

in paragraph (4)(B) even if such other person uses such services in providing services which are so described.

(C) Special rules with respect to related party transactions

(i) Sales to related parties

If property is sold to a related party who is not a United States person, such sale shall not be treated as for a foreign use unless—

(I) such property is ultimately sold by a related party, or used by a related party in connection with property which is sold or the provision of services, to another person who is an unrelated party who is not a United States person, and

(II) the taxpayer establishes to the satisfaction of the Secretary that such property is for a foreign use.

For purposes of this clause, a sale of property shall be treated as a sale of each of the components thereof.

(ii) Service provided to related parties

If a service is provided to a related party who is not located in the United States, such service shall not be treated described¹ in subparagraph (A)(ii)² unless the taxpayer established to the satisfaction of the Secretary that such service is not substantially similar to services provided by such related party to persons located within the United States.

(D) Related party

For purposes of this paragraph, the term “related party” means any member of an affiliated group as defined in section 1504(a), determined—

(i) by substituting “more than 50 percent” for “at least 80 percent” each place it appears, and

(ii) without regard to paragraphs (2) and (3) of section 1504(b).

Any person (other than a corporation) shall be treated as a member of such group if such person is controlled by members of such group (including any entity treated as a member of such group by reason of this sentence) or controls any such member. For purposes of the preceding sentence, control shall be determined under the rules of section 954(d)(3).

(E) Sold

For purposes of this subsection, the terms “sold”, “sells”, and “sale” shall include any lease, license, exchange, or other disposition.

(c) Regulations

The Secretary shall prescribe such regulations or other guidance as may be necessary or appropriate to carry out the provisions of this section.

(Added Pub. L. 115-97, title I, §14202(a), Dec. 22, 2017, 131 Stat. 2213.)

¹ So in original. Probably should be preceded by “as”.

² So in original. Probably should be “(B)(ii)”.

PRIOR PROVISIONS

A prior section 250, added Pub. L. 91-518, title IX, §901(a), Oct. 30, 1970, 84 Stat. 1341; amended Pub. L. 93-496, §12, Oct. 28, 1974, 88 Stat. 1531; Pub. L. 94-455, title XIX, §1906(b)(13)(A), Oct. 4, 1976, 90 Stat. 1834; Pub. L. 95-473, §2(a)(2)(C), Oct. 17, 1978, 92 Stat. 1464; Pub. L. 96-454, §3(b)(1), Oct. 15, 1980, 94 Stat. 2012; Pub. L. 97-261, §6(d)(3), Sept. 20, 1982, 96 Stat. 1107; Pub. L. 99-521, §4(3), Oct. 22, 1986, 100 Stat. 2993, related to certain payments to National Railroad Passenger Corporation, prior to repeal by Pub. L. 101-508, title XI, §11801(a)(15), Nov. 5, 1990, 104 Stat. 1388-520.

EFFECTIVE DATE

Section applicable to taxable years beginning after Dec. 31, 2017, see section 14202(c) of Pub. L. 115-97, set out as an Effective Date of 2017 Amendment note under section 172 of this title.

PART IX—ITEMS NOT DEDUCTIBLE

<p>Sec. 261. 262. 263. 263A. 264. 265. 266. 267. 267A. 268. 269. 269A. 269B. [270. 271. 272. 273. 274. 275. 276. 277. [278. 279. [280. 280A. 280B. 280C. [280D. 280E. 280F. 280G. 280H.</p>	<p>General rule for disallowance of deductions. Personal, living, and family expenses. Capital expenditures. Capitalization and inclusion in inventory costs of certain expenses. Certain amounts paid in connection with insurance contracts. Expenses and interest relating to tax-exempt income. Carrying charges. Losses, expenses, and interest with respect to transactions between related taxpayers. Certain related party amounts paid or accrued in hybrid transactions or with hybrid entities. Sale of land with unharvested crop. Acquisitions made to evade or avoid income tax. Personal service corporations formed or availed of to avoid or evade income tax. Stapled entities. [Repealed.] Debts owed by political parties, etc. Disposal of coal or domestic iron ore. Holders of life or terminable interest. Disallowance of certain entertainment, etc., expenses. Certain taxes. Certain indirect contributions to political parties. Deductions incurred by certain membership organizations in transactions with members. [Repealed.] Interest on indebtedness incurred by corporation to acquire stock or assets of another corporation. [Repealed.] Disallowance of certain expenses in connection with business use of home, rental of vacation homes, etc. Demolition of structures. Certain expenses for which credits are allowable. [Repealed.] Expenditures in connection with the illegal sale of drugs. Limitation on depreciation for luxury automobiles; limitation where certain property used for personal purposes. Golden parachute payments. Limitation on certain amounts paid to employee-owners by personal service corporations electing alternative taxable years.</p>
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AMENDMENTS

2018—Pub. L. 115-141, div. U, title IV, §401(a)(59), Mar. 23, 2018, 132 Stat. 1187, substituted “Limitation on cer-