

§ 631(e)(13), Oct. 22, 1986, 100 Stat. 2275, related to basis limitation for player contracts transferred in connection with the sale of a franchise.

A prior section 1056 was renumbered section 1062 of this title.

#### EFFECTIVE DATE OF REPEAL

Repeal applicable to property acquired after Oct. 22, 2004, see section 886(c)(1) of Pub. L. 108-357, set out as an Effective Date of 2004 Amendment note under section 197 of this title.

### [§ 1057. Repealed. Pub. L. 105-34, title XI, § 1131(c)(2), Aug. 5, 1997, 111 Stat. 980]

Section, added Pub. L. 94-455, title X, § 1015(c), Oct. 4, 1976, 90 Stat. 1618, related to election to treat transfer to foreign trust, etc., as taxable exchange.

A prior section 1057 was renumbered section 1062 of this title.

### § 1058. Transfers of securities under certain agreements

#### (a) General rule

In the case of a taxpayer who transfers securities (as defined in section 1236(c)) pursuant to an agreement which meets the requirements of subsection (b), no gain or loss shall be recognized on the exchange of such securities by the taxpayer for an obligation under such agreement, or on the exchange of rights under such agreement by that taxpayer for securities identical to the securities transferred by that taxpayer.

#### (b) Agreement requirements

In order to meet the requirements of this subsection, an agreement shall—

- (1) provide for the return to the transferor of securities identical to the securities transferred;
- (2) require that payments shall be made to the transferor of amounts equivalent to all interest, dividends, and other distributions which the owner of the securities is entitled to receive during the period beginning with the transfer of the securities by the transferor and ending with the transfer of identical securities back to the transferor;
- (3) not reduce the risk of loss or opportunity for gain of the transferor of the securities in the securities transferred; and
- (4) meet such other requirements as the Secretary may by regulation prescribe.

#### (c) Basis

Property acquired by a taxpayer described in subsection (a), in a transaction described in that subsection, shall have the same basis as the property transferred by that taxpayer.

(Added Pub. L. 95-345, § 2(d)(1), Aug. 15, 1978, 92 Stat. 482.)

#### PRIOR PROVISIONS

A prior section 1058 was renumbered section 1062 of this title.

#### EFFECTIVE DATE

Section applicable with respect to amounts received after Dec. 31, 1976, as payments with respect to securities loans (as defined in section 512(a)(5) of this title), and transfers of securities, under agreements described in this section, occurring after such date, see section 2(e) of Pub. L. 95-345, set out as an Effective Date of 1978 Amendment note under section 509 of this title.

### § 1059. Corporate shareholder's basis in stock reduced by nontaxed portion of extraordinary dividends

#### (a) General rule

If any corporation receives any extraordinary dividend with respect to any share of stock and such corporation has not held such stock for more than 2 years before the dividend announcement date—

##### (1) Reduction in basis

The basis of such corporation in such stock shall be reduced (but not below zero) by the nontaxed portion of such dividends.

##### (2) Amounts in excess of basis

If the nontaxed portion of such dividends exceeds such basis, such excess shall be treated as gain from the sale or exchange of such stock for the taxable year in which the extraordinary dividend is received.

#### (b) Nontaxed portion

For purposes of this section—

##### (1) In general

The nontaxed portion of any dividend is the excess (if any) of—

- (A) the amount of such dividend, over
- (B) the taxable portion of such dividend.

##### (2) Taxable portion

The taxable portion of any dividend is—

- (A) the portion of such dividend includible in gross income, reduced by
- (B) the amount of any deduction allowable with respect to such dividend under section 243<sup>1</sup> 245, or 245A.

#### (c) Extraordinary dividend defined

For purposes of this section—

##### (1) In general

The term “extraordinary dividend” means any dividend with respect to a share of stock if the amount of such dividend equals or exceeds the threshold percentage of the taxpayer's adjusted basis in such share of stock.

##### (2) Threshold percentage

The term “threshold percentage” means—

- (A) 5 percent in the case of stock which is preferred as to dividends, and
- (B) 10 percent in the case of any other stock.

##### (3) Aggregation of dividends

###### (A) Aggregation within 85-day period

All dividends—

- (i) which are received by the taxpayer (or a person described in subparagraph (C)) with respect to any share of stock, and
- (ii) which have ex-dividend dates within the same period of 85 consecutive days,

shall be treated as 1 dividend.

###### (B) Aggregation within 1 year where dividends exceed 20 percent of adjusted basis

All dividends—

- (i) which are received by the taxpayer (or a person described in subparagraph (C)) with respect to any share of stock, and

<sup>1</sup> So in original. Probably should be followed by a comma.