

1997—Pub. L. 105-34, title IX, §941(b), Aug. 5, 1997, 111 Stat. 885, added item 198.

1993—Pub. L. 103-66, title XIII, §13261(f)(6), Aug. 10, 1993, 107 Stat. 539, added item 197.

1992—Pub. L. 102-486, title XIX, §1913(a)(3)(B), Oct. 24, 1992, 106 Stat. 3019, added item 179A.

1990—Pub. L. 101-508, title XI, §11801(b)(3), Nov. 5, 1990, 104 Stat. 1388-522, struck out item 184 "Amortization of certain railroad rolling stock" and item 188 "Amortization of certain expenditures for child care facilities".

1986—Pub. L. 99-514, title II, §§201(d)(2)(B), 241(b)(3), 242(b)(3), title IV, §402(b)(3), title VIII, §803(c)(2), Oct. 22, 1986, 100 Stat. 2139, 2181, 2221, 2356, substituted "Amortization of cost of acquiring a lease" for "Depreciation or amortization of improvements made by lessee on lessor's property" in item 178, and struck out items 177 "Trademark and trade name expenditures", 182 "Expenditures by farmers for clearing land", 185 "Amortization of railroad grading and tunnel bores", and 189 "Amortization of real property construction period interest and taxes".

1984—Pub. L. 98-369, div. A, title I, §94(b), title IV, §474(r)(8)(B), July 18, 1984, 98 Stat. 615, 841, reenacted item 195 without change, and substituted "business credits" for "investment credits" in item 196.

1983—Pub. L. 97-448, title III, §305(b)(2), Jan. 12, 1983, 96 Stat. 2399, redesignated item 194 (relating to contributions to employer liability trusts) as 194A.

1982—Pub. L. 97-248, title II, §205(a)(5)(C), Sept. 3, 1982, 96 Stat. 430, added item 196.

1981—Pub. L. 97-34, title II, §§201(d), 202(d)(3), Aug. 13, 1981, 95 Stat. 219, 221, added item 168 and substituted "Election to expense certain depreciable business assets" for "Additional first-year depreciation allowance for small business" in item 179.

1980—Pub. L. 96-605, title I, §102(b), Dec. 28, 1980, 94 Stat. 3522, added item 195.

Pub. L. 96-451, title III, §301(c)(2), Oct. 14, 1980, 94 Stat. 1991, added item 194 relating to amortization of reforestation expenditures.

Pub. L. 96-364, title II, §209(c)(2), Sept. 26, 1980, 94 Stat. 1291, added item 194 relating to contributions to employer liability trusts.

Pub. L. 96-223, title II, §251(a)(2)(A), Apr. 2, 1980, 94 Stat. 287, added item 193.

1978—Pub. L. 95-227, §4(b)(2), Feb. 10, 1978, 95 Stat. 17, added item 192.

1977—Pub. L. 95-30, title IV, §402(a)(4), May 23, 1977, 91 Stat. 155, struck out "on-the-job training and" after "certain expenditures for" in item 188.

1976—Pub. L. 94-455, title II, §201(b), title XIX, §§1901(b)(11)(B), 1951(c)(2)(D), title XXI, §§2122(b)(1), 2124(a)(3)(A), Oct. 4, 1976, 90 Stat. 1527, 1795, 1841, 1915, 1917, struck out item 168 "Amortization of emergency facilities" and item 187 "Amortization of certain coal mine safety equipment" and added items 189, 190, and 191.

1971—Pub. L. 92-178, title III, §303(c)(6), Dec. 10, 1971, 85 Stat. 522, added item 188.

1969—Pub. L. 91-172, title II, §213(c)(1), title VII, §§704(b)(1), 705(b), 707(b), title IX, §904(b), Dec. 30, 1969, 83 Stat. 572, 669, 674, 675, 712, substituted reference to pollution control facilities for reference to grain storage facilities in item 169, and added items 183 to 187.

1964—Pub. L. 88-272, title II, §203(a)(3)(D), Feb. 26, 1964, 78 Stat. 34, struck out item 181 "Deduction for certain unused investment credit".

1962—Pub. L. 87-834, §§2(g)(3), 21(c), Oct. 16, 1962, 76 Stat. 973, 1064, added items 181, 182.

1960—Pub. L. 86-779, §6(b), Sept. 14, 1960, 74 Stat. 1001, added item 180.

1958—Pub. L. 85-866, title I, §15(b), title II, §204(b), Sept. 2, 1958, 72 Stat. 1613, 1680, added items 178 and 179.

1956—Act June 29, 1956, ch. 464, §4(b), 70 Stat. 406, added item 177.

1954—Act Sept. 1, 1954, ch. 1206, title II, §210(b), 68 Stat. 1097, added item 176.

### § 161. Allowance of deductions

In computing taxable income under section 63, there shall be allowed as deductions the items

specified in this part, subject to the exceptions provided in part IX (sec. 261 and following, relating to items not deductible).

(Aug. 16, 1954, ch. 736, 68A Stat. 45; Pub. L. 95-30, title I, §102(b)(1), May 23, 1977, 91 Stat. 137.)

#### AMENDMENTS

1977—Pub. L. 95-30 substituted "section 63" for "section 63(a)".

#### EFFECTIVE DATE OF 1977 AMENDMENT

Amendment by Pub. L. 95-30 applicable to taxable years beginning after Dec. 31, 1976, see section 106(a) of Pub. L. 95-30, set out as a note under section 1 of this title.

### § 162. Trade or business expenses

#### (a) In general

There shall be allowed as a deduction all the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business, including—

(1) a reasonable allowance for salaries or other compensation for personal services actually rendered;

(2) traveling expenses (including amounts expended for meals and lodging other than amounts which are lavish or extravagant under the circumstances) while away from home in the pursuit of a trade or business; and

(3) rentals or other payments required to be made as a condition to the continued use or possession, for purposes of the trade or business, of property to which the taxpayer has not taken or is not taking title or in which he has no equity.

For purposes of the preceding sentence, the place of residence of a Member of Congress (including any Delegate and Resident Commissioner) within the State, congressional district, or possession which he represents in Congress shall be considered his home, but amounts expended by such Members within each taxable year for living expenses shall not be deductible for income tax purposes in excess of \$3,000. For purposes of paragraph (2), the taxpayer shall not be treated as being temporarily away from home during any period of employment if such period exceeds 1 year. The preceding sentence shall not apply to any Federal employee during any period for which such employee is certified by the Attorney General (or the designee thereof) as traveling on behalf of the United States in temporary duty status to investigate or prosecute, or provide support services for the investigation or prosecution of, a Federal crime.

#### (b) Charitable contributions and gifts excepted

No deduction shall be allowed under subsection (a) for any contribution or gift which would be allowable as a deduction under section 170 were it not for the percentage limitations, the dollar limitations, or the requirements as to the time of payment, set forth in such section.

#### (c) Illegal bribes, kickbacks, and other payments

##### (1) Illegal payments to government officials or employees

No deduction shall be allowed under subsection (a) for any payment made, directly or

indirectly, to an official or employee of any government, or of any agency or instrumentality of any government, if the payment constitutes an illegal bribe or kickback or, if the payment is to an official or employee of a foreign government, the payment is unlawful under the Foreign Corrupt Practices Act of 1977. The burden of proof in respect of the issue, for the purposes of this paragraph, as to whether a payment constitutes an illegal bribe or kickback (or is unlawful under the Foreign Corrupt Practices Act of 1977) shall be upon the Secretary to the same extent as he bears the burden of proof under section 7454 (concerning the burden of proof when the issue relates to fraud).

**(2) Other illegal payments**

No deduction shall be allowed under subsection (a) for any payment (other than a payment described in paragraph (1)) made, directly or indirectly, to any person, if the payment constitutes an illegal bribe, illegal kickback, or other illegal payment under any law of the United States, or under any law of a State (but only if such State law is generally enforced), which subjects the payor to a criminal penalty or the loss of license or privilege to engage in a trade or business. For purposes of this paragraph, a kickback includes a payment in consideration of the referral of a client, patient, or customer. The burden of proof in respect of the issue, for purposes of this paragraph, as to whether a payment constitutes an illegal bribe, illegal kickback, or other illegal payment shall be upon the Secretary to the same extent as he bears the burden of proof under section 7454 (concerning the burden of proof when the issue relates to fraud).

**(3) Kickbacks, rebates, and bribes under medicare and medicaid**

No deduction shall be allowed under subsection (a) for any kickback, rebate, or bribe made by any provider of services, supplier, physician, or other person who furnishes items or services for which payment is or may be made under the Social Security Act, or in whole or in part out of Federal funds under a State plan approved under such Act, if such kickback, rebate, or bribe is made in connection with the furnishing of such items or services or the making or receipt of such payments. For purposes of this paragraph, a kickback includes a payment in consideration of the referral of a client, patient, or customer.

**(d) Capital contributions to Federal National Mortgage Association**

For purposes of this subtitle, whenever the amount of capital contributions evidenced by a share of stock issued pursuant to section 303(c) of the Federal National Mortgage Association Charter Act (12 U.S.C., sec. 1718) exceeds the fair market value of the stock as of the issue date of such stock, the initial holder of the stock shall treat the excess as ordinary and necessary expenses paid or incurred during the taxable year in carrying on a trade or business.

**(e) Denial of deduction for certain lobbying and political expenditures**

**(1) In general**

No deduction shall be allowed under subsection (a) for any amount paid or incurred in connection with—

(A) influencing legislation,

(B) participation in, or intervention in, any political campaign on behalf of (or in opposition to) any candidate for public office,

(C) any attempt to influence the general public, or segments thereof, with respect to elections, legislative matters, or referendums, or

(D) any direct communication with a covered executive branch official in an attempt to influence the official actions or positions of such official.

