

plied to reduce (in the order acquired) the basis for determining gain or loss of any qualified small business stock which is purchased by the taxpayer during the 60-day period described in subsection (a).

#### (4) Holding period

For purposes of determining whether the nonrecognition of gain under subsection (a) applies to stock which is sold—

(A) the taxpayer's holding period for such stock and the stock referred to in subsection (a)(1) shall be determined without regard to section 1223, and

(B) only the first 6 months of the taxpayer's holding period for the stock referred to in subsection (a)(1) shall be taken into account for purposes of applying section 1202(c)(2).

#### (5) Certain rules to apply

Rules similar to the rules of subsections (f), (g), (h), (i), (j), and (k) of section 1202 shall apply.

(Added Pub. L. 105-34, title III, §313(a), Aug. 5, 1997, 111 Stat. 841; amended Pub. L. 105-206, title VI, §6005(f), July 22, 1998, 112 Stat. 806.)

#### AMENDMENTS

1998—Subsec. (a). Pub. L. 105-206, §6005(f)(1), in introductory provisions, substituted “a taxpayer other than a corporation” for “an individual” and “such taxpayer” for “such individual”.

Subsec. (b)(5). Pub. L. 105-206, §6005(f)(2), added par. (5).

#### EFFECTIVE DATE OF 1998 AMENDMENT

Amendment by Pub. L. 105-206 effective, except as otherwise provided, as if included in the provisions of the Taxpayer Relief Act of 1997, Pub. L. 105-34, to which such amendment relates, see section 6024 of Pub. L. 105-206, set out as a note under section 1 of this title.

#### EFFECTIVE DATE

Section applicable to sales after Aug. 5, 1997, see section 313(c) of Pub. L. 105-34, set out as an Effective Date of 1997 Amendment note under section 1016 of this title.

### PART IV—SPECIAL RULES

Sec.	
[1051.	Repealed.]
1052.	Basis established by the Revenue Act of 1932 or 1934 or by the Internal Revenue Code of 1939.
1053.	Property acquired before March 1, 1913.
1054.	Certain stock of Federal National Mortgage Association.
1055.	Redeemable ground rents.
[1056, 1057.	Repealed.]
1058.	Transfers of securities under certain agreements.
1059.	Corporate shareholder's basis in stock reduced by nontaxed portion of extraordinary dividends.
1059A.	Limitation on taxpayer's basis or inventory cost in property imported from related persons.
1060.	Special allocation rules for certain asset acquisitions.
1061.	Partnership interests held in connection with performance of services.
1062.	Cross references.

#### AMENDMENTS

2017—Pub. L. 115-97, title I, §13309(b), Dec. 22, 2017, 131 Stat. 2131, added items 1061 and 1062 and struck out former item 1061 “Cross references”.

2014—Pub. L. 113-295, div. A, title II, §221(a)(78), Dec. 19, 2014, 128 Stat. 4049, struck out item 1051 “Property acquired during affiliation”.

2004—Pub. L. 108-357, title VIII, §886(b)(1)(B), Oct. 22, 2004, 118 Stat. 1641, struck out item 1056 “Basis limitation for player contracts transferred in connection with the sale of a franchise”.

1997—Pub. L. 105-34, title XI, §1131(c)(5), Aug. 5, 1997, 111 Stat. 980, struck out item 1057 “Election to treat transfer to foreign trust, etc., as taxable exchange”.

1986—Pub. L. 99-514, title VI, §641(b), title XII, §1248(b), Oct. 22, 1986, 100 Stat. 2283, 2584, added items 1059A and 1060 and renumbered former item 1060 as 1061.

1984—Pub. L. 98-369, div. A, title I, §53(d), July 18, 1984, 98 Stat. 568, added item 1059 and renumbered former item 1059 as 1060.

1978—Pub. L. 95-345, §2(d)(2), Aug. 15, 1978, 92 Stat. 483, added item 1058 and renumbered former item 1058 as 1059.

