

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 Repealed.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 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 such dividend is distributed out of the earnings and profits of a taxable year of the distributing corporation which ends

after December 31, 1963, and on each day of which the distributing corporation and the corporation receiving the dividend were members of such affiliated group.

(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) 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.