

“(A) any treaty (hereinafter in this paragraph referred to as the ‘old treaty’) is renegotiated to resolve conflicts between such treaty and the provisions of section 897 of the Internal Revenue Code of 1986, and  
 “(B) the new treaty is signed on or after January 1, 1981, and before January 1, 1985,  
 then paragraph (1) shall be applied with respect to obligations under the old treaty by substituting for ‘December 31, 1984’ the date (not later than 2 years after the new treaty was signed) specified in the new treaty (or accompanying exchange of notes).”

ADJUSTMENT IN BASIS FOR CERTAIN TRANSACTIONS  
 BETWEEN RELATED PERSONS

Pub. L. 96-499, title XI, §1125(d), Dec. 5, 1980, 94 Stat. 2691, as amended by Pub. L. 99-514, §2, Oct. 22, 1986, 100 Stat. 2095, provided that:

“(1) IN GENERAL.—In the case of any disposition after December 31, 1979, of a United States real property interest (as defined in section 897(c) of the Internal Revenue Code of 1986 [formerly I.R.C. 1954]) to a related person (within the meaning of section 453(f)(1) of such Code), the basis of the interest in the hands of the person acquiring it shall be reduced by the amount of any nontaxed gain.

“(2) NONTAXED GAIN.—For purposes of paragraph (1), the term ‘nontaxed gain’ means any gain which is not subject to tax under section 871(b)(1) or 882(a)(1) of such Code—

“(A) because the disposition occurred before June 19, 1980, or

“(B) because of any treaty obligation of the United States.”

**§ 898. Taxable year of certain foreign corporations**

**(a) General rule**

For purposes of this title, the taxable year of any specified foreign corporation shall be the required year determined under subsection (c).

**(b) Specified foreign corporation**

For purposes of this section—

**(1) In general**

The term “specified foreign corporation” means any foreign corporation—

(A) which is treated as a controlled foreign corporation for any purpose under subpart F of part III of this subchapter, and

(B) with respect to which the ownership requirements of paragraph (2) are met.

**(2) Ownership requirements**

**(A) In general**

The ownership requirements of this paragraph are met with respect to any foreign corporation if a United States shareholder owns, on each testing day, more than 50 percent of—

(i) the total voting power of all classes of stock of such corporation entitled to vote, or

(ii) the total value of all classes of stock of such corporation.

**(B) Ownership**

For purposes of subparagraph (A), the rules of subsections (a) and (b) of section 958 shall apply in determining ownership.

**(3) United States shareholder**

The term “United States shareholder” has the meaning given to such term by section 951(b), except that, in the case of a foreign cor-

poration having related person insurance income (as defined in section 953(c)(2)), the Secretary may treat any person as a United States shareholder for purposes of this section if such person is treated as a United States shareholder under section 953(c)(1).

**(c) Determination of required year**

**(1) In general**

The required year is—

(A) the majority U.S. shareholder year, or

(B) if there is no majority U.S. shareholder year, the taxable year prescribed under regulations.

**(2) 1-month deferral allowed**

A specified foreign corporation may elect, in lieu of the taxable year under paragraph (1)(A), a taxable year beginning 1 month earlier than the majority U.S. shareholder year.

**(3) Majority U.S. shareholder year**

**(A) In general**

For purposes of this subsection, the term “majority U.S. shareholder year” means the taxable year (if any) which, on each testing day, constituted the taxable year of—

(i) each United States shareholder described in subsection (b)(2)(A), and

(ii) each United States shareholder not described in clause (i) whose stock was treated as owned under subsection (b)(2)(B) by any shareholder described in such clause.

**(B) Testing day**

The testing days shall be—

(i) the first day of the corporation’s taxable year (determined without regard to this section), or

(ii) the days during such representative period as the Secretary may prescribe.

(Added Pub. L. 101-239, title VII, §7401(a), Dec. 19, 1989, 103 Stat. 2355; amended Pub. L. 108-357, title IV, §413(c)(13), Oct. 22, 2004, 118 Stat. 1507.)

