

(2) Period of election**(A) In general**

Any election under subsection (a) shall remain in effect until the partnership, S corporation, or personal service corporation changes its taxable year or otherwise terminates such election. Any change to a required taxable year may be made without the consent of the Secretary.

(B) No further election

If an election is terminated under subparagraph (A) or paragraph (3)(A), the partnership, S corporation, or personal service corporation may not make another election under subsection (a).

(3) Tiered structures, etc.**(A) In general**

Except as otherwise provided in this paragraph—

(i) no election may be under subsection (a) with respect to any entity which is part of a tiered structure, and

(ii) an election under subsection (a) with respect to any entity shall be terminated if such entity becomes part of a tiered structure.

(B) Exceptions for structures consisting of certain entities with same taxable year

Subparagraph (A) shall not apply to any tiered structure which consists only of partnerships or S corporations (or both) all of which have the same taxable year.

(e) Required taxable year

For purposes of this section, the term “required taxable year” means the taxable year determined under section 706(b), 1378, or 441(i) without taking into account any taxable year which is allowable by reason of business purposes. Solely for purposes of the preceding sentence, sections 706(b), 1378, and 441(i) shall be treated as in effect for taxable years beginning before January 1, 1987.

(f) Personal service corporation

For purposes of this section, the term “personal service corporation” has the meaning given to such term by section 441(i)(2).

(g) Regulations

The Secretary shall prescribe such regulations as may be necessary to carry out the provisions of this section, including regulations to prevent the avoidance of subsection (b)(2)(B) or (d)(2)(B) through the change in form of an entity.

(Added Pub. L. 100-203, title X, §10206(a)(1), Dec. 22, 1987, 101 Stat. 1330-397; amended Pub. L. 100-647, title II, §2004(e)(1), (2)(A), (12), (13), Nov. 10, 1988, 102 Stat. 3600, 3602.)

AMENDMENTS

1988—Subsec. (a). Pub. L. 100-647, §2004(e)(1)(A), substituted “as otherwise provided in this section” for “as provided in subsections (b) and (c)”.

Subsec. (b)(4). Pub. L. 100-647, §2004(e)(13), inserted “except as provided in regulations,” before “the term”.

Subsec. (d)(2)(A). Pub. L. 100-647, §2004(e)(12), inserted “or otherwise terminates such election” after “its taxable year”.

Subsec. (d)(2)(B). Pub. L. 100-647, §2004(e)(1)(C), inserted “or paragraph (3)(A)” after “under subparagraph (A)”.

Subsec. (d)(3). Pub. L. 100-647, §2004(e)(1)(B), amended par. (3) generally. Prior to amendment, par. (3) read as follows: “No election may be made under subsection (a) with respect to an entity which is part of a tiered structure other than a tiered structure comprised of 1 or more partnerships or S corporations all of which have the same taxable year.”

Subsecs. (f), (g). Pub. L. 100-647, §2004(e)(2)(A), added subsec. (f) and redesignated former subsec. (f) as (g).

EFFECTIVE DATE OF 1988 AMENDMENT

Amendment by Pub. L. 100-647 effective, except as otherwise provided, as if included in the provisions of the Revenue Act of 1987, Pub. L. 100-203, title X, to which such amendment relates, see section 2004(u) of Pub. L. 100-647, set out as a note under section 56 of this title.

EFFECTIVE DATE

Section 10206(d) of Pub. L. 100-203, as amended by Pub. L. 100-647, title II, §2004(e)(11), Nov. 10, 1988, 102 Stat. 3602, provided that:

“(1) IN GENERAL.—Except as provided in this subsection, the amendments made by this section [enacting this section and sections 280H and 7519 of this title] shall apply to taxable years beginning after December 31, 1986.

“(2) REQUIRED PAYMENTS.—The amendments made by subsection (b) [enacting section 7519 of this title] shall apply to applicable election years beginning after December 31, 1986.

“(3) ELECTIONS.—Any election under section 444 of the Internal Revenue Code of 1986 (as added by subsection (a)) for an entity’s 1st taxable year beginning after December 31, 1986, shall not be required to be made before the 90th day after the date of the enactment of this Act [Dec. 22, 1987].