1976—Pub. L. 94-455, title II, §212(a)(2), title X, 1015(c), Oct. 4, 1976, 90 Stat. 1546, 1618, added items 1056 and 1057 and renumbered former item 1056 as 1058.

1963—Pub. L. 88-9, §1(d), Apr. 10, 1963, 77 Stat. 8, added item 1055 and renumbered former item 1055 as 1056.

1960—Pub. L. 86-779, §8(c), Sept. 14, 1960, 74 Stat. 1003, renumbered former item 1054 as 1055 and added new item 1054.

#### [§ 1051. Repealed. Pub. L. 113-295, div. A, title II, § 221(a)(78), Dec. 19, 2014, 128 Stat. 4049]

Section, Aug. 16, 1954, ch. 736, 68A Stat. 310; Pub. L. 94-455, title XIX, §§1901(a)(131), 1906(b)(13)(A), Oct. 4, 1976, 90 Stat. 1786, 1834, related to property acquired by a corporation during affiliation.

#### EFFECTIVE DATE OF REPEAL

Repeal effective Dec. 19, 2014, subject to a savings provision, see section 221(b) of Pub. L. 113-295, set out as an Effective Date of 2014 Amendment note under section 1 of this title.

#### § 1052. Basis established by the Revenue Act of 1932 or 1934 or by the Internal Revenue Code of 1939

##### (a) Revenue Act of 1932

If the property was acquired, after February 28, 1913, in any taxable year beginning before January 1, 1934, and the basis thereof, for purposes of the Revenue Act of 1932 was prescribed by section 113(a)(6), (7), or (9) of such Act (47 Stat. 199), then for purposes of this subtitle the basis shall be the same as the basis therein prescribed in the Revenue Act of 1932.

##### (b) Revenue Act of 1934

If the property was acquired, after February 28, 1913, in any taxable year beginning before January 1, 1936, and the basis thereof, for purposes of the Revenue Act of 1934, was prescribed by section 113(a)(6), (7), or (8) of such Act (48 Stat. 706), then for purposes of this subtitle the basis shall be the same as the basis therein prescribed in the Revenue Act of 1934.

##### (c) Internal Revenue Code of 1939

If the property was acquired, after February 28, 1913, in a transaction to which the Internal Revenue Code of 1939 applied, and the basis thereof, for purposes of the Internal Revenue Code of 1939, was prescribed by section 113(a)(6), (7), (8), (13), (15), (18), (19), or (23) of such code, then for purposes of this subtitle the basis shall be the same as the basis therein prescribed in the Internal Revenue Code of 1939.

(Aug. 16, 1954, ch. 736, 68A Stat. 310.)

REFERENCES IN TEXT

Revenue Act of 1932, referred to in section catchline and subsec. (a), is act June 6, 1932, ch. 209, 47 Stat. 169. For complete classification of the Act to the Code, see Tables.

Revenue Act of 1934, referred to in section catchline and subsec. (b), is act May 10, 1934, ch. 277, 48 Stat. 680. For complete classification of this Act to the Code, see Tables.

The Internal Revenue Code of 1939, referred to in section catchline and subsec. (c), is act Feb. 10, 1939, ch. 2, 53 Stat. 1, as amended. Prior to the enactment of the Internal Revenue Code of 1986 [formerly I.R.C. 1954], the 1939 Code was classified to former Title 26, Internal Revenue Code. For Table comparisons of the 1939 Code to the 1986 Code, see table I preceding section 1 of this title.

Section 113 of the Internal Revenue Code of 1939, referred to in subsec. (c), was classified to section 113 of former Title 26, Internal Revenue Code. Section 113 was repealed by section 7851(a)(1)(A) of this title. For table of comparisons of the 1939 Code to the 1986 Code, see Table I preceding section 1 of this title. See, also, section 7851(e) of this title for provision that references in the 1986 Code to a provision of the 1939 Code, not then applicable, shall be deemed a reference to the corresponding provision of the 1986 Code, which is then applicable.

