

- [1251. Repealed.]
- 1252. Gain from disposition of farm land.
- 1253. Transfers of franchises, trademarks, and trade names.
- 1254. Gain from disposition of interest in oil, gas, geothermal, or other mineral properties.
- 1255. Gain from disposition of section 126 property.
- 1256. Section 1256 contracts marked to market.
- 1257. Disposition of converted wetlands or highly erodible croplands.
- 1258. Recharacterization of gain from certain financial transactions.
- 1259. Constructive sales treatment for appreciated financial positions.
- 1260. Gains from constructive ownership transactions.

AMENDMENTS

2018—Pub. L. 115-141, div. U, title IV, §401(a)(173), Mar. 23, 2018, 132 Stat. 1192, substituted “Gain from disposition of farm land” for “Gain from the disposition of farm land” in item 1252.

2004—Pub. L. 108-357, title IV, §413(c)(32), Oct. 22, 2004, 118 Stat. 1510, struck out items 1246 “Gain on foreign investment company stock” and 1247 “Election by foreign investment companies to distribute income currently”.

Pub. L. 108-311, title IV, §408(a)(18), Oct. 4, 2004, 118 Stat. 1192, substituted “Gains or losses from securities futures contracts” for “Securities futures contracts” in item 1234B.

2000—Pub. L. 106-554, §1(a)(7) [title IV, §401(h)(2)], Dec. 21, 2000, 114 Stat. 2763, 2763A-650, which directed the amendment of the table of sections of subpart IV of subchapter P of chapter 1 by adding item 1234B, was executed by adding item 1234B to the table of sections for this part which is part IV of subchapter P of chapter 1 to reflect the probable intent of Congress.

1999—Pub. L. 106-170, title V, §534(b), Dec. 17, 1999, 113 Stat. 1934, added item 1260.

1997—Pub. L. 105-34, title X, §1001(c), Aug. 5, 1997, 111 Stat. 907, added item 1259.

1993—Pub. L. 103-66, title XIII, §13206(a)(2), Aug. 10, 1993, 107 Stat. 465, added item 1258.

1990—Pub. L. 101-508, title XI, §11801(b)(10), Nov. 5, 1990, 104 Stat. 1388-522, struck out item 1238 “Amortization in excess of depreciation”.

1988—Pub. L. 100-647, title I, §1018(u)(24), Nov. 10, 1988, 102 Stat. 3591, substituted “geothermal, or other mineral properties” for “or geothermal property” in item 1254.

1986—Pub. L. 99-514, title IV, §403(b), Oct. 22, 1986, 100 Stat. 2222, added item 1257.

1984—Pub. L. 98-369, div. A, title I, §§42(b)(2), 102(e)(6), title IV, §492(c), July 18, 1984, 98 Stat. 557, 624, 854, struck out items 1232 “Bonds and other evidence of indebtedness”, 1232A “Original issue discount”, 1232B “Tax treatment of stripped bonds”, 1251 “Gain from disposition of property used in farming where farm losses offset nonfarm income”, and substituted “Section 1256 contracts” for “Regulated futures contracts” in item 1256.

1982—Pub. L. 97-248, title II, §§231(d), 232(c), Sept. 3, 1982, 96 Stat. 499, 501, added items 1232A and 1232B.

1981—Pub. L. 97-34, title V, §§503(b), 507(b), Aug. 13, 1981, 95 Stat. 330, 333, added items 1234A and 1256.

1978—Pub. L. 95-618, title IV, §402(c)(4), Nov. 9, 1978, 92 Stat. 3202, substituted “oil, gas, or geothermal” for “oil or gas” in item 1254.

Pub. L. 95-600, title V, §543(c)(2), Nov. 6, 1978, 92 Stat. 2890, added item 1255.

1976—Pub. L. 94-455, title II, §205(d), title XIX, §1901(b)(34), Oct. 4, 1976, 90 Stat. 1535, 1802, added item 1254 and struck out item 1240 “Taxability to employee of termination payments”.

1969—Pub. L. 91-172, title II, §§211(b)(7), 214(b), title V, §516(c)(2)(C), Dec. 30, 1969, 83 Stat. 570, 573, 648, added items 1251 to 1253.

1964—Pub. L. 88-272, title II, §231(b)(7), Feb. 26, 1964, 78 Stat. 105, added item 1250.

1962—Pub. L. 87-834, §§13(a)(2), 14(a)(2), 15(b), 16(b), Oct. 16, 1962, 76 Stat. 1033, 1040, 1044, 1045, added items 1245-1249.

1958—Pub. L. 85-866, title I, §57(c)(3), title II, §202(c), Sept. 2, 1958, 72 Stat. 1646, 1678, added items 1242-1244.

§ 1231. Property used in the trade or business and involuntary conversions

(a) General rule

(1) Gains exceed losses

If—

(A) the section 1231 gains for any taxable year, exceed

(B) the section 1231 losses for such taxable year,

such gains and losses shall be treated as long-term capital gains or long-term capital losses, as the case may be.

(2) Gains do not exceed losses

If—

(A) the section 1231 gains for any taxable year, do not exceed

(B) the section 1231 losses for such taxable year,

such gains and losses shall not be treated as gains and losses from sales or exchanges of capital assets.

(3) Section 1231 gains and losses

For purposes of this subsection—

(A) Section 1231 gain

The term “section 1231 gain” means—

(i) any recognized gain on the sale or exchange of property used in the trade or business, and

(ii) any recognized gain from the compulsory or involuntary conversion (as a result of destruction in whole or in part, theft or seizure, or an exercise of the power of requisition or condemnation or the threat or imminence thereof) into other property or money of—

(I) property used in the trade or business, or

(II) any capital asset which is held for more than 1 year and is held in connection with a trade or business or a transaction entered into for profit.

(B) Section 1231 loss

The term “section 1231 loss” means any recognized loss from a sale or exchange or conversion described in subparagraph (A).

(4) Special rules

For purposes of this subsection—

(A) In determining under this subsection whether gains exceed losses—

(i) the section 1231 gains shall be included only if and to the extent taken into account in computing gross income, and

(ii) the section 1231 losses shall be included only if and to the extent taken into account in computing taxable income, except that section 1211 shall not apply.

(B) Losses (including losses not compensated for by insurance or otherwise) on the destruction, in whole or in part, theft or seizure, or requisition or condemnation of—