**(2) Exception for local legislation**

In the case of any legislation of any local council or similar governing body—

(A) paragraph (1)(A) shall not apply, and

(B) the deduction allowed by subsection (a) shall include all ordinary and necessary expenses (including, but not limited to, traveling expenses described in subsection (a)(2) and the cost of preparing testimony) paid or incurred during the taxable year in carrying on any trade or business—

(i) in direct connection with appearances before, submission of statements to, or sending communications to the committees, or individual members, of such council or body with respect to legislation or proposed legislation of direct interest to the taxpayer, or

(ii) in direct connection with communication of information between the taxpayer and an organization of which the taxpayer is a member with respect to any such legislation or proposed legislation which is of direct interest to the taxpayer and to such organization,

and that portion of the dues so paid or incurred with respect to any organization of which the taxpayer is a member which is attributable to the expenses of the activities described in clauses (i) and (ii) carried on by such organization.

**(3) Application to dues of tax-exempt organizations**

No deduction shall be allowed under subsection (a) for the portion of dues or other similar amounts paid by the taxpayer to an organization which is exempt from tax under this subtitle which the organization notifies the taxpayer under section 6033(e)(1)(A)(ii) is allocable to expenditures to which paragraph (1) applies.

**(4) Influencing legislation**

For purposes of this subsection—

**(A) In general**

The term “influencing legislation” means any attempt to influence any legislation through communication with any member or employee of a legislative body, or with

any government official or employee who may participate in the formulation of legislation.

**(B) Legislation**

The term “legislation” has the meaning given such term by section 4911(e)(2).

**(5) Other special rules**

**(A) Exception for certain taxpayers**

In the case of any taxpayer engaged in the trade or business of conducting activities described in paragraph (1), paragraph (1) shall not apply to expenditures of the taxpayer in conducting such activities directly on behalf of another person (but shall apply to payments by such other person to the taxpayer for conducting such activities).

**(B) De minimis exception**

**(i) In general**

Paragraph (1) shall not apply to any in-house expenditures for any taxable year if such expenditures do not exceed \$2,000. In determining whether a taxpayer exceeds the \$2,000 limit under this clause, there shall not be taken into account overhead costs otherwise allocable to activities described in paragraphs (1)(A) and (D).

**(ii) In-house expenditures**

For purposes of clause (i), the term “in-house expenditures” means expenditures described in paragraphs (1)(A) and (D) other than—

(I) payments by the taxpayer to a person engaged in the trade or business of conducting activities described in paragraph (1) for the conduct of such activities on behalf of the taxpayer, or

(II) dues or other similar amounts paid or incurred by the taxpayer which are allocable to activities described in paragraph (1).

**(C) Expenses incurred in connection with lobbying and political activities**

Any amount paid or incurred for research for, or preparation, planning, or coordination of, any activity described in paragraph (1) shall be treated as paid or incurred in connection with such activity.

**(6) Covered executive branch official**

For purposes of this subsection, the term “covered executive branch official” means—

(A) the President,

(B) the Vice President,

(C) any officer or employee of the White House Office of the Executive Office of the President, and the 2 most senior level officers of each of the other agencies in such Executive Office, and

(D)(i) any individual serving in a position in level I of the Executive Schedule under section 5312 of title 5, United States Code, (ii) any other individual designated by the President as having Cabinet level status, and (iii) any immediate deputy of an individual described in clause (i) or (ii).

**(7) Special rule for Indian tribal governments**

For purposes of this subsection, an Indian tribal government shall be treated in the same

manner as a local council or similar governing body.

**(8) Cross reference**

For reporting requirements and alternative taxes related to this subsection, see section 6033(e).

**(f) Fines and penalties**

No deduction shall be allowed under subsection (a) for any fine or similar penalty paid to a government for the violation of any law.

**(g) Treble damage payments under the antitrust laws**

If in a criminal proceeding a taxpayer is convicted of a violation of the antitrust laws, or his plea of guilty or nolo contendere to an indictment or information charging such a violation is entered or accepted in such a proceeding, no deduction shall be allowed under subsection (a) for two-thirds of any amount paid or incurred—

(1) on any judgment for damages entered against the taxpayer under section 4 of the Act entitled “An Act to supplement existing laws against unlawful restraints and monopolies, and for other purposes”, approved October 15, 1914 (commonly known as the Clayton Act), on account of such violation or any related violation of the antitrust laws which occurred prior to the date of the final judgment of such conviction, or

(2) in settlement of any action brought under such section 4 on account of such violation or related violation.

The preceding sentence shall not apply with respect to any conviction or plea before January 1, 1970, or to any conviction or plea on or after such date in a new trial following an appeal of a conviction before such date.

**(h) State legislators’ travel expenses away from home**

**(1) In general**

For purposes of subsection (a), in the case of any individual who is a State legislator at any time during the taxable year and who makes an election under this subsection for the taxable year—

(A) the place of residence of such individual within the legislative district which he represented shall be considered his home,

(B) he shall be deemed to have expended for living expenses (in connection with his trade or business as a legislator) an amount equal to the sum of the amounts determined by multiplying each legislative day of such individual during the taxable year by the greater of—

(i) the amount generally allowable with respect to such day to employees of the State of which he is a legislator for per diem while away from home, to the extent such amount does not exceed 110 percent of the amount described in clause (ii) with respect to such day, or

(ii) the amount generally allowable with respect to such day to employees of the executive branch of the Federal Government for per diem while away from home but serving in the United States, and

(C) he shall be deemed to be away from home in the pursuit of a trade or business on each legislative day.

**(2) Legislative days**

For purposes of paragraph (1), a legislative day during any taxable year for any individual shall be any day during such year on which—

(A) the legislature was in session (including any day in which the legislature was not in session for a period of 4 consecutive days or less), or

(B) the legislature was not in session but the physical presence of the individual was formally recorded at a meeting of a committee of such legislature.

**(3) Election**

An election under this subsection for any taxable year shall be made at such time and in such manner as the Secretary shall by regulations prescribe.

**(4) Section not to apply to legislators who reside near capitol**

For taxable years beginning after December 31, 1980, this subsection shall not apply to any legislator whose place of residence within the legislative district which he represents is 50 or fewer miles from the capitol building of the State.

**(i) Repealed. Pub. L. 101-239, title VI, § 6202(b)(3)(A), Dec. 19, 1989, 103 Stat. 2233]****(j) Certain foreign advertising expenses****(1) In general**

No deduction shall be allowed under subsection (a) for any expenses of an advertisement carried by a foreign broadcast undertaking and directed primarily to a market in the United States. This paragraph shall apply only to foreign broadcast undertakings located in a country which denies a similar deduction for the cost of advertising directed primarily to a market in the foreign country when placed with a United States broadcast undertaking.

**(2) Broadcast undertaking**

For purposes of paragraph (1), the term “broadcast undertaking” includes (but is not limited to) radio and television stations.

**(k) Stock reacquisition expenses****(1) In general**

Except as provided in paragraph (2), no deduction otherwise allowable shall be allowed under this chapter for any amount paid or incurred by a corporation in connection with the reacquisition of its stock or of the stock of any related person (as defined in section 465(b)(3)(C)).

**(2) Exceptions**

Paragraph (1) shall not apply to—

**(A) Certain specific deductions**

Any—

(i) deduction allowable under section 163 (relating to interest),

(ii) deduction for amounts which are properly allocable to indebtedness and amortized over the term of such indebtedness, or

(iii) deduction for dividends paid (within the meaning of section 561).

**(B) Stock of certain regulated investment companies**

Any amount paid or incurred in connection with the redemption of any stock in a regulated investment company which issues only stock which is redeemable upon the demand of the shareholder.

**(I) Special rules for health insurance costs of self-employed individuals****(1) Allowance of deduction****(A) In general**

In the case of an individual who is an employee within the meaning of section 401(c)(1), there shall be allowed as a deduction under this section an amount equal to the applicable percentage of the amount paid during the taxable year for insurance which constitutes medical care for the taxpayer, his spouse, and dependents.

**(B) Applicable percentage**

For purposes of subparagraph (A), the applicable percentage shall be determined under the following table:

For taxable years beginning in calendar year—	The applicable percentage is—
1999 through 2001 .....	60
2002 .....	70
2003 and thereafter .....	100.

**(2) Limitations****(A) Dollar amount**

No deduction shall be allowed under paragraph (1) to the extent that the amount of such deduction exceeds the taxpayer's earned income (within the meaning of section 401(c)) derived by the taxpayer from the trade or business with respect to which the plan providing the medical care coverage is established.

**(B) Other coverage**

Paragraph (1) shall not apply to any taxpayer for any calendar month for which the taxpayer is eligible to participate in any subsidized health plan maintained by any employer of the taxpayer or of the spouse of the taxpayer. The preceding sentence shall be applied separately with respect to—

(i) plans which include coverage for qualified long-term care services (as defined in section 7702B(c)) or are qualified long-term care insurance contracts (as defined in section 7702B(b)), and

(ii) plans which do not include such coverage and are not such contracts.

**(C) Long-term care premiums**

In the case of a qualified long-term care insurance contract (as defined in section 7702B(b)), only eligible long-term care premiums (as defined in section 213(d)(10)) shall be taken into account under paragraph (1).

**(3) Coordination with medical deduction**

Any amount paid by a taxpayer for insurance to which paragraph (1) applies shall not be taken into account in computing the amount allowable to the taxpayer as a deduction under section 213(a).

**(4) Deduction not allowed for self-employment tax purposes**

The deduction allowable by reason of this subsection shall not be taken into account in determining an individual's net earnings from self-employment (within the meaning of section 1402(a)) for purposes of chapter 2.

**(5) Treatment of certain S corporation shareholders**

This subsection shall apply in the case of any individual treated as a partner under section 1372(a), except that—

(A) for purposes of this subsection, such individual's wages (as defined in section 3121) from the S corporation shall be treated as such individual's earned income (within the meaning of section 401(c)(1)), and

(B) there shall be such adjustments in the application of this subsection as the Secretary may by regulations prescribe.