AMENDMENTS

2004—Subsec. (b)(1)(A). Pub. L. 108-357, §413(c)(13)(A), amended subpar. (A) generally. Prior to amendment, subpar (A) read as follows:

“(A) which is—

“(i) treated as a controlled foreign corporation for any purpose under subpart F of part III of this subchapter, or

“(ii) a foreign personal holding company (as defined in section 552), and”.

Subsec. (b)(2)(B). Pub. L. 108-357, §413(c)(13)(B), struck out “and sections 551(f) and 554, whichever are applicable,” after “section 958”.

Subsec. (b)(3). Pub. L. 108-357, §413(c)(13)(C), reenacted heading without change, struck out “(A) In general” before “The term”, and struck out heading and text of subpar. (B). Text read as follows: “In the case of any foreign personal holding company (as defined in section 552) which is not a specified foreign corporation by reason of paragraph (1)(A)(i), the term ‘United States shareholder’ means any person who is treated as a United States shareholder under section 551.”

Subsec. (c). Pub. L. 108-357, §413(c)(13)(D), reenacted heading without change and amended text of subsec. (c) generally, substituting provisions stating general rule and relating to 1-month deferral and majority U.S. shareholder year, consisting of pars. (1) to (3), for provisions stating general rule and relating to 1-month de-

ferral and majority U.S. shareholder year, consisting of par. (1), and provisions relating to required year in the case of a foreign personal holding company, consisting of par. (2).

#### EFFECTIVE DATE OF 2004 AMENDMENT

Amendment by Pub. L. 108-357 applicable to taxable years of foreign corporations beginning after Dec. 31, 2004, and to taxable years of United States shareholders with or within which such taxable years of foreign corporations end, see section 413(d)(1) of Pub. L. 108-357, set out as an Effective and Termination Dates of 2004 Amendments note under section 1 of this title.

#### EFFECTIVE DATE

Pub. L. 101-239, title VII, §7401(d), Dec. 19, 1989, 103 Stat. 2357, provided that:

“(1) IN GENERAL.—The amendments made by this section [enacting this section and amending section 563 of this title] shall apply to taxable years of foreign corporations beginning after July 10, 1989.

“(2) SPECIAL RULES.—If any foreign corporation is required by the amendments made by this section to change its taxable year for its first taxable year beginning after July 10, 1989—

“(A) such change shall be treated as initiated by the taxpayer,

“(B) such change shall be treated as having been made with the consent of the Secretary of the Treasury or his delegate, and

“(C) if, by reason of such change, any United States person is required to include in gross income for 1 taxable year amounts attributable to 2 taxable years of such foreign corporation, the amount which would otherwise be required to be included in gross income for such 1 taxable year by reason of the short taxable year of the foreign corporation resulting from such change shall be included in gross income ratably over the 4-taxable-year period beginning with such 1 taxable year.”

### PART III—INCOME FROM SOURCES WITHOUT THE UNITED STATES

#### Subpart

- A. Foreign tax credit.
- B. Earned income of citizens or residents of United States.
- [C. Repealed.]
- D. Possessions of the United States.
- [E. Repealed.]
- F. Controlled foreign corporations.
- [G. Repealed.]<sup>1</sup>
- H. Income of certain nonresident United States citizens subject to foreign community property laws.<sup>1</sup>
- I. Admissibility of documentation maintained in foreign countries.
- J. Foreign currency transactions.

#### AMENDMENTS

2004—Pub. L. 108-357, title I, §101(b)(2), Oct. 22, 2004, 118 Stat. 1423, struck out item for subpart E “Qualifying foreign trade income”.

2000—Pub. L. 106-519, §4(8), Nov. 15, 2000, 114 Stat. 2433, struck out item for subpart C “Taxation of foreign sales corporations”.

Pub. L. 106-519, §4(7), Nov. 15, 2000, 114 Stat. 2433, added item for subpart E and directed that former item for subpart E be struck out, which could not be executed because the item for subpart E had previously been struck out by Pub. L. 94-455, §1053(d)(5). See 1976 Amendment note below.

