

paragraph (1) [amending this section] shall apply to any purchase or sale of any stripped tax-exempt obligation or stripped coupon from such an obligation after the date of the enactment of this Act [Oct. 22, 1986].”

EFFECTIVE DATE

Section applicable to taxable years ending after July 18, 1984, except as otherwise provided, see section 44 of Pub. L. 98-369, set out as a note under section 1271 of this title.

PLAN AMENDMENTS NOT REQUIRED UNTIL  
JANUARY 1, 1989

For provisions directing that if any amendments made by subtitle A or subtitle C of title XI [§§ 1101-1147 and 1171-1177] or title XVIII [§§ 1800-1899A] of Pub. L. 99-514 require an amendment to any plan, such plan amendment shall not be required to be made before the first plan year beginning on or after Jan. 1, 1989, see section 1140 of Pub. L. 99-514, as amended, set out as a note under section 401 of this title.

**§ 1287. Denial of capital gain treatment for gains on certain obligations not in registered form**

**(a) In general**

If any registration-required obligation is not in registered form, any gain on the sale or other disposition of such obligation shall be treated as ordinary income (unless the issuance of such obligation was subject to tax under section 4701).

**(b) Definitions**

For purposes of subsection (a)—

**(1) Registration-required obligation**

The term “registration-required obligation” has the meaning given to such term by section 163(f)(2).

**(2) Registered form**

The term “registered form” has the same meaning as when used in section 163(f).

(Added Pub. L. 98-369, div. A, title I, § 41(a), July 18, 1984, 98 Stat. 552; amended Pub. L. 111-147, title V, § 502(a)(2)(D), Mar. 18, 2010, 124 Stat. 107.)

AMENDMENTS

2010—Subsec. (b)(1). Pub. L. 111-147 struck out “except that clause (iv) of subparagraph (A), and subparagraph (B), of such section shall not apply” before period.

EFFECTIVE DATE OF 2010 AMENDMENT

Amendment by Pub. L. 111-147 applicable to obligations issued after the date which is 2 years after Mar. 18, 2010, see section 502(f) of Pub. L. 111-147, set out as a note under section 149 of this title.

EFFECTIVE DATE

Section applicable to taxable years ending after July 18, 1984, except as otherwise provided, see section 44 of Pub. L. 98-369, set out as a note under section 1271 of this title.

**§ 1288. Treatment of original issue discount on tax-exempt obligations**

**(a) General rule**

Original issue discount on any tax-exempt obligation shall be treated as accruing—

(1) for purposes of section 163, in the manner provided by section 1272(a) (determined without regard to paragraph (7) thereof), and

(2) for purposes of determining the adjusted basis of the holder, in the manner provided by

section 1272(a) (determined with regard to paragraph (7) thereof).

**(b) Definitions and special rules**

For purposes of this section—

**(1) Original issue discount**

The term “original issue discount” has the meaning given to such term by section 1273(a) without regard to paragraph (3) thereof. In applying section 483 or 1274, under regulations prescribed by the Secretary, appropriate adjustments shall be made to the applicable Federal rate to take into account the tax exemption for interest on the obligation.

**(2) Tax-exempt obligation**

The term “tax-exempt obligation” has the meaning given to such term by section 1275(a)(3).

**(3) Short-term obligations**

In applying this section to obligations with maturity of 1 year or less, rules similar to the rules of section 1283(b) shall apply.

(Added Pub. L. 98-369, div. A, title I, § 41(a), July 18, 1984, 98 Stat. 553; amended Pub. L. 100-647, title I, § 1006(u)(3), Nov. 10, 1988, 102 Stat. 3427.)

AMENDMENTS

1988—Subsec. (a). Pub. L. 100-647 substituted “paragraph (7)” for “paragraph (6)” in pars. (1) and (2).

EFFECTIVE DATE OF 1988 AMENDMENT

Amendment by Pub. L. 100-647 effective, except as otherwise provided, as if included in the provision of the Tax Reform Act of 1986, Pub. L. 99-514, to which such amendment relates, see section 1019(a) of Pub. L. 100-647, set out as a note under section 1 of this title.

EFFECTIVE DATE

Section applicable to taxable years ending after July 18, 1984, and applicable to obligations issued after Sept. 3, 1982, and acquired after Mar. 1, 1984, see section 44 of Pub. L. 98-369, set out as a note under section 1271 of this title.

**PART VI—TREATMENT OF CERTAIN PASSIVE FOREIGN INVESTMENT COMPANIES**

Subpart

- A. Interest on tax deferral.
- B. Treatment of qualified electing funds.
- C. Election of mark to market for marketable stock.
- D. General provisions.

AMENDMENTS

1997—Pub. L. 105-34, title XI, § 1122(d)(6), Aug. 5, 1997, 111 Stat. 977, added items for subparts C and D and struck out former item for subpart C “General provisions”.

**SUBPART A—INTEREST ON TAX DEFERRAL**

- Sec. 1291. Interest on tax deferral.

**§ 1291. Interest on tax deferral**

**(a) Treatment of distributions and stock dispositions**

**(1) Distributions**

If a United States person receives an excess distribution in respect of stock in a passive foreign investment company, then—