**(m) Certain excessive employee remuneration****(1) In general**

In the case of any publicly held corporation, no deduction shall be allowed under this chapter for applicable employee remuneration with respect to any covered employee to the extent that the amount of such remuneration for the taxable year with respect to such employee exceeds \$1,000,000.

**(2) Publicly held corporation**

For purposes of this subsection, the term "publicly held corporation" means any corporation issuing any class of common equity securities required to be registered under section 12 of the Securities Exchange Act of 1934.

**(3) Covered employee**

For purposes of this subsection, the term "covered employee" means any employee of the taxpayer if—

(A) as of the close of the taxable year, such employee is the chief executive officer of the taxpayer or is an individual acting in such a capacity, or

(B) the total compensation of such employee for the taxable year is required to be reported to shareholders under the Securities Exchange Act of 1934 by reason of such employee being among the 4 highest compensated officers for the taxable year (other than the chief executive officer).

**(4) Applicable employee remuneration**

For purposes of this subsection—

**(A) In general**

Except as otherwise provided in this paragraph, the term "applicable employee remuneration" means, with respect to any covered employee for any taxable year, the aggregate amount allowable as a deduction under this chapter for such taxable year (determined without regard to this subsection) for remuneration for services performed by such employee (whether or not during the taxable year).

**(B) Exception for remuneration payable on commission basis**

The term "applicable employee remuneration" shall not include any remuneration

payable on a commission basis solely on account of income generated directly by the individual performance of the individual to whom such remuneration is payable.

**(C) Other performance-based compensation**

The term "applicable employee remuneration" shall not include any remuneration payable solely on account of the attainment of one or more performance goals, but only if—

(i) the performance goals are determined by a compensation committee of the board of directors of the taxpayer which is comprised solely of 2 or more outside directors,

(ii) the material terms under which the remuneration is to be paid, including the performance goals, are disclosed to shareholders and approved by a majority of the vote in a separate shareholder vote before the payment of such remuneration, and

(iii) before any payment of such remuneration, the compensation committee referred to in clause (i) certifies that the performance goals and any other material terms were in fact satisfied.

**(D) Exception for existing binding contracts**

The term "applicable employee remuneration" shall not include any remuneration payable under a written binding contract which was in effect on February 17, 1993, and which was not modified thereafter in any material respect before such remuneration is paid.

**(E) Remuneration**

For purposes of this paragraph, the term "remuneration" includes any remuneration (including benefits) in any medium other than cash, but shall not include—

(i) any payment referred to in so much of section 3121(a)(5) as precedes subparagraph (E) thereof, and

(ii) any benefit provided to or on behalf of an employee if at the time such benefit is provided it is reasonable to believe that the employee will be able to exclude such benefit from gross income under this chapter.

For purposes of clause (i), section 3121(a)(5) shall be applied without regard to section 3121(v)(1).

**(F) Coordination with disallowed golden parachute payments**

The dollar limitation contained in paragraph (1) shall be reduced (but not below zero) by the amount (if any) which would have been included in the applicable employee remuneration of the covered employee for the taxable year but for being disallowed under section 280G.

**(G) Coordination with excise tax on specified stock compensation**

The dollar limitation contained in paragraph (1) with respect to any covered employee shall be reduced (but not below zero) by the amount of any payment (with respect to such employee) of the tax imposed by sec-

tion 4985 directly or indirectly by the expatriated corporation (as defined in such section) or by any member of the expanded affiliated group (as defined in such section) which includes such corporation.

**(n) Special rule for certain group health plans**

**(1) In general**

No deduction shall be allowed under this chapter to an employer for any amount paid or incurred in connection with a group health plan if the plan does not reimburse for inpatient hospital care services provided in the State of New York—

(A) except as provided in subparagraphs (B) and (C), at the same rate as licensed commercial insurers are required to reimburse hospitals for such services when such reimbursement is not through such a plan,

(B) in the case of any reimbursement through a health maintenance organization, at the same rate as health maintenance organizations are required to reimburse hospitals for such services for individuals not covered by such a plan (determined without regard to any government-supported individuals exempt from such rate), or

(C) in the case of any reimbursement through any corporation organized under Article 43 of the New York State Insurance Law, at the same rate as any such corporation is required to reimburse hospitals for such services for individuals not covered by such a plan.

**(2) State law exception**

Paragraph (1) shall not apply to any group health plan which is not required under the laws of the State of New York (determined without regard to this subsection or other provisions of Federal law) to reimburse at the rates provided in paragraph (1).

**(3) Group health plan**

For purposes of this subsection, the term “group health plan” means a plan of, or contributed to by, an employer or employee organization (including a self-insured plan) to provide health care (directly or otherwise) to any employee, any former employee, the employer, or any other individual associated or formerly associated with the employer in a business relationship, or any member of their family.

**(o) Treatment of certain expenses of rural mail carriers**

**(1) General rule**

In the case of any employee of the United States Postal Service who performs services involving the collection and delivery of mail on a rural route and who receives qualified reimbursements for the expenses incurred by such employee for the use of a vehicle in performing such services—

(A) the amount allowable as a deduction under this chapter for the use of a vehicle in performing such services shall be equal to the amount of such qualified reimbursements; and

(B) such qualified reimbursements shall be treated as paid under a reimbursement or other expense allowance arrangement for

purposes of section 62(a)(2)(A) (and section 62(c) shall not apply to such qualified reimbursements).

**(2) Special rule where expenses exceed reimbursements**

Notwithstanding paragraph (1)(A), if the expenses incurred by an employee for the use of a vehicle in performing services described in paragraph (1) exceed the qualified reimbursements for such expenses, such excess shall be taken into account in computing the miscellaneous itemized deductions of the employee under section 67.

**(3) Definition of qualified reimbursements**

For purposes of this subsection, the term “qualified reimbursements” means the amounts paid by the United States Postal Service to employees as an equipment maintenance allowance under the 1991 collective bargaining agreement between the United States Postal Service and the National Rural Letter Carriers’ Association. Amounts paid as an equipment maintenance allowance by such Postal Service under later collective bargaining agreements that supersede the 1991 agreement shall be considered qualified reimbursements if such amounts do not exceed the amounts that would have been paid under the 1991 agreement, adjusted for changes in the Consumer Price Index (as defined in section 1(f)(5)) since 1991.

**(p) Treatment of expenses of members of reserve component of Armed Forces of the United States**

For purposes of subsection (a)(2), in the case of an individual who performs services as a member of a reserve component of the Armed Forces of the United States at any time during the taxable year, such individual shall be deemed to be away from home in the pursuit of a trade or business for any period during which such individual is away from home in connection with such service.

**(q) Cross reference**

**(1) For special rule relating to expenses in connection with subdividing real property for sale, see section 1237.**

**(2) For special rule relating to the treatment of payments by a transferee of a franchise, trademark, or trade name, see section 1253.**

**(3) For special rules relating to—**

**(A) funded welfare benefit plans, see section 419, and**

**(B) deferred compensation and other deferred benefits, see section 404.**

(Aug. 16, 1954, ch. 736, 68A Stat. 45; Pub. L. 85-866, title I, §5(a), Sept. 2, 1958, 72 Stat. 1608; Pub. L. 86-779, §§7(b), 8(a), Sept. 14, 1960, 74 Stat. 1002, 1003; Pub. L. 87-834, §§3(a), 4(b), Oct. 16, 1962, 76 Stat. 973, 976; Pub. L. 91-172, title V, §516(c)(2)(A), title IX, §902(a), (b), Dec. 30, 1969, 83 Stat. 648, 710; Pub. L. 92-178, title III, §310(a), Dec. 10, 1971, 85 Stat. 525; Pub. L. 94-455, title XIX, §§1901(c)(4), 1906(b)(13)(A), Oct. 4, 1976, 90 Stat. 1803, 1834; Pub. L. 97-34, title I, §127(a), Aug. 13, 1981, 95 Stat. 202; Pub. L. 97-35, title XXI, §2146(b), Aug. 13, 1981, 95 Stat. 801; Pub. L. 97-51, §139(b)(1), Oct. 1, 1981, 95 Stat. 967; Pub. L. 97-216, title II, §215(a), July 18, 1982, 96 Stat. 194;

Pub. L. 97-248, title I, §128(b), title II, §288(a), Sept. 3, 1982, 96 Stat. 366, 571; Pub. L. 98-369, div. A, title V, §512(b), div. B, title III, §2354(d), July 18, 1984, 98 Stat. 863, 1102; Pub. L. 98-573, title II, §232(a), Oct. 30, 1984, 98 Stat. 2991; Pub. L. 99-272, title X, §10001(a), (c), (d), Apr. 7, 1986, 100 Stat. 222, 223, 227; Pub. L. 99-509, title IX, §§9307(c)(2)(B), 9501(a)(1), (b)(1)(A), (2)(A), (c)(1), (d)(1), Oct. 21, 1986, 100 Stat. 1995, 2075-2077; Pub. L. 99-514, title VI, §613(a), title XI, §1161(a), title XVIII, §1895(d)(1)(A), (2)(A), (3)(A), (4)(A), (5)(A), (6)(A), (7), Oct. 22, 1986, 100 Stat. 2251, 2509, 2936-2940; Pub. L. 100-647, title I, §§1011B(b)(1)-(3), 1018(t)(7)(B), title III, §3011(b)(2), (3), Nov. 10, 1988, 102 Stat. 3488, 3589, 3624, 3625; Pub. L. 101-140, title II, §203(a)(4), Nov. 8, 1989, 103 Stat. 830; Pub. L. 101-239, title VI, §6202(b)(3)(A), title VII, §§7107(a)(1), (b), 7862(c)(3)(A), Dec. 19, 1989, 103 Stat. 2233, 2306, 2432; Pub. L. 101-508, title XI, §§1111(d)(2), 11410(a), Nov. 5, 1990, 104 Stat. 1388-413, 1388-479; Pub. L. 102-227, title I, §110(a)(1), Dec. 11, 1991, 105 Stat. 1688; Pub. L. 102-486, title XIX, §1938(a), Oct. 24, 1992, 106 Stat. 3033; Pub. L. 103-66, title XIII, §§13131(d)(2), 13174(a)(1), (b)(1), 13211(a), 13222(a), 13442(a), Aug. 10, 1993, 107 Stat. 435, 457, 469, 477, 568; Pub. L. 104-7, §1(a), (b), Apr. 11, 1995, 109 Stat. 93; Pub. L. 104-188, title I, §1704(p)(1)-(3), Aug. 20, 1996, 110 Stat. 1886; Pub. L. 104-191, title III, §§311(a), 322(b)(2)(B), Aug. 21, 1996, 110 Stat. 2053, 2060; Pub. L. 105-34, title IX, §934(a), title XII, §§1203(a), 1204(a), title XVI, §1602(c), Aug. 5, 1997, 111 Stat. 882, 994, 995, 1094; Pub. L. 105-206, title VI, §6012(a), July 22, 1998, 112 Stat. 818; Pub. L. 105-277, div. J, title II, §2002(a), Oct. 21, 1998, 112 Stat. 2681-901; Pub. L. 108-121, title I, §109(a), Nov. 11, 2003, 117 Stat. 1341; Pub. L. 108-357, title III, §318(a), (b), title VIII, §802(b)(2), Oct. 22, 2004, 118 Stat. 1470, 1568.)

