

**(g) Taxable income**

For purposes of this title, the taxable income of an electing Settlement Trust shall be determined under section 641(b) without regard to any deduction under section 651 or 661.

**(h) Definitions**

For purposes of this section—

**(1) Electing Settlement Trust**

The term “electing Settlement Trust” means a Settlement Trust which has made the election, effective for a taxable year, described in subsection (c).

**(2) Native Corporation**

The term “Native Corporation” has the meaning given such term by section 3(m) of the Alaska Native Claims Settlement Act (43 U.S.C. 1602(m)).

**(3) Settlement Common Stock**

The term “Settlement Common Stock” has the meaning given such term by section 3(p) of the Alaska Native Claims Settlement Act (43 U.S.C. 1602(p)).

**(4) Settlement Trust**

The term “Settlement Trust” means a trust that constitutes a settlement trust under section 3(t) of the Alaska Native Claims Settlement Act (43 U.S.C. 1602(t)).

**(5) Sponsoring Native Corporation**

The term “sponsoring Native Corporation” means the Native Corporation which transfers assets to an electing Settlement Trust.

**(i) Special loss disallowance rule**

Any loss that would otherwise be recognized by a shareholder upon a disposition of a share of stock of a sponsoring Native Corporation shall be reduced (but not below zero) by the per share loss adjustment factor. The per share loss adjustment factor shall be the aggregate of all contributions to all electing Settlement Trusts sponsored by such Native Corporation made on or after the first day each trust is treated as an electing Settlement Trust expressed on a per share basis and determined as of the day of each such contribution.

**(j) Cross reference**

**For information required with respect to electing Settlement Trusts and sponsoring Native Corporations, see section 6039H.**

(Added Pub. L. 107-16, title VI, §671(a), June 7, 2001, 115 Stat. 144.)

## REFERENCES IN TEXT

Section 1(c), referred to in subsec. (b), to be treated, for purposes of the rate of tax, as a reference to the corresponding rate bracket under section 1(j)(2)(C) of this title, see section 1(j)(2)(F) of this title.

The date of the enactment of this section, referred to in subsec. (c)(2)(A), is the date of enactment of Pub. L. 107-16, which was approved June 7, 2001.

## PRIOR PROVISIONS

A prior section 646 was renumbered section 645 of this title.

## EFFECTIVE DATE

Pub. L. 107-16, title VI, §671(d), June 7, 2001, 115 Stat. 148, provided that: “The amendments made by this sec-

tion [enacting this section and section 6039H of this title] shall apply to taxable years ending after the date of the enactment of this Act [June 7, 2001] and to contributions made to electing Settlement Trusts for such year or any subsequent year.”

SUBPART B—TRUSTS WHICH DISTRIBUTE  
CURRENT INCOME ONLY

Sec. 651.	Deduction for trusts distributing current income only.
652.	Inclusion of amounts in gross income of beneficiaries of trusts distributing current income only.

**§ 651. Deduction for trusts distributing current income only****(a) Deduction**

In the case of any trust the terms of which—

- (1) provide that all of its income is required to be distributed currently, and
- (2) do not provide that any amounts are to be paid, permanently set aside, or used for the purposes specified in section 642(c) (relating to deduction for charitable, etc., purposes),

there shall be allowed as a deduction in computing the taxable income of the trust the amount of the income for the taxable year which is required to be distributed currently. This section shall not apply in any taxable year in which the trust distributes amounts other than amounts of income described in paragraph (1).

**(b) Limitation on deduction**

If the amount of income required to be distributed currently exceeds the distributable net income of the trust for the taxable year, the deduction shall be limited to the amount of the distributable net income. For this purpose, the computation of distributable net income shall not include items of income which are not included in the gross income of the trust and the deductions allocable thereto.

(Aug. 16, 1954, ch. 736, 68A Stat. 219.)

**§ 652. Inclusion of amounts in gross income of beneficiaries of trusts distributing current income only****(a) Inclusion**

Subject to subsection (b), the amount of income for the taxable year required to be distributed currently by a trust described in section 651 shall be included in the gross income of the beneficiaries to whom the income is required to be distributed, whether distributed or not. If such amount exceeds the distributable net income, there shall be included in the gross income of each beneficiary an amount which bears the same ratio to distributable net income as the amount of income required to be distributed to such beneficiary bears to the amount of income required to be distributed to all beneficiaries.

**(b) Character of amounts**

The amounts specified in subsection (a) shall have the same character in the hands of the beneficiary as in the hands of the trust. For this purpose, the amounts shall be treated as consisting of the same proportion of each class of items