

(Aug. 16, 1954, ch. 736, 68A Stat. 179; Pub. L. 98-369, div. A, title I, §58(a), July 18, 1984, 98 Stat. 574; Pub. L. 99-514, title XII, §1235(f)(1), Oct. 22, 1986, 100 Stat. 2575; Pub. L. 105-34, title XI, §1122(d)(1), Aug. 5, 1997, 111 Stat. 977; Pub. L. 109-135, title IV, §403(n)(1), Dec. 21, 2005, 119 Stat. 2626.)

#### AMENDMENTS

2005—Subsec. (b)(2) to (4). Pub. L. 109-135 redesignated pars. (3) and (4) as (2) and (3), respectively, and struck out former par. (2) which read as follows: “a foreign personal holding company (as defined in section 552).”.

1997—Subsec. (b)(4). Pub. L. 105-34 substituted “section 1297” for “section 1296”.

1986—Subsec. (b)(4). Pub. L. 99-514 added par. (4).

1984—Subsec. (c). Pub. L. 98-369 added subsec. (c).

#### EFFECTIVE DATE OF 2005 AMENDMENT

Amendment by Pub. L. 109-135 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 403(nn) of Pub. L. 109-135, set out as a note under section 26 of this title.

#### EFFECTIVE DATE OF 1997 AMENDMENT

Pub. L. 105-34, title XI, §1124, Aug. 5, 1997, 111 Stat. 978, provided that: “The amendments made by this subtitle [subtitle C (§§1121-1124) of title XI of Pub. L. 105-34, enacting section 1296 of this title, amending this section and sections 542, 551, 852, 1291, 1293, 1296 to 1298, and 4982 of this title, redesignating subpart C of part VI of subchapter P of this chapter as subpart D of part VI of subchapter P of this chapter, and renumbering sections 1296 and 1297 of this title as sections 1297 and 1298, respectively, of this title] shall apply to—

“(1) taxable years of United States persons beginning after December 31, 1997, and

“(2) taxable years of foreign corporations ending with or within such taxable years of United States persons.”

#### EFFECTIVE DATE OF 1986 AMENDMENT

Amendment by Pub. L. 99-514 applicable to taxable years of foreign corporations beginning after Dec. 31, 1986, see section 1235(h) of Pub. L. 99-514, set out as an Effective Date note under section 1291 of this title.

#### EFFECTIVE DATE OF 1984 AMENDMENT

Pub. L. 98-369, div. A, title I, §58(c), July 18, 1984, 98 Stat. 576, provided that: “The amendments made by this section [amending this section and section 535 of this title] shall apply to taxable years beginning after the date of the enactment of this Act [July 18, 1984].”

### § 533. Evidence of purpose to avoid income tax

#### (a) Unreasonable accumulation determinative of purpose

For purposes of section 532, the fact that the earnings and profits of a corporation are permitted to accumulate beyond the reasonable needs of the business shall be determinative of the purpose to avoid the income tax with respect to shareholders, unless the corporation by the preponderance of the evidence shall prove to the contrary.

#### (b) Holding or investment company

The fact that any corporation is a mere holding or investment company shall be prima facie evidence of the purpose to avoid the income tax with respect to shareholders.

(Aug. 16, 1954, ch. 736, 68A Stat. 179.)

### § 534. Burden of proof

#### (a) General rule

In any proceeding before the Tax Court involving a notice of deficiency based in whole or in part on the allegation that all or any part of the earnings and profits have been permitted to accumulate beyond the reasonable needs of the business, the burden of proof with respect to such allegation shall—

(1) if notification has not been sent in accordance with subsection (b), be on the Secretary, or

(2) if the taxpayer has submitted the statement described in subsection (c), be on the Secretary with respect to the grounds set forth in such statement in accordance with the provisions of such subsection.

#### (b) Notification by Secretary

Before mailing the notice of deficiency referred to in subsection (a), the Secretary may send by certified mail or registered mail a notification informing the taxpayer that the proposed notice of deficiency includes an amount with respect to the accumulated earnings tax imposed by section 531.

#### (c) Statement by taxpayer

Within such time (but not less than 30 days) after the mailing of the notification described in subsection (b) as the Secretary may prescribe by regulations, the taxpayer may submit a statement of the grounds (together with facts sufficient to show the basis thereof) on which the taxpayer relies to establish that all or any part of the earnings and profits have not been permitted to accumulate beyond the reasonable needs of the business.

#### (d) Jeopardy assessment

If pursuant to section 6861(a) a jeopardy assessment is made before the mailing of the notice of deficiency referred to in subsection (a), for purposes of this section such notice of deficiency shall, to the extent that it informs the taxpayer that such deficiency includes the accumulated earnings tax imposed by section 531, constitute the notification described in subsection (b), and in that event the statement described in subsection (c) may be included in the taxpayer's petition to the Tax Court.

(Aug. 16, 1954, ch. 736, 68A Stat. 180; Aug. 11, 1955, ch. 805, §§4, 5, 69 Stat. 690, 691; Pub. L. 85-866, title I, §89(b), Sept. 2, 1958, 72 Stat. 1665; Pub. L. 94-455, title XIX, §§1901(a)(73), 1906(b)(13)(A), Oct. 4, 1976, 90 Stat. 1776, 1834.)

#### AMENDMENTS

1976—Subsec. (a)(1), (2). Pub. L. 94-455, §1906(b)(13)(A), struck out “or his delegate” after “Secretary”.

Subsec. (b). Pub. L. 94-455, §§1901(a)(73)(A), 1906(b)(13)(A), struck out “In the case of a notice of deficiency to which subsection (e)(2) applies and which is mailed on or before the 30th day after the date of enactment of this sentence, the notification referred to in the preceding sentence may be mailed at any time on or before such 30th day” after “section 531”, and “or his delegate” after “Secretary”.

Subsec. (c). Pub. L. 94-455, §1906(b)(13)(A), struck out “or his delegate” after “Secretary”.

Subsec. (e). Pub. L. 94-455, §1901(a)(73)(B), struck out subsec. (e) relating to application of provisions of section.