“(4) SPECIAL RULE FOR EXISTING ENTITIES ELECTING S CORPORATION STATUS.—If a C corporation (within the meaning of section 1361(a)(2) of the Internal Revenue Code of 1986) with a taxable year other than the calendar year—

“(A) made an election after September 18, 1986, and before January 1, 1988, under section 1362 of such Code to be treated as an S corporation, and

“(B) elected to have the calendar year as the taxable year of the S corporation, then section 444(b)(2)(B) of such Code shall be applied by taking into account the deferral period of the last taxable year of the C corporation rather than the deferral period of the taxable year being changed. The preceding sentence shall apply only in the case of an election under section 444 of such Code made for a taxable year beginning before 1989.”

PART II—METHODS OF ACCOUNTING

Subpart

- A. Methods of accounting in general.
- B. Taxable year for which items of gross income included.
- C. Taxable year for which deductions taken.
- D. Inventories.

SUBPART A—METHODS OF ACCOUNTING IN GENERAL

Sec.

- 446. General rule for methods of accounting.
- 447. Method of accounting for corporations engaged in farming.
- 448. Limitation on use of cash method of accounting.

AMENDMENTS

1986—Pub. L. 99-514, title VIII, §801(c), Oct. 22, 1986, 100 Stat. 2348, added item 448.

1976—Pub. L. 94-455, title II, § 207(c)(1)(B), Oct. 4, 1976, 90 Stat. 1541, added item 447.

§ 446. General rule for methods of accounting

(a) General rule

Taxable income shall be computed under the method of accounting on the basis of which the taxpayer regularly computes his income in keeping his books.

(b) Exceptions

If no method of accounting has been regularly used by the taxpayer, or if the method used does not clearly reflect income, the computation of taxable income shall be made under such method as, in the opinion of the Secretary, does clearly reflect income.

(c) Permissible methods

Subject to the provisions of subsections (a) and (b), a taxpayer may compute taxable income under any of the following methods of accounting—

- (1) the cash receipts and disbursements method;
- (2) an accrual method;
- (3) any other method permitted by this chapter; or
- (4) any combination of the foregoing methods permitted under regulations prescribed by the Secretary.

(d) Taxpayer engaged in more than one business

A taxpayer engaged in more than one trade or business may, in computing taxable income, use a different method of accounting for each trade or business.

(e) Requirement respecting change of accounting method

Except as otherwise expressly provided in this chapter, a taxpayer who changes the method of accounting on the basis of which he regularly computes his income in keeping his books shall, before computing his taxable income under the new method, secure the consent of the Secretary.

(f) Failure to request change of method of accounting

If the taxpayer does not file with the Secretary a request to change the method of accounting, the absence of the consent of the Secretary to a change in the method of accounting shall not be taken into account—

- (1) to prevent the imposition of any penalty, or the addition of any amount to tax, under this title, or
- (2) to diminish the amount of such penalty or addition to tax.

(Aug. 16, 1954, ch. 736, 68A Stat. 151; Pub. L. 94-455, title XIX, § 1906 (b)(13)(A), Oct. 4, 1976, 90 Stat. 1834; Pub. L. 98-369, div. A, title I, § 161(a), July 18, 1984, 98 Stat. 696.)

AMENDMENTS

1984—Subsec. (f). Pub. L. 98-369 added subsec. (f).

1976—Subsecs. (b), (c), (e). Pub. L. 94-455 struck out “or his delegate” after “Secretary”.

EFFECTIVE DATE OF 1984 AMENDMENT

Section 161(b) of Pub. L. 98-369 provided that: “The amendment made by this section [amending this sec-

tion] shall apply to taxable years beginning after the date of the enactment of this Act [July 18, 1984].”

§ 447. Method of accounting for corporations engaged in farming

(a) General rule

Except as otherwise provided by law, the taxable income from farming of—

- (1) a corporation engaged in the trade or business of farming, or
- (2) a partnership engaged in the trade or business of farming, if a corporation is a partner in such partnership,

shall be computed on an accrual method of accounting. This section shall not apply to the trade or business of operating a nursery or sod farm or to the raising or harvesting of trees (other than fruit and nut trees).

(b) Preproductive period expenses

For rules requiring capitalization of certain preproductive period expenses, see section 263A.

