

“(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section [enacting this section and amending section 461 of this title] shall apply to taxable years beginning after December 31, 1986.

“(2) ELECTION TO RETAIN CASH METHOD FOR CERTAIN TRANSACTIONS.—A taxpayer may elect not to have the amendments made by this section apply to any loan or lease, or any transaction with a related party (within the meaning of section 267(b) of the Internal Revenue Code of 1954, as in effect before the enactment of this Act), entered into on or before September 25, 1985. Any election under the preceding sentence may be made separately with respect to each transaction.

“(3) CERTAIN CONTRACTS.—The amendments made by this section shall not apply to—

“(A) contracts for the acquisition or transfer of real property, and

“(B) contracts for services related to the acquisition or development of real property, but only if such contracts were entered into before September 25, 1985, and the sole element of the contract which has not been performed as of September 25, 1985, is payment for such property or services.

“(4) TREATMENT OF AFFILIATED GROUP PROVIDING ENGINEERING SERVICES.—Each member of an affiliated group of corporations (within the meaning of section 1504(a) of the Internal Revenue Code of 1986) shall be allowed to use the cash receipts and disbursements method of accounting for any trade or business of providing engineering services with respect to taxable years ending after December 31, 1986, if the common parent of such group—

“(A) was incorporated in the State of Delaware in 1970,

“(B) was the successor to a corporation that was incorporated in the State of Illinois in 1949, and

“(C) used a method of accounting for long-term contracts of accounting [sic] for a substantial part of its income from the performance of engineering services.

“(5) SPECIAL RULE FOR PARAGRAPHS (2) AND (3).—If any loan, lease, contract, or evidence of any transaction to which paragraph (2) or (3) applies is transferred after June 10, 1987, to a person other than a related party (within the meaning of paragraph (2)), paragraph (2) or (3) shall cease to apply on and after the date of such transfer.”

SUBPART B—TAXABLE YEAR FOR WHICH ITEMS OF GROSS INCOME INCLUDED

Sec.	
451.	General rule for taxable year of inclusion.
[452.	Repealed.]
453.	Installment method.
453A.	Special rules for nondealers.
453B.	Gain or loss on disposition of installment obligations.
[453C.	Repealed.]
454.	Obligations issued at discount.
455.	Prepaid subscription income.
456.	Prepaid dues income of certain membership organizations.
457.	Deferred compensation plans of State and local governments and tax-exempt organizations.
457A.	Nonqualified deferred compensation from certain tax indifferent parties.
458.	Magazines, paperbacks, and records returned after the close of the taxable year.
460.	Special rules for long-term contracts.

AMENDMENTS

Pub. L. 110-343, div. C, title VIII, §801(c), Oct. 3, 2008, 122 Stat. 3931, added item 457A.

1988—Pub. L. 100-647, title V, §5076(b)(2), Nov. 10, 1988, 102 Stat. 3683, struck out “of real property” after “rules for nondealers” in item 453A.

1987—Pub. L. 100-203, title X, §10202(a)(2), (c)(2), Dec. 22, 1987, 101 Stat. 1330-388, 1330-392, substituted “Special

rules for nondealers of real property” for “Installment method for dealers in personal property” in item 453A, and struck out item 453C “Certain indebtedness treated as payments on installment obligations”.

1986—Pub. L. 99-514, title XI, §1107(b), (c), Oct. 22, 1986, 101 Stat. 2430, added item 457, applicable to taxable years beginning after Dec. 31, 1988, with certain exceptions, and struck out former item 457 “Deferred compensation plans with respect to service for State and local governments”.

Pub. L. 99-514, title VIII, §§804(c), 811(b), Oct. 22, 1986, 100 Stat. 2361, 2368, added items 453C and 460.

1980—Pub. L. 96-471, §2(d), Oct. 19, 1980, 94 Stat. 2254, added items 453 to 453B and struck out former item 453 “Installment method”.

1978—Pub. L. 95-600, title I, §131(b), title III, §372(b), Nov. 6, 1978, 92 Stat. 2782, 2862, added items 457 and 458.

1961—Pub. L. 87-109, §1(b), July 26, 1961, 75 Stat. 224, added item 456.

1958—Pub. L. 85-866, title I, §28(b), Sept. 2, 1958, 72 Stat. 1626, added item 455, effective with respect to taxable years beginning after Dec. 31, 1957. See section 28(c) of Pub. L. 85-866 set out as an Effective Date note under section 455 of this title.

1955—Act June 15, 1955, ch. 143, §2(2), 69 Stat. 135, struck out item 452 “Adjustment in case of position inconsistent with prior income tax liability”.

§ 451. General rule for taxable year of inclusion

(a) General rule

The amount of any item of gross income shall be included in the gross income for the taxable year in which received by the taxpayer, unless, under the method of accounting used in computing taxable income, such amount is to be properly accounted for as of a different period.

(b) Inclusion not later than for financial accounting purposes

(1) Income taken into account in financial statement

(A) In general

In the case of a taxpayer the taxable income of which is computed under an accrual method of accounting, the all events test with respect to any item of gross income (or portion thereof) shall not be treated as met any later than when such item (or portion thereof) is taken into account as revenue in—

- (i) an applicable financial statement of the taxpayer, or
- (ii) such other financial statement as the Secretary may specify for purposes of this subsection.

(B) Exception

This paragraph shall not apply to—

- (i) a taxpayer which does not have a financial statement described in clause (i) or (ii) of subparagraph (A) for a taxable year, or
- (ii) any item of gross income in connection with a mortgage servicing contract.

(C) All events test

For purposes of this section, the all events test is met with respect to any item of gross income if all the events have occurred which fix the right to receive such income and the amount of such income can be determined with reasonable accuracy.

(2) Coordination with special methods of accounting

Paragraph (1) shall not apply with respect to any item of gross income for which the tax-