

- Sec.
 [462, 463. Repealed.]
 464. Limitations on deductions for certain farming expenses.
 465. Deductions limited to amount at risk.
 [466. Repealed.]
 467. Certain payments for the use of property or services.
 468. Special rules for mining and solid waste reclamation and closing costs.
 468A. Special rules for nuclear decommissioning costs.
 468B. Special rules for designated settlement funds.
 469. Passive activity losses and credits limited.
 470. Limitation on deductions allocable to property used by governments or other tax-exempt entities.

AMENDMENTS

- 2004—Pub. L. 108-357, title VIII, §848(b), Oct. 22, 2004, 118 Stat. 1606, added item 470.
 1987—Pub. L. 100-203, title X, §10201(b)(7), Dec. 22, 1987, 101 Stat. 1330-387, struck out item 463 “Accrual of vacation pay”.
 1986—Pub. L. 99-514, title IV, §404(b)(2), title V, §501(b), title VIII, §823(b)(2), title XVIII, §§1807(a)(7)(B), 1899A(71), Oct. 22, 1986, 100 Stat. 2224, 2241, 2374, 2815, 2963, substituted “for certain farming expenses” for “in case of farming syndicates” in item 464, struck out item 466 “Qualified discount coupons redeemed after close of taxable year”, inserted “the” before “use” in item 467, and added items 468B and 469.
 1984—Pub. L. 98-369, div. A, title I, §§91(b)(2), (c)(2), 92(b), July 18, 1984, 98 Stat. 604, 606, 612, added items 467, 468, and 468A.
 1978—Pub. L. 95-600, title II, §201(c)(2), title III, §373(b), Nov. 6, 1978, 92 Stat. 2816, 2865, struck out “in case of certain activities” after “amount at risk” in item 465 and added item 466.
 1976—Pub. L. 94-455, title II, §§204(b), 207(a)(2), Oct. 4, 1976, 90 Stat. 1532, 1537, added items 464 and 465.
 1975—Pub. L. 93-625, §4(b), Jan. 3, 1975, 88 Stat. 2111, added item 463.
 1955—Act June 15, 1955, ch. 143, §2(3), 69 Stat. 135, struck out item 462 “Reserves for estimated expenses, etc.”

§ 461. General rule for taxable year of deduction

(a) General rule

The amount of any deduction or credit allowed by this subtitle shall be taken for the taxable year which is the proper taxable year under the method of accounting used in computing taxable income.

(b) Special rule in case of death

In the case of the death of a taxpayer whose taxable income is computed under an accrual method of accounting, any amount accrued as a deduction or credit only by reason of the death of the taxpayer shall not be allowed in computing taxable income for the period in which falls the date of the taxpayer's death.

(c) Accrual of real property taxes

(1) In general

If the taxable income is computed under an accrual method of accounting, then, at the election of the taxpayer, any real property tax which is related to a definite period of time shall be accrued ratably over that period.

(2) When election may be made

(A) Without consent

A taxpayer may, without the consent of the Secretary, make an election under this

subsection for his first taxable year in which he incurs real property taxes. Such an election shall be made not later than the time prescribed by law for filing the return for such year (including extensions thereof).

(B) With consent

A taxpayer may, with the consent of the Secretary, make an election under this subsection at any time.

(d) Limitation on acceleration of accrual of taxes

(1) General rule

In the case of a taxpayer whose taxable income is computed under an accrual method of accounting, to the extent that the time for accruing taxes is earlier than it would be but for any action of any taxing jurisdiction taken after December 31, 1960, then, under regulations prescribed by the Secretary, such taxes shall be treated as accruing at the time they would have accrued but for such action by such taxing jurisdiction.

(2) Limitation

Under regulations prescribed by the Secretary, paragraph (1) shall be inapplicable to any item of tax to the extent that its application would (but for this paragraph) prevent all persons (including successors in interest) from ever taking such item into account.

(e) Dividends or interest paid on certain deposits or withdrawable accounts

Except as provided in regulations prescribed by the Secretary, amounts paid to, or credited to the accounts of, depositors or holders of accounts as dividends or interest on their deposits or withdrawable accounts (if such amounts paid or credited are withdrawable on demand subject only to customary notice to withdraw) by a mutual savings bank not having capital stock represented by shares, a domestic building and loan association, or a cooperative bank shall not be allowed as a deduction for the taxable year to the extent such amounts are paid or credited for periods representing more than 12 months. Any such amount not allowed as a deduction as the result of the application of the preceding sentence shall be allowed as a deduction for such other taxable year as the Secretary determines to be consistent with the preceding sentence.

(f) Contested liabilities

If—

- (1) the taxpayer contests an asserted liability,
- (2) the taxpayer transfers money or other property to provide for the satisfaction of the asserted liability,
- (3) the contest with respect to the asserted liability exists after the time of the transfer, and
- (4) but for the fact that the asserted liability is contested, a deduction would be allowed for the taxable year of the transfer (or for an earlier taxable year) determined after application of subsection (h),

then the deduction shall be allowed for the taxable year of the transfer. This subsection shall not apply in respect of the deduction for income, war profits, and excess profits taxes imposed by