(c) Exception for certain corporations

For purposes of subsection (a), a corporation shall be treated as not being a corporation if it is—

- (1) an S corporation, or
- (2) a corporation the gross receipts of which meet the requirements of subsection (d).

(d) Gross receipts requirements

(1) In general

A corporation meets the requirements of this subsection if, for each prior taxable year beginning after December 31, 1975, such corporation (and any predecessor corporation) did not have gross receipts exceeding \$1,000,000. For purposes of the preceding sentence, all corporations which are members of the same controlled group of corporations (within the meaning of section 1563(a)) shall be treated as 1 corporation.

(2) Special rules for family corporations

(A) In general

In the case of a family corporation, paragraph (1) shall be applied—

- (i) by substituting “December 31, 1985,” for “December 31, 1975,”; and
- (ii) by substituting “\$25,000,000” for “\$1,000,000”.

(B) Gross receipts test

(i) Controlled groups

Notwithstanding the last sentence of paragraph (1), in the case of a family corporation—

(I) except as provided by the Secretary, only the applicable percentage of gross receipts of any other member of any controlled group of corporations of which such corporation is a member shall be taken into account, and

(II) under regulations, gross receipts of such corporation or of another member of such group shall not be taken into account by such corporation more than once.

(ii) Pass-thru entities

For purposes of paragraph (1), if a family corporation holds directly or indirectly

any interest in a partnership, estate, trust or other pass-thru entity, such corporation shall take into account its proportionate share of the gross receipts of such entity.

(iii) Applicable percentage

For purposes of clause (i), the term “applicable percentage” means the percentage equal to a fraction—

(I) the numerator of which is the fair market value of the stock of another corporation held directly or indirectly as of the close of the taxable year by the family corporation, and

(II) the denominator of which is the fair market value of all stock of such corporation as of such time.

For purposes of this clause, the term “stock” does not include stock described in section 1563(c)(1).

(C) Family corporation

For purposes of this section, the term “family corporation” means—

(i) any corporation if at least 50 percent of the total combined voting power of all classes of stock entitled to vote, and at least 50 percent of all other classes of stock of the corporation, are owned by members of the same family, and

(ii) any corporation described in subsection (h).

(e) Members of the same family

For purposes of subsection (d)—

(1) the members of the same family are an individual, such individual’s brothers and sisters, the brothers and sisters of such individual’s parents and grandparents, the ancestors and lineal descendants or any of the foregoing, a spouse of any of the foregoing, and the estate of any of the foregoing,

(2) stock owned, directly or indirectly, by or for a partnership or trust shall be treated as owned proportionately by its partners or beneficiaries, and

(3) if 50 percent or more in value of the stock in a corporation (hereinafter in this paragraph referred to as “first corporation”) is owned, directly or through paragraph (2), by or for members of the same family, such members shall be considered as owning each class of stock in a second corporation (or a wholly owned subsidiary of such second corporation) owned, directly or indirectly, by or for the first corporation, in that proportion which the value of the stock in the first corporation which such members so own bears to the value of all the stock in the first corporation.

For purposes of paragraph (1), individuals related by the half blood or by legal adoption shall be treated as if they were related by the whole blood.

(f) Coordination with section 481

In the case of any taxpayer required by this section to change its method of accounting for any taxable year—

(1) such change shall be treated as having been made with the consent of the Secretary,

(2) for purposes of section 481(a)(2), such change shall be treated as a change not initiated by the taxpayer, and

(3) under regulations prescribed by the Secretary, the net amount of adjustments required by section 481(a) to be taken into account by the taxpayer in computing taxable income shall be taken into account in each of the 10 taxable years (or the remaining taxable years where there is a stated future life of less than 10 taxable years) beginning with the year of change.

(g) Certain annual accrual accounting methods

(1) In general

Notwithstanding subsection (a) or section 263A, if—

(A) for its 10 taxable years ending with its first taxable year beginning after December 31, 1975, a corporation or qualified partnership used an annual accrual method of accounting with respect to its trade or business of farming,

(B) such corporation or qualified partnership raises crops which are harvested not less than 12 months after planting, and

(C) such corporation or qualified partnership has used such method of accounting for all taxable years intervening between its first taxable year beginning after December 31, 1975, and the taxable year,

such corporation or qualified partnership may continue to employ such method of accounting for the taxable year with respect to its qualified farming trade or business.