REFERENCES IN TEXT

The Foreign Corrupt Practices Act of 1977, referred to in subsec. (c)(1), is title I of Pub. L. 95-213, Dec. 19, 1977, 91 Stat. 1494, as amended, which enacted sections 78dd-1 to 78dd-3 of Title 15, Commerce and Trade, and amended sections 78m and 78ff of Title 15. For complete classification of this Act to the Code, see Short Title of 1977 Amendment note set out under section 78a of Title 15 and Tables.

The Social Security Act, referred to in subsec. (c)(3), is act Aug. 14, 1935, ch. 531, 49 Stat. 620, as amended, which is classified generally to chapter 7 (§301 et seq.) of Title 42, The Public Health and Welfare. For complete classification of this Act to the Code, see section 1305 of Title 42 and Tables.

Section 4 of the Clayton Act, referred to in subsec. (g)(1), is classified to section 15 of Title 15.

The Securities Exchange Act of 1934, referred to in subsec. (m)(2), (3)(B), is act June 6, 1934, ch. 404, 48 Stat. 881, as amended, which is classified principally to chapter 2B (§78a et seq.) of Title 15. Section 12 of the Act is classified to section 78l of Title 15. For complete classification of this Act to the Code, see section 78a of Title 15 and Tables.

AMENDMENTS

2004—Subsec. (m)(4)(G). Pub. L. 108-357, §802(b)(2), added subpar. (G).

Subsec. (o). Pub. L. 108-357, §318(b), struck out “reimbursed” before “expenses” in heading.

Subsec. (o)(2), (3). Pub. L. 108-357, §318(a), added par. (2) and redesignated former par. (2) as (3).

2003—Subsecs. (p), (q). Pub. L. 108-121 added subsec. (p) and redesignated former subsec. (p) as (q).

1998—Subsec. (a). Pub. L. 105-206, in last sentence, substituted “investigate or prosecute, or provide support services for the investigation or prosecution of, a Federal crime.” for “investigate, or provide support services for the investigation of, a Federal crime.”

Subsec. (l)(1)(B). Pub. L. 105-277 amended table in subpar. (B) generally. Prior to amendment, table read as follows:

“For taxable years beginning in calendar year—	The applicable percentage is—
1997 .....	40
1998 and 1999 .....	45
2000 and 2001 .....	50
2002 .....	60
2003 through 2005 .....	80
2006 .....	90
2007 and thereafter .....	100.”

1997—Subsec. (a). Pub. L. 105-34, §1204(a), inserted at end of concluding provisions “The preceding sentence shall not apply to any Federal employee during any period for which such employee is certified by the Attorney General (or the designee thereof) as traveling on behalf of the United States in temporary duty status to investigate, or provide support services for the investigation of, a Federal crime.”

Subsec. (l)(1)(B). Pub. L. 105-34, §934(a), amended table generally. Prior to amendment, table read as follows:

“For taxable years beginning in calendar year—	The applicable percentage is—
1997 .....	40 percent
1998 through 2002 .....	45 percent
2003 .....	50 percent
2004 .....	60 percent
2005 .....	70 percent
2006 or thereafter .....	80 percent.”

Subsec. (l)(2)(B). Pub. L. 105-34, §1602(c), inserted “The preceding sentence shall be applied separately with respect to—” at end and added cls. (i) and (ii).

Subsecs. (o), (p). Pub. L. 105-34, §1203(a), added subsec. (o) and redesignated former subsec. (o) as (p).

1996—Subsec. (k). Pub. L. 104-188, §1704(p)(3), substituted “reacquisition” for “redemption” in heading.

Subsec. (k)(1). Pub. L. 104-188, §1704(p)(1), substituted “the reacquisition of its stock or of the stock of any related person (as defined in section 465(b)(3)(C))” for “the redemption of its stock”.

Subsec. (k)(2)(A). Pub. L. 104-188, §1704(p)(2), struck out “or” at end of cl. (i), added cl. (ii), and redesignated former cl. (ii) as (iii).

Subsec. (l)(1). Pub. L. 104-191, §311(a), amended par. (1) generally. Prior to amendment, par. (1) read as follows:

“(1) IN GENERAL.—In the case of an individual who is an employee within the meaning of section 401(c)(1), there shall be allowed as a deduction under this section an amount equal to 30 percent of the amount paid during the taxable year for insurance which constitutes medical care for the taxpayer, his spouse, and dependents.”

Subsec. (l)(2)(C). Pub. L. 104-191, §322(b)(2)(B), added subpar. (C).

1995—Subsec. (l)(1). Pub. L. 104-7, §1(b), substituted “30 percent” for “25 percent”.

Subsec. (l)(6). Pub. L. 104-7, §1(a), struck out par. (6) “Termination” which read as follows: “This subsection shall not apply to any taxable year beginning after December 31, 1993.”

1993—Subsec. (e). Pub. L. 103-66, §13222(a), amended heading and text generally. Prior to amendment, text consisted of pars. (1) and (2) relating to deduction of ordinary and necessary expenses paid or incurred in connection with certain activities relating to congressional, State, and local legislation.

Subsec. (l)(2)(B). Pub. L. 103-66, §13174(b)(1), amended heading and text of subpar. (B) generally. Prior to amendment, text read as follows: “Paragraph (1) shall

not apply to any taxpayer who is eligible to participate in any subsidized health plan maintained by any employer of the taxpayer or of the spouse of the taxpayer.”

Subsec. (l)(3). Pub. L. 103-66, §1313(d)(2), amended heading and text of par. (3) generally. Prior to amendment, text read as follows:

“(A) MEDICAL DEDUCTION.—Any amount paid by a taxpayer for insurance to which paragraph (1) applies shall not be taken into account in computing the amount allowable to the taxpayer as a deduction under section 213(a).

“(B) HEALTH INSURANCE CREDIT.—The amount otherwise taken into account under paragraph (1) as paid for insurance which constitutes medical care shall be reduced by the amount (if any) of the health insurance credit allowable to the taxpayer for the taxable year under section 32.”

Subsec. (l)(6). Pub. L. 103-66, §13174(a)(1), substituted “December 31, 1993” for “June 30, 1992”.

Subsec. (m). Pub. L. 103-66, §13211(a), added subsec. (m). Former subsec. (m) redesignated (n).

Subsec. (n). Pub. L. 103-66, §13442(a), added subsec. (n). Former subsec. (n) redesignated (o).

Pub. L. 103-66, §13211(a), redesignated subsec. (m) as (n).

Subsec. (o). Pub. L. 103-66, §13442(a), redesignated subsec. (n) as (o).

1992—Subsec. (a). Pub. L. 102-486 inserted at end “For purposes of paragraph (2), the taxpayer shall not be treated as being temporarily away from home during any period of employment if such period exceeds 1 year.”

1991—Subsec. (l)(6). Pub. L. 102-227 substituted “June 30, 1992” for “December 31, 1991”.

1990—Subsec. (l)(3). Pub. L. 101-508, §11111(d)(2), substituted heading for one which read: “Coordination with medical deduction” and amended text generally. Prior to amendment, text read as follows: “Any amount paid by a taxpayer for insurance to which paragraph (1) applies shall not be taken into account in computing the amount allowable to the taxpayer as a deduction under section 213(a).”

Subsec. (l)(6). Pub. L. 101-508, §11410(a), substituted “December 31, 1991” for “September 30, 1990”.

1989—Subsec. (i). Pub. L. 101-239, §6202(b)(3)(A), struck out subsec. (i) which read as follows:

“(1) COVERAGE RELATING TO END STAGE RENAL DISEASE.—The expenses paid or incurred by an employer for a group health plan shall not be allowed as a deduction under this section if the plan differentiates in the benefits it provides between individuals having end stage renal disease and other individuals covered by such plan on the basis of the existence of end stage renal disease, the need for renal dialysis, or in any other manner.

“(2) GROUP HEALTH PLAN.—For purposes of this subsection the term ‘group health plan’ means any plan of, or contributed to by, an employer to provide medical care (as defined in section 213(d) to his employees, former employees, or the families of such employees or former employees, directly or through insurance, reimbursement, or otherwise.”

Subsec. (k)(2)(B)(iv). Pub. L. 101-239, §7862(c)(3)(A), amended cl. (iv) as it existed prior to repeal of subsec. (k) by Pub. L. 100-647, by substituting “entitlement” for “eligibility” in heading and inserting “which does not contain any exclusion or limitation with respect to any preexisting condition of such beneficiary” after “or otherwise” in subclause (I).