1986—Pub. L. 99-514, title XII, §1261(d), Oct. 22, 1986, 100 Stat. 2591, added item for subpart J.

1984—Pub. L. 98-369, div. A, title VIII, §802(c)(4), July 18, 1984, 98 Stat. 999, added item for subpart C.

1982—Pub. L. 97-248, title III, §337(b), Sept. 3, 1982, 96 Stat. 630, added item for subpart I.

1978—Pub. L. 95-615, §202(g)(4), formerly §202(f)(4), Nov. 8, 1978, 92 Stat. 3100, renumbered Pub. L. 96-222, title I, §108(a)(1)(A), Apr. 1, 1980, 94 Stat. 223, inserted in item for subpart B “or residents” after “citizens.”

1976—Pub. L. 94-455, title X, §1012(b)(3)(B), Oct. 4, 1976, 90 Stat. 1614, struck out item for subpart G “Export Trade Corporation” from analysis without a corresponding repeal of text in such subpart. The amendment probably should have struck out item for subpart H.

Pub. L. 94-455, title X, §§1052(c)(7), 1053(d)(5), Oct. 4, 1976, 90 Stat. 1648, 1649, struck out item for subpart C, relating to Western Hemisphere trade corporations, effective for taxable years beginning after Dec. 31, 1979, and item for subpart E, relating to China Trade Act corporations, effective for taxable years beginning after Dec. 31, 1977.

1966—Pub. L. 89-809, title I, §105(e)(2), Nov. 13, 1966, 80 Stat. 1567, added item for subpart H.

1962—Pub. L. 87-834, §12(b)(3), Oct. 16, 1962, 76 Stat. 1031, added items for subparts F and G.

#### SUBPART A—FOREIGN TAX CREDIT

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|--------------|--|
| Sec.<br>901. | Taxes of foreign countries and of possessions of United States.                        |
| [902.        | Repealed.]   |
| 903.         | Credit for taxes in lieu of income, etc., taxes.                                       |
| 904.         | Limitation on credit.  |
| 905.         | Applicable rules.  |
| 906.         | Nonresident alien individuals and foreign corporations.                                |
| 907.         | Special rules in case of foreign oil and gas income.                                   |
| 908.         | Reduction of credit for participation in or cooperation with an international boycott. |
| 909.         | Suspension of taxes and credits until related income taken into account.               |

#### AMENDMENTS

2017—Pub. L. 115-97, title I, §14301(c)(38), Dec. 22, 2017, 131 Stat. 2225, struck out item 902 “Deemed paid credit where domestic corporation owns 10 percent or more of voting stock of foreign corporation”.

2010—Pub. L. 111-226, title II, §211(b), Aug. 10, 2010, 124 Stat. 2395, added item 909.

1986—Pub. L. 99-514, title XII, §1202(d), Oct. 22, 1986, 100 Stat. 2531, substituted “Deemed paid credit where domestic corporation owns 10 percent or more of voting stock of foreign corporation” for “Credit for corporate stockholder in foreign corporation” in item 902.

1976—Pub. L. 94-455, title X, §1061(b), Oct. 4, 1976, 90 Stat. 1650, added item 908.

1975—Pub. L. 94-12, title VI, §601(c), Mar. 29, 1975, 89 Stat. 57, added item 907.

1966—Pub. L. 89-809, title I, §106(a)(2), Nov. 13, 1966, 80 Stat. 1569, added item 906.

### § 901. Taxes of foreign countries and of possessions of United States

#### (a) Allowance of credit

If the taxpayer chooses to have the benefits of this subpart, the tax imposed by this chapter shall, subject to the limitation of section 904, be credited with the amounts provided in the applicable paragraph of subsection (b) plus, in the case of a corporation, the taxes deemed to have been paid under section 960. Such choice for any taxable year may be made or changed at any time before the expiration of the period prescribed for making a claim for credit or refund of the tax imposed by this chapter for such taxable year. The credit shall not be allowed against any tax treated as a tax not imposed by this chapter under section 26(b).

<sup>1</sup> See 1976 Amendment note below.