(2) Annual accrual method of accounting defined

For purposes of paragraph (1), the term “annual accrual method of accounting” means a method under which revenues, costs, and expenses are computed on an accrual method of accounting and the preproductive period expenses incurred during the taxable year are charged to harvested crops or deducted in determining the taxable income for such years.

(3) Certain nonrecognition transfers

For purposes of this subsection, if—

(A) a corporation acquired substantially all the assets of a qualified farming trade or business from another corporation in a transaction in which no gain or loss was recognized to the transferor or transferee corporation, or

(B) a qualified partnership acquired substantially all the assets of a qualified farming trade or business from one of its partners in a transaction to which section 721 applies,

the transferee corporation or qualified partnership shall be deemed to have computed its taxable income on an annual accrual method of accounting during the period for which the transferor corporation or partnership computed its taxable income from such trade or business on an annual accrual method.

(4) Qualified partnership defined

For purposes of this subsection—

(A) Qualified partnership

The term “qualified partnership” means a partnership which is engaged in a qualified farming trade or business and each of the

partners of which is a corporation other than—

- (i) an S corporation, or
- (ii) a personal holding company (within the meaning of section 542(a)).

(B) Qualified farming trade or business

(i) In general

The term “qualified farming trade or business” means the trade or business of farming—

- (I) sugar cane,
- (II) any plant with a preproductive period (as defined in section 263A(e)(3)) of 2 years or less, and
- (III) any other plant (other than any citrus or almond tree) if an election by the corporation under this subparagraph is in effect.

In the case of a partnership and for purposes of paragraph (3)(A), subclauses (II) and (III) shall not apply.

(ii) Effect of election

For purposes of paragraphs (1) and (2) of section 263A(e), any election under this subparagraph shall be treated as if it were an election under subsection (d)(3) of section 263A.

(iii) Election

Unless the Secretary otherwise consents, an election under this subparagraph may be made only for the corporation’s 1st taxable year which begins after December 31, 1986, and during which the corporation engages in a farming business. Any such election, once made, may be revoked only with the consent of the Secretary.

(h) Exception for certain closely held corporations

(1) In general

A corporation is described in this subsection if, on October 4, 1976, and at all times thereafter—

(A) members of 2 families (within the meaning of subsection (e)(1)) have owned (directly or through the application of subsection (e)) at least 65 percent of the total combined voting power of all classes of stock of such corporation entitled to vote, and at least 65 percent of the total number of shares of all other classes of stock of such corporation; or

(B)(i) members of 3 families (within the meaning of subsection (e)(1)) have owned (directly or through the application of subsection (e)) at least 50 percent of the total combined voting power of all classes of stock of such corporation entitled to vote, and at least 50 percent of the total number of shares of all other classes of stock of such corporation; and

(ii) substantially all of the stock of such corporation which is not so owned (directly or through the application of subsection (e)) by members of such 3 families is owned directly—

- (I) by employees of the corporation or members of their families (within the meaning of section 267(c)(4)), or

(II) by a trust for the benefit of the employees of such corporation which is described in section 401(a) and which is exempt from taxation under section 501(a).

(2) Stock held by employees, etc.

For purposes of this subsection, stock which—

(A) is owned directly by employees¹ of the corporation or members of their families (within the meaning of section 267(c)(4)) or by a trust described in paragraph (1)(B)(ii)(II), and

(B) was acquired on or after October 4, 1976, from the corporation or from a member of a family which, on October 4, 1976, was described in subparagraph (A) or (B)(i) of paragraph (1).

shall be treated as owned by a member of a family which, on October 4, 1976, was described in subparagraph (A) or (B)(i) of paragraph (1).

(3) Corporation must be engaged in farming

This subsection shall apply only in the case of a corporation which was, on October 4, 1976, and at all times thereafter, engaged in the trade or business of farming.

(i) Suspense account for family corporations

(1) In general

If any family corporation is required by this section to change its method of accounting for any taxable year (hereinafter in this subsection referred to as the “year of the change”), notwithstanding subsection (f), such corporation shall establish a suspense account under this subsection in lieu of taking into account adjustments under section 481(a) with respect to amounts included in the suspense account.