Subsec. (l)(2). Pub. L. 101-140 redesignated subpar. (C) as (B) and struck out former subpar. (B) which read as follows: “REQUIRED COVERAGE.—Paragraph (1) shall not apply to any taxpayer for any taxable year unless coverage is provided under 1 or more plans meeting the requirements of section 89, treating such coverage as an employer-provided benefit.”

Subsec. (l)(5). Pub. L. 101-239, §7107(b), added par. (5). Former par. (5) redesignated (6).

Pub. L. 101-239, §7107(a)(1), substituted “September 30, 1990” for “December 31, 1989”.

Subsec. (l)(6). Pub. L. 101-239, §7107(b), redesignated former par. (5) as (6).

1988—Subsec. (i)(2), (3). Pub. L. 100-647, §3011(b)(2), redesignated par. (3) as (2) and struck out former par. (2) which required plans to provide continuation coverage to certain individuals.

Subsec. (k). Pub. L. 100-647, §3011(b)(3), redesignated subsec. (l), relating to stock redemption expenses, as (k) and struck out former subsec. (k) which related to continuation coverage requirements of group health plans.

Subsec. (k)(5)(B). Pub. L. 100-647, §1018(t)(7)(B), made amendment identical to Pub. L. 99-509, §9307(c)(2)(B), which amended directory language of Pub. L. 99-514, §1895(d)(5)(A), by substituting “section 162(k)(5)” for “section 162(k)(2)”. See 1986 Amendment note below.

Subsec. (l). Pub. L. 100-647, §3011(b)(3)(A), (B), redesignated subsec. (m), relating to special rules for health insurance costs of self-employed individuals, as (l). Former subsec. (l), relating to stock redemption expenses, redesignated (k).

Subsec. (m). Pub. L. 100-647, §3011(b)(3)(B), (C), redesignated subsec. (n), relating to cross references, as (m). Former subsec. (m), relating to special rules for health insurance costs of self-employed individuals, redesignated (l).

Pub. L. 100-647, §1011B(b)(2), redesignated subsec. (m), relating to cross references, as (n).

Subsec. (m)(2)(A). Pub. L. 100-647, §1011B(b)(3), inserted “derived by the taxpayer from the trade or business with respect to which the plan providing the medical care coverage is established” after “401(c)”.

Subsec. (m)(4), (5). Pub. L. 100-647, §1011B(b)(1), added par. (4) and redesignated former par. (4) as (5).

Subsec. (n). Pub. L. 100-647, §3011(b)(3)(C), redesignated subsec. (n) as (m).

Pub. L. 100-647, §1011B(b)(2), redesignated subsec. (m), relating to cross references, as (n).

1986—Subsec. (i)(1). Pub. L. 99-272, §10001(d), substituted “Coverage relating to end stage renal disease” for “General rule” in heading.

Subsec. (i)(2), (3). Pub. L. 99-272, §10001(a), added par. (2) and redesignated former par. (2) as (3).

Subsec. (k). Pub. L. 99-272, §10001(c), added subsec. (k). Former subsec. (k) redesignated (l).

Subsec. (k)(2)(A). Pub. L. 99-514, §1895(d)(1)(A), inserted “If coverage under the plan is modified for any group of similarly situated beneficiaries, the coverage shall also be modified in the same manner for all individuals who are qualified beneficiaries under the plan pursuant to this subsection in connection with such group.”

Subsec. (k)(2)(B)(i). Pub. L. 99-514, §1895(d)(2)(A), substituted “Maximum required period” for “Maximum period” in heading and amended text generally. Prior to amendment, text read as follows: “In the case of—

“(I) a qualifying event described in paragraph (3)(B) (relating to terminations and reduced hours), the date which is 18 months after the date of the qualifying event, and

“(II) any qualifying event not described in subclause (I), the date which is 36 months after the date of the qualifying event.”

Subsec. (k)(2)(B)(i)(II). Pub. L. 99-509, §9501(b)(1)(A)(i), inserted “(other than a qualifying event described in paragraph (3)(F))”.

Subsec. (k)(2)(B)(i)(III), (IV). Pub. L. 99-509, §9501(b)(1)(A)(ii)–(iv), added subcl. (III), redesignated former subcl. (III) as (IV), and inserted “or (3)(F)”.

Subsec. (k)(2)(B)(iii). Pub. L. 99-514, §1895(d)(3)(A), inserted “The payment of any premium (other than any payment referred to in the last sentence of subparagraph (C)) shall be considered to be timely if made within 30 days after the date due or within such longer period as applies to or under the plan.”

Subsec. (k)(2)(B)(iv). Pub. L. 99-514, §1895(d)(4)(A)(iii), substituted “Group health plan coverage” for “Reemployment” in heading.

Subsec. (k)(2)(B)(iv)(I). Pub. L. 99-514, §1895(d)(4)(A)(ii), substituted “covered under any other

group health plan (as an employee or otherwise)” for “a covered employee under any other group health plan”.

Subsec. (k)(2)(B)(iv)(II). Pub. L. 99-509, §9501(b)(2)(A), inserted “in the case of a qualified beneficiary other than a qualified beneficiary described in paragraph (7)(B)(iv),”.

Subsec. (k)(2)(B)(v). Pub. L. 99-514, §1895(d)(4)(A)(i), struck out cl. (v), remarriage of spouse, which read as follows: “In the case of an individual who is a qualified beneficiary by reason of being the spouse of a covered employee, the date on which the beneficiary remarries and becomes covered under a group health plan.”

Subsec. (k)(3). Pub. L. 99-509, §9501(a)(1), added subpar. (F) and concluding provisions.

Subsec. (k)(5)(B). Pub. L. 99-514, §1895(d)(5)(A), as amended by Pub. L. 99-509, §9307(c)(2)(B), and Pub. L. 100-647, §1018(t)(7)(B), inserted “of continuation coverage” and “If there is a choice among types of coverage under the plan, each qualified beneficiary is entitled to make a separate selection among such types of coverage.” See 1988 Amendment note above.

Subsec. (k)(6)(B). Pub. L. 99-509, §9501(d)(1), substituted “(D), or (F)” for “or (D)”.

Subsec. (k)(6)(C). Pub. L. 99-514, §1895(d)(6)(A), inserted “within 60 days after the date of the qualifying event”.

Subsec. (k)(6)(D)(i). Pub. L. 99-509, §9501(d)(1), substituted “(D), or (F)” for “or (D)”.

Subsec. (k)(7)(B)(iii). Pub. L. 99-514, §1895(d)(7), added cl. (iii).

Subsec. (k)(7)(B)(iv). Pub. L. 99-509, §9501(c)(1), added cl. (iv).

Subsec. (l). Pub. L. 99-514, §613(a), added subsec. (l). Former subsec. (l) redesignated (m).

Pub. L. 99-272, §10001(c), redesignated former subsec. (k), relating to cross references, as (l).

Subsec. (m). Pub. L. 99-514, §1161(a), added subsec. (m) relating to special rules for health insurance costs of self-employed individuals, and further directed that this section be amended “by redesignating subsection (n) as subsection (m)”, which directory language could not be executed because this section does not contain a subsec. (n).

Pub. L. 99-514, §613(a), redesignated subsec. (l), relating to cross references, as (m).

1984—Subsec. (i)(2). Pub. L. 98-369, §2354(d), substituted “section 213(d)” for “section 213(e)”.

Subsec. (j). Pub. L. 98-573 added subsec. (j). Former subsec. (j) redesignated (k).

Subsec. (j)(3). Pub. L. 98-369, §512(b), added par. (3).

Subsec. (k). Pub. L. 98-573 redesignated former subsec. (j) as (k).

1982—Subsec. (a). Pub. L. 97-216 inserted provisions under which amounts expended by Members of Congress within each taxable year for living expenses shall not be deductible for income tax purposes in excess of \$3,000.

Subsec. (c)(1). Pub. L. 97-248, §288(a), substituted “is unlawful under the Foreign Corrupt Practices Act of 1977” for “would be unlawful under the laws of the United States if such laws were applicable to such payment and to such official or employee” after “government, the payment”, and “(or is unlawful under the Foreign Corrupt Practices Act of 1977)” for “(or would be unlawful under the laws of the United States)” before “shall be upon the Secretary”.

Subsec. (h). Pub. L. 97-248, §128(b)(2), redesignated subsec. (i), relating to State legislators’ travel expenses away from home, as (h). Former subsec. (h), relating to group health plans, redesignated (i).

Subsec. (i). Pub. L. 97-248, §128(b)(2), redesignated former subsec. (h), relating to group health plans, as (i). Former subsec. (i), relating to State legislators’ travel expenses away from home, redesignated (h). Former subsec. (i), relating to cross references, redesignated (j).

Subsec. (j). Pub. L. 97-248, §128(b)(1), redesignated former subsec. (i), relating to cross references, as (j).

1981—Subsec. (a). Pub. L. 97-51 struck out provisions under which amounts expended by Members of Congress

within each taxable year for living expenses could not be deductible for income tax purposes in excess of \$3,000.

Subsec. (h). Pub. L. 97-35 added subsec. (h) relating to group health plans. Former subsec. (h), as added by Pub. L. 97-34 and relating to State legislators’ travel expenses away from home, redesignated (i). See 1982 Amendment note above.

Pub. L. 97-34 added subsec. (h) relating to State legislators’ travel expenses away from home. Former subsec. (h), relating to cross references, redesignated (i). See 1982 Amendment note above.

Subsec. (i). Pub. L. 97-35 redesignated former subsec. (h), as added by Pub. L. 97-34 and relating to State legislators’ travel expenses away from home, as (i). See 1982 Amendment note above.

Pub. L. 97-34 redesignated former subsec. (h), relating to cross references, as (i). See 1982 Amendment note above.