**§ 1053. Property acquired before March 1, 1913**

In the case of property acquired before March 1, 1913, if the basis otherwise determined under this subtitle, adjusted (for the period before March 1, 1913) as provided in section 1016, is less than the fair market value of the property as of March 1, 1913, then the basis for determining gain shall be such fair market value. In determining the fair market value of stock in a corporation as of March 1, 1913, due regard shall be given to the fair market value of the assets of the corporation as of that date.

(Aug. 16, 1954, ch. 736, 68A Stat. 311; Pub. L. 85-866, title I, §47, Sept. 2, 1958, 72 Stat. 1642.)

AMENDMENTS

1958—Pub. L. 85-866 substituted “subtitle” for “part”.

EFFECTIVE DATE OF 1958 AMENDMENT

Amendment by Pub. L. 85-866 applicable to taxable years beginning after Dec. 31, 1953, and ending after Aug. 16, 1954, see section 1(c)(1) of Pub. L. 85-866, set out as a note under section 165 of this title.

**§ 1054. Certain stock of Federal National Mortgage Association**

In the case of a share of stock issued pursuant to section 303(c) of the Federal National Mortgage Association Charter Act (12 U.S.C., sec. 1718), the basis of such share in the hands of the initial holder shall be an amount equal to the capital contributions evidenced by such share reduced by the amount (if any) required by section 162(d) to be treated (with respect to such share) as ordinary and necessary expenses paid or incurred in carrying on a trade or business.

(Added Pub. L. 86-779, §8(b), Sept. 14, 1960, 74 Stat. 1003.)

PRIOR PROVISIONS

A prior section 1054 was renumbered section 1062 of this title.

EFFECTIVE DATE

Section applicable with respect to taxable years beginning after Dec. 31, 1959, see section 8(d) of Pub. L. 86-779, set out as an Effective Date of 1960 Amendment note under section 162 of this title.

**§ 1055. Redeemable ground rents**

**(a) Character**

For purposes of this subtitle—

(1) a redeemable ground rent shall be treated as being in the nature of a mortgage, and

(2) real property held subject to liabilities under a redeemable ground rent shall be treated as held subject to liabilities under a mortgage.

**(b) Application of subsection (a)**

**(1) In general**

Subsection (a) shall take effect on the day after the date of the enactment of this section and shall apply with respect to taxable years ending after such date of enactment.

**(2) Basis of holder**

In determining the basis of real property held subject to liabilities under a redeemable ground rent, subsection (a) shall apply whether such real property was acquired before or after the enactment of this section.

**(3) Basis of reserved redeemable ground rent**

In the case of a redeemable ground rent reserved or created on or before the date of the enactment of this section in connection with a transfer of the right to hold real property subject to liabilities under such ground rent, the basis of such ground rent after such date in the hands of the person who reserved or created the ground rent shall be the amount taken into account in respect of such ground rent for Federal income tax purposes as consideration for the disposition of such real property. If no such amount was taken into account, such basis shall be determined as if this section had not been enacted.

**(c) Redeemable ground rent defined**

For purposes of this subtitle, the term “redeemable ground rent” means only a ground rent with respect to which—

(1) there is a lease of land which is assignable by the lessee without the consent of the lessor and which (together with periods for which the lease may be renewed at the option of the lessee) is for a term in excess of 15 years,

(2) the leaseholder has a present or future right to terminate, and to acquire the entire interest of the lessor in the land, by payment of a determined or determinable amount, which right exists by virtue of State or local law and not because of any private agreement or privately created condition, and

(3) the lessor’s interest in the land is primarily a security interest to protect the rental payments to which the lessor is entitled under the lease.

**(d) Cross reference**

**For treatment of rentals under redeemable ground rents as interest, see section 163(c).**

(Added Pub. L. 88-9, §1(b), Apr. 10, 1963, 77 Stat. 7.)