(2) Initial opening balance

The initial opening balance of the account described in paragraph (1) shall be the lesser of—

(A) the net adjustments which would have been required to be taken into account under section 481 but for this subsection, or

(B) the amount of such net adjustments determined as of the beginning of the taxable year preceding the year of change.

If the amount referred to in subparagraph (A) exceeds the amount referred to in subparagraph (B), notwithstanding paragraph (1), such excess shall be included in gross income in the year of the change.

(3) Inclusion where corporation ceases to be a family corporation

(A) In general

If the corporation ceases to be a family corporation during any taxable year, the amount in the suspense account (after taking into account prior reductions) shall be included in gross income for such taxable year.

(B) Special rule for certain transfers

For purposes of subparagraph (A), any transfer in a corporation after December 15,

¹ So in original.

1987, shall be treated as a transfer to a person whose ownership could not qualify such corporation as a family corporation unless it is a transfer—

(i) to a member of the family of the transferor, or

(ii) in the case of a corporation described in subsection (h), to a member of a family which on December 15, 1987, held stock in such corporation which qualified the corporation under subsection (h).

(4) Subchapter C transactions

The application of this subsection with respect to a taxpayer which is a party to any transaction with respect to which there is nonrecognition of gain or loss to any party by reason of subchapter C shall be determined under regulations prescribed by the Secretary.

(5) Termination

(A) In general

No suspense account may be established under this subsection by any corporation required by this section to change its method of accounting for any taxable year ending after June 8, 1997.

(B) Phaseout of existing suspense accounts

(i) In general

Each suspense account under this subsection shall be reduced (but not below zero) for each taxable year beginning after June 8, 1997, by an amount equal to the lesser of—

(I) the applicable portion of such account, or

(II) 50 percent of the taxable income of the corporation for the taxable year, or, if the corporation has no taxable income for such year, the amount of any net operating loss (as defined in section 172(c)) for such taxable year.

For purposes of the preceding sentence, the amount of taxable income and net operating loss shall be determined without regard to this paragraph.

(ii) Coordination with other reductions

The amount of the applicable portion for any taxable year shall be reduced (but not below zero) by the amount of any reduction required for such taxable year under any other provision of this subsection.

(iv)² Inclusion in income

Any reduction in a suspense account under this paragraph shall be included in gross income for the taxable year of the reduction.

(C) Applicable portion

For purposes of subparagraph (B), the term “applicable portion” means, for any taxable year, the amount which would ratably reduce the amount in the account (after taking into account prior reductions) to zero over the period consisting of such taxable year and the remaining taxable years in such first 20 taxable years.

(D) Amounts after 20th year

Any amount in the account as of the close of the 20th year referred to in subparagraph (C) shall be treated as the applicable portion for each succeeding year thereafter to the extent not reduced under this paragraph for any prior taxable year after such 20th year.

(Added Pub. L. 94-455, title II, §207(c)(1)(A), Oct. 4, 1976, 90 Stat. 1538; amended Pub. L. 95-600, title III, §§351(a), 353(a), title VII, §§701(D)(1), 703(d), Nov. 6, 1978, 92 Stat. 2846, 2847, 2906, 2939; Pub. L. 97-248, title II, §230(a), Sept. 3, 1982, 96 Stat. 495; Pub. L. 97-354, §5(a)(28), (29), Oct. 19, 1982, 96 Stat. 1695; Pub. L. 99-514, title VIII, §803(b)(7), Oct. 22, 1986, 100 Stat. 2356; Pub. L. 100-203, title X, §10205(a)-(c), Dec. 22, 1987, 101 Stat. 1330-395 to 1330-397; Pub. L. 100-647, title I, §1008(b)(5), (6), Nov. 10, 1988, 102 Stat. 3438; Pub. L. 101-508, title XI, §11702(b), Nov. 5, 1990, 104 Stat. 1388-514; Pub. L. 105-34, title X, §1081(a), Aug. 5, 1997, 111 Stat. 949.)