1976—Subsec. (a). Pub. L. 94-455, §1901(c)(4), struck out reference to Territory in provisions following par. (3).

Subsec. (c). Pub. L. 94-455, §1906(b)(13)(A), struck out in pars. (1) and (2) “or his delegate” after “Secretary”.

1971—Subsec. (c). Pub. L. 92-178, §310(a)(2), substituted “Illegal bribes, kickbacks, and other payments” for “Bribes and illegal kickbacks” in heading.

Subsec. (c)(2). Pub. L. 92-178, §310(a)(1), substituted provisions respecting “Other illegal payments” for former provisions on “Other bribes or kickbacks” reading “If in a criminal proceeding a taxpayer is convicted of making a payment (other than a payment described in paragraph (1) which is an illegal bribe or kickback, or his plea of guilty or nolo contendere to an indictment or information charging the making of such a payment is entered or accepted in such a proceeding, no deduction shall be allowed under subsection (a) on account of such payment or any related payment made prior to the date of the final judgment in such proceeding.”

Subsec. (c)(3). Pub. L. 92-178, §310(a)(1), substituted provisions respecting kickbacks, rebates, and bribes under medicare and medicaid for former statute of limitations provisions.

1969—Subsec. (c). Pub. L. 91-172, §902(b), designated existing provisions as par. (1), extended the applicability of nondeductible expenses for payments to any official or employee of any government, or of any agency or instrumentality of any government, and added pars. (2) and (3).

Subsecs. (f), (g). Pub. L. 91-172, §902(a), added subsecs. (f) and (g). Former subsec. (f) redesignated (h).

Subsec. (h). Pub. L. 91-172, §516(c)(2)(A), 902(a), redesignated former subsec. (f) as (h), substituted “(1) For” for “For”, and inserted reference to section 1253 for special rule relating to the treatment of payments by a transferee of a franchise, trademark, or trade name.

1962—Subsec. (a)(2). Pub. L. 87-834, §4(b), substituted “(including amounts expended for meals and lodging other than amounts which are lavish or extravagant under the circumstances)” for “including the entire amount expended for meals and lodging”.

Subsecs. (e), (f). Pub. L. 87-834, §3(a), added subsec. (e) and redesignated former subsec. (e) as (f).

1960—Subsec. (b). Pub. L. 86-779, §7(b), inserted “the dollar limitations,” after “the percentage limitations.”

Subsecs. (d), (e). Pub. L. 86-779, §8(a), added subsec. (d) and redesignated former subsec. (d) as (e).

1958—Subsecs. (c), (d). Pub. L. 85-866, §5(a), added subsec. (c) and redesignated former subsec. (c) as (d).

#### EFFECTIVE DATE OF 2004 AMENDMENT

Pub. L. 108-357, title III, §318(c), Oct. 22, 2004, 118 Stat. 1470, provided that: “The amendments made by this section [amending this section] shall apply to taxable years beginning after December 31, 2003.”

Amendment by section 802(b)(2) of Pub. L. 108-357 effective Mar. 4, 2003, see section 802(d) of Pub. L. 108-357, set out as an Effective Date note under section 4985 of this title.

## EFFECTIVE DATE OF 2003 AMENDMENT

Amendment by Pub. L. 108-121 applicable to amounts paid or incurred in taxable years beginning after Dec. 31, 2002, see section 109(c) of Pub. L. 108-121, set out as a note under section 62 of this title.

## EFFECTIVE DATE OF 1998 AMENDMENTS

Pub. L. 105-277, div. J, title II, §2002(b), Oct. 21, 1998, 112 Stat. 2681-901, provided that: "The amendment made by this section [amending this section] shall apply to taxable years beginning after December 31, 1998."

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 OF 1997 AMENDMENT

Section 934(b) of Pub. L. 105-34 provided that: "The amendment made by this section [amending this section] shall apply to taxable years beginning after December 31, 1996."

Section 1203(c) of Pub. L. 105-34 provided that: "The amendments made by this section [amending this section and repealing provisions set out as a note below] shall apply to taxable years beginning after December 31, 1997."

Section 1204(b) of Pub. L. 105-34 provided that: "The amendment made by subsection (a) [amending this section] shall apply to amounts paid or incurred with respect to taxable years ending after the date of the enactment of this Act [Aug. 5, 1997]."

Amendment by section 1602(c) of Pub. L. 105-34 effective as if included in the provisions of the Health Insurance Portability and Accountability Act of 1996, Pub. L. 104-191, to which such amendment relates, see section 1602(i) of Pub. L. 105-34, set out as a note under section 26 of this title.

## EFFECTIVE DATE OF 1996 AMENDMENTS

Amendment by section 311(a) of Pub. L. 104-191 applicable to taxable years beginning after Dec. 31, 1996, see section 311(c) of Pub. L. 104-191, set out as a note under section 104 of this title.

Section 322(c) of Pub. L. 104-191 provided that: "The amendments made by this section [amending this section and section 213 of this title] shall apply to taxable years beginning after December 31, 1996."

Section 1704(p)(4) of Pub. L. 104-188 provided that: "(A) IN GENERAL.—Except as provided in subparagraph (B), the amendments made by this subsection [amending this section] shall apply to amounts paid or incurred after September 13, 1995, in taxable years ending after such date.

"(B) PARAGRAPH (2).—The amendment made by paragraph (2) [amending this section] shall take effect as if included in the amendment made by section 613 of the Tax Reform Act of 1986 [Pub. L. 99-514]."

## EFFECTIVE DATE OF 1995 AMENDMENT

Section 1(c) of Pub. L. 104-7 provided that:

"(1) EXTENSION.—The amendment made by subsection (a) [amending this section] shall apply to taxable years beginning after December 31, 1993.

"(2) INCREASE.—The amendment made by subsection (b) [amending this section] shall apply to taxable years beginning after December 31, 1994."

## EFFECTIVE DATE OF 1993 AMENDMENT

Amendment by section 1313(d)(2) of Pub. L. 103-66 applicable to taxable years beginning after Dec. 31, 1993, see section 1313(e) of Pub. L. 103-66, set out as a note under section 32 of this title.

Section 13174(a)(3) of Pub. L. 103-66 provided that: "The amendments made by this subsection [amending this section and repealing provisions set out below] shall apply to taxable years ending after June 30, 1992."

Section 13174(b)(2) of Pub. L. 103-66 provided that: "The amendment made by paragraph (1) [amending this section] shall apply to taxable years beginning after December 31, 1992."

Section 13211(b) of Pub. L. 103-66 provided that: "The amendment made by subsection (a) [amending this section] shall apply to amounts which would otherwise be deductible for taxable years beginning on or after January 1, 1994."

Section 13222(e) of Pub. L. 103-66 provided that: "The amendments made by this section [amending this section and sections 170, 6033, and 7871 of this title] shall apply to amounts paid or incurred after December 31, 1993."

Section 13442(b) of Pub. L. 103-66, as amended by Pub. L. 104-7, §5, Apr. 11, 1995, 109 Stat. 96, provided that: "The provisions of this section [amending this section] shall apply to services provided after February 2, 1993, and on or before December 31, 1995."

## EFFECTIVE DATE OF 1992 AMENDMENT

Section 1938(b) of Pub. L. 102-486 provided that: "The amendment made by subsection (a) [amending this section] shall apply to costs paid or incurred after December 31, 1992."

## EFFECTIVE DATE OF 1991 AMENDMENT

Section 110(b) of Pub. L. 102-227 provided that: "The amendment made by this section [amending this section] shall apply to taxable years beginning after December 31, 1991."

## EFFECTIVE DATE OF 1990 AMENDMENT

Amendment by section 1111(d)(2) of Pub. L. 101-508 applicable to taxable years beginning after Dec. 31, 1990, see section 1111(f) of Pub. L. 101-508, set out as a note under section 32 of this title.

Section 11410(c) of Pub. L. 101-508 provided that: "The amendments made by this section [amending this section and repealing provisions set out below] shall apply to taxable years beginning after December 31, 1989."

## EFFECTIVE DATE OF 1989 AMENDMENTS

Section 6202(b)(5) of Pub. L. 101-239 provided that: "The amendments made by this subsection [amending this section, sections 4980B and 5000 of this title, sections 623 and 631 of Title 29, Labor, and sections 1395p, 1395r, and 1395y of Title 42, The Public Health and Welfare] shall apply to items and services furnished after the date of the enactment of this Act [Dec. 19, 1989]."

Section 7107(c) of Pub. L. 101-239 provided that: "The amendments made by this section [amending this section] shall apply to taxable years beginning after December 31, 1989."

Section 7862(c)(3)(D) of Pub. L. 101-239 provided that: "The amendments made by this paragraph [amending this section, section 4980B of this title, and section 1162 of Title 29, Labor] shall apply to—

"(i) qualifying events occurring after December 31, 1989, and

"(ii) in the case of qualified beneficiaries who elected continuation coverage after December 31, 1988, the period for which the required premium was paid (or was attempted to be paid but was rejected as such)."

Amendment by Pub. L. 101-140 effective as if included in section 1151 of Pub. L. 99-514, see section 203(c) of Pub. L. 101-140, set out as a note under section 79 of this title.

## EFFECTIVE DATE OF 1988 AMENDMENT

Amendment by sections 1011B(b)(1)-(3) and 1018(t)(7)(B) of 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.

Section 3011(d) of Pub. L. 100-647 provided that: "The amendments made by this section [enacting section 4980B of this title, and amending this section, sections

106 and 414 of this title, section 1167 of Title 29, Labor, and section 300bb-8 of Title 42, The Public Health and Welfare] shall apply to taxable years beginning after December 31, 1988, but shall not apply to any plan for any plan year to which section 162(k) of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of this Act [Nov. 10, 1988]) did not apply by reason of section 10001(e)(2) of the Consolidated Omnibus Budget Reconciliation Act of 1985 [section 10001(e)(2) of Pub. L. 99-272, set out as an Effective Date of 1986 Amendment note under section 106 of this title].”

