out as an Effective Date of 1976 Amendment note under section 2 of this title.

§ 243. Dividends received by corporations

(a) General rule

In the case of a corporation, there shall be allowed as a deduction an amount equal to the following percentages of the amount received as dividends from a domestic corporation which is subject to taxation under this chapter:

- (1) 50 percent, in the case of dividends other than dividends described in paragraph (2) or (3);
- (2) 100 percent, in the case of dividends received by a small business investment company operating under the Small Business Investment Act of 1958 (15 U.S.C. 661 and following); and
- (3) 100 percent, in the case of qualifying dividends (as defined in subsection (b)(1)).

(b) Qualifying dividends

(1) In general

For purposes of this section, the term “qualifying dividend” means any dividend received by a corporation—

- (A) if at the close of the day on which such dividend is received, such corporation is a member of the same affiliated group as the corporation distributing such dividend, and
- (B) if—

- (i) such dividend is distributed out of the earnings and profits of a taxable year of the distributing corporation which ends after December 31, 1963, for which an election under section 1562 was not in effect, and on each day of which the distributing corporation and the corporation receiving the dividend were members of such affiliated group, or
 - (ii) such dividend is paid by a corporation with respect to which an election under section 936 is in effect for the taxable year in which such dividend is paid.

(2) Affiliated group

For purposes of this subsection:

(A) In general

The term “affiliated group” has the meaning given such term by section 1504(a), except that for such purposes sections 1504(b)(2), 1504(b)(4), and 1504(c) shall not apply.

(B) Group must be consistent in foreign tax treatment

The requirements of paragraph (1)(A) shall not be treated as being met with respect to any dividend received by a corporation if, for any taxable year which includes the day on which such dividend is received—

- (i) 1 or more members of the affiliated group referred to in paragraph (1)(A) choose to any extent to take the benefits of section 901, and
- (ii) 1 or more other members of such group claim to any extent a deduction for taxes otherwise creditable under section 901.

(3) Special rule for groups which include life insurance companies

(A) In general

In the case of an affiliated group which includes 1 or more insurance companies under section 801, no dividend by any member of such group shall be treated as a qualifying dividend unless an election under this paragraph is in effect for the taxable year in which the dividend is received. The preceding sentence shall not apply in the case of a dividend described in paragraph (1)(B)(ii).

(B) Effect of election

If an election under this paragraph is in effect with respect to any affiliated group—

- (i) part II of subchapter B of chapter 6 (relating to certain controlled corporations) shall be applied with respect to the members of such group without regard to sections 1563(a)(4) and 1563(b)(2)(D), and
- (ii) for purposes of this subsection, a distribution by any member of such group which is subject to tax under section 801 shall not be treated as a qualifying dividend if such distribution is out of earnings and profits for a taxable year for which an election under this paragraph is not effective and for which such distributing corporation was not a component member of a controlled group of corporations within the meaning of section 1563 solely by reason of section 1563(b)(2)(D).

(C) Election

An election under this paragraph shall be made by the common parent of the affiliated group and at such time and in such manner as the Secretary shall by regulations prescribe. Any such election shall be binding on all members of such group and may be revoked only with the consent of the Secretary.

(c) Increased percentage for dividends from 20-percent owned corporations

(1) In general

In the case of any dividend received from a 20-percent owned corporation, subsection (a)(1) shall be applied by substituting “65 percent” for “50 percent”.

(2) 20-percent owned corporation

For purposes of this section, the term “20-percent owned corporation” means any corporation if 20 percent or more of the stock of such corporation (by vote and value) is owned by the taxpayer. For purposes of the preceding sentence, stock described in section 1504(a)(4) shall not be taken into account.

(d) Special rules for certain distributions

For purposes of subsection (a)—

- (1) Any amount allowed as a deduction under section 591 (relating to deduction for dividends paid by mutual savings banks, etc.) shall not be treated as a dividend.
- (2) A dividend received from a regulated investment company shall be subject to the limitations prescribed in section 854.
- (3) Any dividend received from a real estate investment trust which, for the taxable year