#### EFFECTIVE DATE OF 1986 AMENDMENTS

Section 613(b) of Pub. L. 99-514 provided that: “The amendments made by subsection (a) [amending this section] shall apply to any amount paid or incurred after February 28, 1986, in taxable years ending after such date.”

Section 1161(b) of Pub. L. 99-514 provided that:

“(1) IN GENERAL.—The amendment made by this section [amending this section] shall apply to taxable years beginning after December 31, 1986.

“(2) TRANSITIONAL RULE.—In the case of any year to which section 89 of the Internal Revenue Code of 1986 does not apply, [former] section 162(m)(2)(B) of such Code shall be applied by substituting any non-discrimination requirements otherwise applicable for the requirements of section 89 of such Code.

“(3) ASSISTANCE.—The Secretary of the Treasury or his delegate shall provide guidance to self-employed individuals to assist them in meeting the requirements of section 89 of the Internal Revenue Code of 1986 with respect to coverage required by the amendments made by this section [amending this section].”

Section 1895(d)(6)(D) of Pub. L. 99-514 provided that: “The amendments made by this paragraph [amending this section, section 1166 of Title 29, Labor, and section 300bb-6 of Title 42, The Public Health and Welfare] shall only apply with respect to qualifying events occurring after the date of the enactment of this Act [Oct. 22, 1986].”

Section 1895(e) of Pub. L. 99-514 provided that: “Except as otherwise provided in this section, the amendments made by this section [amending this section, section 3121 of this title, sections 1162 and 1165 to 1167 of Title 29, sections 300bb-2, 300bb-5, 300bb-6, 410, 1301, 1320c-13, 1395p, 1395u, 1395cc, 1395dd, 1395mm, 1395ww, 1395yy, 1396a, 1396b, 1396d, and 1396s of Title 42, enacting provisions set out as notes under this section, section 3121 of this title, section 1167 of Title 29, and sections 1395u, 1395y, 1395ww, and 1395yy of Title 42, and amending provisions set out as notes under sections 403, 1395u, 1395cc, 1395mm, 1395ww, 1395yy, and 1396b of Title 42] shall be effective as if included in the enactment of the Consolidated Omnibus Budget Reconciliation Act of 1985 [Pub. L. 99-272].”

Amendment by section 9307(c)(2)(B) of Pub. L. 99-509 effective as if included in the enactment of Tax Reform Act of 1986, Pub. L. 99-514, see section 9307(c)(2) of Pub. L. 99-509, set out as a note under section 1395u of Title 42.

Section 9501(e) of Pub. L. 99-509 provided that:

“(1) IN GENERAL.—The amendments made by this section [amending this section and sections 1162, 1163, 1166, and 1167 of Title 29, Labor] shall take effect as if included in title X of the Consolidated Omnibus Budget Reconciliation Act of 1985 [sections 10001 to 10003 of Pub. L. 99-272].

“(2) TREATMENT OF CERTAIN BANKRUPTCY PROCEEDINGS.—Notwithstanding paragraph (1), section 10001(e) of the Consolidated Omnibus Budget Reconciliation Act of 1985 [set out as a note under section 106 of this title], and section 10002(d) of such Act [set out as a note under section 1161 of Title 29], the amendments made by this section [amending this section and sections 1162, 1163, 1166, and 1167 of Title 29] and by sections 10001 and 10002 of such Act [enacting sections 1161 to 1168 of Title 29, amending this section, section 106 of this title, and section 1132 of Title 29, and enacting provisions set

out as notes under section 106 of this title and sections 1161 and 1166 of Title 29] shall apply in the case of plan years ending during the 12-month period beginning July 1, 1986, but only with respect to—

“(A) a qualifying event described in section 162(k)(3)(F) of the Internal Revenue Code of 1986 or section 603(6) of the Employee Retirement Income Security Act of 1974 [29 U.S.C. 1163(6)], and

“(B) a qualifying event described in section 162(k)(3)(A) of the Internal Revenue Code of 1986 or section 603(1) of the Employee Retirement Income Security Act of 1974 [29 U.S.C. 1163(1)] relating to the death of a retired employee occurring after the date of the qualifying event described in subparagraph (A).

“(3) TREATMENT OF CURRENT RETIREES.—Section 162(k)(3)(F) of the Internal Revenue Code of 1986 and section 603(6) of the Employee Retirement Income Security Act of 1974 [29 U.S.C. 1163(6)] apply to covered employees who retired before, on, or after the date of the enactment of this Act [Oct. 21, 1986].

“(4) NOTICE.—In the case of a qualifying event described in section 603(6) of the Employee Retirement Income Security Act of 1974 [29 U.S.C. 1163(6)] that occurred before the date of the enactment of this Act [Oct. 21, 1986], the notice required under section 606(2) of such Act [29 U.S.C. 1166(2)] (and under section 162(k)(6)(B) of the Internal Revenue Code of 1986) with respect to such event shall be provided no later than 30 days after the date of the enactment of this Act [Oct. 21, 1986].”

Amendment by Pub. L. 99-272 applicable to plan years beginning on or after July 1, 1986, with special rule for collective bargaining agreements, see section 10001(e) of Pub. L. 99-272, set out as a note under section 106 of this title.

#### EFFECTIVE DATE OF 1984 AMENDMENTS

Section 232(b) of Pub. L. 98-573 provided that: “The amendment made by subsection (a) [amending this section] shall apply to taxable years beginning after the date of the enactment of this Act [Oct. 30, 1984].”

Amendment by section 512(b) of Pub. L. 98-369 applicable to amounts paid or incurred after July 18, 1984, in taxable years ending after such date, subject to an exception for certain extended vacation pay plans, see section 512(c) of Pub. L. 98-369, set out as a note under section 404 of this title.

Amendment by section 2354(d) of Pub. L. 98-369 effective July 18, 1984, but not to be construed as changing or affecting any right, liability, status, or interpretation which existed (under the provisions of law involved) before that date, see section 2354(e) of Pub. L. 98-369, set out as a note under section 1320a-1 of Title 42, The Public Health and Welfare.

#### EFFECTIVE DATE OF 1982 AMENDMENTS

Section 288(c) of Pub. L. 97-248 provided that: “The amendments made by this section [amending this section and sections 952 and 964 of this title] shall apply to payments made after the date of the enactment of this Act [Sept. 3, 1982].”

Amendment by section 128(b) of Pub. L. 97-248 effective as if such amendment had been originally included as part of this section as this section was amended by the Omnibus Budget Reconciliation Act of 1981, Pub. L. 97-35, see section 128(e)(2) of Pub. L. 97-248, set out as a note under section 1395x of Title 42, The Public Health and Welfare.

Section 215(d) of Pub. L. 97-216 provided that: “The amendments made by this section [amending this section and section 280A of this title and repealing provisions set out as a note under this section] shall apply to taxable years beginning after December 31, 1981.”

#### EFFECTIVE DATE OF 1981 AMENDMENTS

Section 139(b)(3) of Pub. L. 97-51, as amended by Pub. L. 97-92, § 133a, Dec. 15, 1981, 95 Stat. 1199, provided that: “The amendments made by this subsection [amending this section and repealing section 31c of Title 2, The

Congress] shall apply to taxable years beginning after December 31, 1980.”

Section 2146(c)(2) of Pub. L. 97-35 provided that: “The amendments made by subsection (b) [amending this section] shall be effective with respect to taxable years beginning on or after January 1, 1982.”

Section 127(b) of Pub. L. 97-34 provided that: “The amendment made by subsection (a) [amending this section] shall apply to taxable years beginning on or after January 1, 1976.”

#### EFFECTIVE DATE OF 1976 AMENDMENT

Amendment by section 1901(c)(4) of Pub. L. 94-455 applicable with respect to taxable years beginning after Dec. 31, 1976, see section 1901(d) of Pub. L. 94-455, set out as a note under section 2 of this title.

#### EFFECTIVE DATE OF 1971 AMENDMENT

Section 310(b) of Pub. L. 92-178 provided that: “The amendments made by subsection (a) [amending this section] shall apply with respect to payments after December 30, 1969, except that section 162(c)(3) of the Internal Revenue Act of 1954 (as added by subsection (a)) shall apply only with respect to kickbacks, rebates, and bribes payment of which is made on or after the date of the enactment of this Act [Dec. 10, 1971].”

#### EFFECTIVE DATE OF 1969 AMENDMENT

Section 902(c) of Pub. L. 91-172, as amended by Pub. L. 99-514, § 2, Oct. 22, 1986, 100 Stat. 2095, provided that: “Section 162(f) of the Internal Revenue Code of 1986 [formerly I.R.C. 1954] (as added by subsection (a)) shall apply to all taxable years to which such Code applies. Section 162(g) of such Code (as added by subsection (a)) shall apply with respect to amounts paid or incurred after December 31, 1969. Section 162(c)(1) of such Code (as amended by subsection (b)) shall apply to all taxable years to which such Code applies. Sections 162(c)(2) and (3) of such Code (as amended by subsection (b)) shall apply with respect to payments made after the date of the enactment of this Act [Dec. 30, 1969].”

Amendment by section 516(c)(2)(A) of Pub. L. 91-172 applicable to transfers after Dec. 31, 1969, see section 516(d)(3) of Pub. L. 91-172, set out as a note under section 1001 of this title.

#### EFFECTIVE DATE OF 1962 AMENDMENT

Section 4(c) of Pub. L. 87-834 provided that: “The amendments made by this section [amending this section and enacting section 274 of this title] shall apply with respect to taxable years ending after December 31, 1962, but only in respect of periods after such date.”

Section 3(b) of Pub. L. 87-834 provided that: “The amendments made by this section [amending this section] shall apply to taxable years beginning after December 31, 1962.”

#### EFFECTIVE DATE OF 1960 AMENDMENT

Section 7(c) of Pub. L. 86-779 provided that: “The amendments made by subsections (a) and (b) [amending this section and section 170 of this title] shall apply with respect to taxable years beginning after December 31, 1959.”

Section 8(d) of Pub. L. 86-779 provided that: “The amendments made by subsections (a), (b), and (c) [amending this section and section 1054 of this title and amending table of sections for Part IV by adding item 1054 and numbering former item 1054 as 1055] shall apply with respect to taxable years beginning after December 31, 1959.”

#### EFFECTIVE DATE OF 1958 AMENDMENT

Section 5(b) of Pub. L. 85-866 provided that: “The amendment made by subsection (a) [amending this section] shall apply only with respect to expenses paid or incurred after the date of the enactment of this Act [Sept. 2, 1958]. The determination as to whether any expense paid or incurred on or before the date of the en-

actment of this Act shall be allowed as a deduction shall be made as if this section had not been enacted and without inference drawn from the fact that this section is not made applicable with respect to expenses paid or incurred on or before the date of the enactment of this Act.”

#### DEDUCTION FOR SPECIAL ASSESSMENTS

Pub. L. 104-208, div. A, title II, §2711, Sept. 30, 1996, 110 Stat. 3009-498, provided that, for purposes of subtitle A of this title, the amount allowed as a deduction under this section for a taxable year would include any amount paid during that year by reason of an assessment under section 2702 of Pub. L. 104-208, formerly set out as a note under section 1817 of Title 12, Banks and Banking, and that section 172(f) of this title would not apply to that deduction.

#### SPECIAL RULE FOR DEDUCTIONS UNDER SUBSECTION (I) FOR CERTAIN TAXABLE YEARS

Section 110(a)(2) of Pub. L. 102-227 provided that, in the case of any taxable year beginning in 1992 only amounts paid before July 1, 1992, by the individual for insurance coverage for periods before July 1, 1992, would be taken into account in determining the amount deductible under subsec. (I) of this section with respect to such individual for such taxable year, and that for purposes of subparagraph (A) of subsec. (I)(2) of this section, the amount of the earned income described in such subparagraph taken into account for such taxable year would be the amount which bears the same ratio to the total amount of such earned income as the number of months in such taxable year ending before July 1, 1992, bears to the number of months in such taxable year, prior to repeal by Pub. L. 103-66, title XIII, §13174(a)(2), Aug. 10, 1993, 107 Stat. 457.

Section 7107(a)(2) of Pub. L. 101-239 provided that, in the case of any taxable year beginning in 1990 only amounts paid before Oct. 1, 1990, by the individual for insurance coverage for periods before Oct. 1, 1990, would be taken into account in determining the amount deductible under subsec. (I) of this section with respect to such individual for such taxable year, and that for purposes of subsec. (I)(2)(A) of this section, the amount of the earned income described in such paragraph taken into account for such taxable year would be the amount which bears the same ratio to the total amount of such earned income as the number of months in such taxable year ending before Oct. 1, 1990, bears to the number of months in such taxable year, prior to repeal by Pub. L. 101-508, title XI, §11410(b), Nov. 5, 1990, 104 Stat. 1388-479.

#### BUSINESS USE OF AUTOMOBILES BY RURAL MAIL CARRIERS

Section 6008 of Pub. L. 100-647 provided that in the case of any employee of the United States Postal Service who performed services involving the collection and delivery of mail on a rural route, such employee was permitted to compute the amount allowable as a deduction under this chapter for the use of an automobile in performing such services by using a standard mileage rate for all miles of such use equal to 150 percent of the basic standard rate, prior to repeal by Pub. L. 105-34, title XII, §1203(b), Aug. 5, 1997, 111 Stat. 995. See subsec. (o) of this section.

#### 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.

LIVING EXPENSES OF MEMBERS OF CONGRESS WHILE AWAY FROM HOME; SENSE OF CONGRESS

Section 139(a) of Pub. L. 97-51, which expressed the sense of Congress that the dollar limits on tax deductions for living expenses of Members of Congress while away from home be the same as such limits for businessmen and other private citizens, was repealed by Pub. L. 97-216, title II, §215(c), July 18, 1982, 96 Stat. 194.

STATE LEGISLATORS' TRAVEL EXPENSES AWAY FROM HOME

Section 604 of Pub. L. 94-455, as amended by Pub. L. 95-30, title III, §307, May 23, 1977, 91 Stat. 153; Pub. L. 95-258, §2, Apr. 7, 1978, 92 Stat. 195; Pub. L. 96-167, §3, Dec. 29, 1979, 93 Stat. 1275; Pub. L. 96-178, §1, Jan. 2, 1980, 93 Stat. 1295; Pub. L. 99-514, §2, Oct. 22, 1986, 100 Stat. 2095, provided that:

“(a) In GENERAL.—For purposes of section 162(a) of the Internal Revenue Code of 1986 [formerly I.R.C. 1954], in the case of any individual who was a State legislator at any time during any taxable year beginning before January 1, 1981, and who, for the taxable year, elects the application of this section, for any period during such a taxable year in which he was a State legislator—

“(1) the place of residence of such individual within the legislative district which he represented shall be considered his home, and

“(2) he shall be deemed to have expended for living expenses (in connection with his trade or business as a legislator) an amount equal to the sum of the amounts determined by multiplying each legislative day of such individual during the taxable year by the amount generally allowable with respect to such day to employees of the executive branch of the Federal Government for per diem while away from home but serving in the United States.

“(b) LEGISLATIVE DAYS.—For purposes of subsection (a), a legislative day during any taxable year for any individual shall be any day during such year on which (1) the legislature was in session (including any day in which the legislature was not in session for a period of 4 consecutive days or less), or (2) the legislature was not in session but the physical presence of the individual was formally recorded at a meeting of a committee of such legislature.

“(c) LIMITATION.—The amount taken into account as living expenses attributable to a trade or business as a State legislator for any taxable year beginning before January 1, 1976, under an election made under this section shall not exceed the amount claimed for such purpose under a return (or amended return) filed before May 21, 1976.

“(d) MAKING AND EFFECT OF ELECTION.—An election under this section shall be made at such time and in such manner as the Secretary of the Treasury or his delegate shall by regulations prescribe.”

[Amendment by section 604 of Pub. L. 94-455 by section 1 of Pub. L. 96-178, which purported to substitute “January 1, 1979” for “January 1, 1978”, was not executed because of the prior amendment by section 3(a)(2), (b) of Pub. L. 96-167 which substituted “January 1, 1981” for “January 1, 1978” in subsec. (a) and which struck out the last sentence of subsec. (d).]

DENIAL OF DEDUCTION FOR AMOUNTS PAID OR INCURRED ON JUDGMENTS IN SUITS BROUGHT TO RECOVER PRICE INCREASES IN PURCHASE OF NEW PRINCIPAL RESIDENCE

No deductions to be allowed in computing taxable income for two-thirds of any amount paid or incurred on a judgment entered against any person in a suit brought under section 208(b) of Pub. L. 94-12, see section 208(c) of Pub. L. 94-12, title II, Mar. 29, 1975, 89 Stat. 35, set out as a note under section 44 of this title.

DEDUCTIBILITY OF ACCRUED VACATION PAY

Section 97 of Pub. L. 85-866, as amended by Pub. L. 86-496, §2, June 8, 1960, 74 Stat. 164; Pub. L. 88-153, Oct. 17, 1963, 77 Stat. 272; Pub. L. 88-554, §1, Aug. 31, 1964, 78

Stat. 761; Pub. L. 89-692, Oct. 15, 1966, 80 Stat. 1025; Pub. L. 91-172, title IX, §903, Dec. 30, 1969, 83 Stat. 711; Pub. L. 92-580, §3, Oct. 27, 1972, 86 Stat. 1276, provided that deductions for accrued vacation pay under this section would not be denied for any taxable year ending before Jan. 1, 1973, so long as the employee at the time of accrual of pay has performed the necessary qualifying service under an appropriate plan.

INVESTIGATION OF, AND REPORTS ON, TREATMENT OF ENTERTAINMENT AND CERTAIN OTHER EXPENSES

Pub. L. 86-564, title III, §301, June 30, 1960, 74 Stat. 291, authorized the Joint Committee on Internal Revenue Taxation to investigate and report on the use of entertainment and certain other expense deductions to the 87th Congress and authorized the Secretary of the Treasury to report to the 87th Congress on the enforcement program of the Internal Revenue Service relating to such deductions.

FILING OF CLAIMS FOR REFUNDS OF OVERPAYMENTS

Extension of time for filing of claims for refunds or credit of overpayments of income tax resulting from application of this section, see section 96 of Pub. L. 85-866, set out as a note under section 6511 of this title.

§ 163. Interest

(a) General rule

There shall be allowed as a deduction all interest paid or accrued within the taxable year on indebtedness.

(b) Installment purchases where interest charge is not separately stated

(1) General rule

If personal property or educational services are purchased under a contract—

(A) which provides that payment of part or all of the purchase price is to be made in installments, and

(B) in which carrying charges are separately stated but the interest charge cannot be ascertained,

then the payments made during the taxable year under the contract shall be treated for purposes of this section as if they included interest equal to 6 percent of the average unpaid balance under the contract during the taxable year. For purposes of the preceding sentence, the average unpaid balance is the sum of the unpaid balance outstanding on the first day of each month beginning during the taxable year, divided by 12. For purposes of this paragraph, the term “educational services” means any service (including lodging) which is purchased from an educational organization described in section 170(b)(1)(A)(ii) and which is provided for a student of such organization.

(2) Limitation

In the case of any contract to which paragraph (1) applies, the amount treated as interest for any taxable year shall not exceed the aggregate carrying charges which are properly attributable to such taxable year.

(c) Redeemable ground rents

For purposes of this subtitle, any annual or periodic rental under a redeemable ground rent (excluding amounts in redemption thereof) shall be treated as interest on an indebtedness secured by a mortgage.