AMENDMENTS

1997—Subsec. (i)(3). Pub. L. 105-34 redesignated par. (5) as (3) and struck out heading and text of former par. (3). Text read as follows: “If—

“(A) the gross receipts of the corporation from the trade or business of farming for the year of the change or any subsequent taxable year, is less than

“(B) such gross receipts for the taxpayer’s last taxable year beginning before the year of the change (or for the most recent taxable year for which a reduction in the suspense account was made under this paragraph),

the amount in the suspense account (after taking into account prior reductions) shall be reduced by the percentage by which the amount described in subparagraph (A) is less than the amount described in subparagraph (B).”

Subsec. (i)(4). Pub. L. 105-34 redesignated par. (6) as (4) and struck out heading and text of former par. (4). Text read as follows: “Any reduction in the suspense account under paragraph (3) shall be included in gross income for the taxable year of the reduction.”

Subsec. (i)(5), (6). Pub. L. 105-34 added par. (5) and redesignated former pars. (5) and (6) as (3) and (4), respectively.

1990—Subsec. (g)(1)(A). Pub. L. 101-508, §11702(b)(2), substituted “trade or business of farming” for “qualified farming trade or business”.

Subsec. (g)(4)(B). Pub. L. 101-508, §11702(b)(1), amended subpar. (B) generally. Prior to amendment, subpar. (B) read as follows: “The term ‘qualified farming trade or business’ means the trade or business of farming sugar cane.”

1988—Subsec. (b). Pub. L. 100-647, §1008(b)(5), substituted “period expenses” for “period of expenses” in heading and in text.

Subsec. (g)(1). Pub. L. 100-647, §1008(b)(6), substituted “qualified farming trade or business” for “trade or business of farming” in subpar. (A) and in concluding provisions.

1987—Subsec. (c). Pub. L. 100-203, §10205(a), added subsec. (c), substituting “certain corporations” for “small business and family corporations” in heading and striking out former text which read as follows: “For purposes of subsection (a), a corporation shall be treated as not being a corporation if it is—

“(1) an S corporation,

“(2) a corporation of which at least 50 percent of the total combined voting power of all classes of stock entitled to vote, and at least 50 percent of the total number of shares of all other classes of stock of the corporation, are owned by members of the same family, or

“(3) a corporation the gross receipts of which meet the requirements of subsection (e).”

²So in original. Probably should be “(iii)”.

Subsec. (d). Pub. L. 100-203, §10205(a), added subsec. (d). Former subsec. (d) redesignated (e).

Subsec. (e). Pub. L. 100-203, §10205(c)(1), substituted “subsection (d)” for “subsection (c)(2)”.

Pub. L. 100-203, §10205(a), redesignated former subsec. (d) as (e) and struck out former subsec. (e), “Corporation having gross receipts of \$1,000,000 or less”, which read as follows: “A corporation meets the requirements of this subsection if, for each prior taxable year beginning after December 31, 1975, such corporation (and any predecessor corporation) did not have gross receipts exceeding \$1,000,000. For purposes of the preceding sentence, all corporations which are members of a controlled group of corporations (within the meaning of section 1563(a)) shall be treated as one corporation.”

Subsec. (h)(1). Pub. L. 100-203, §10205(c)(2)(A), substituted “A corporation is described in this subsection” for “This section shall not apply to any corporation”.

Subsec. (h)(1)(A), (B). Pub. L. 100-203, §10205(c)(2)(B), (C), substituted “subsection (e)” for “subsection (d)” and “subsection (e)(1)” for “subsection (d)(1)” wherever appearing.

Subsec. (i). Pub. L. 100-203, §10205(b), added subsec. (i).

1986—Subsec. (a). Pub. L. 99-514, §803(b)(7)(B), which directed that subsec. (a) be amended by striking out “and with the capitalization of preproductive period of expenses described in subsection (b)”, was executed by striking out “and with the capitalization of preproductive period expenses described in subsection (b)” after “accrual method of accounting”, as the probable intent of Congress.

Subsec. (b). Pub. L. 99-514, §803(b)(7)(A), in amending subsec. (b) generally, substituted in heading “period of expenses” for “period expenses” and in text the cross reference to section 263A for former par. (1) defining “preproductive period expenses”, par. (2) relating to exceptions, and par. (3) defining “preproductive period”.

Subsec. (g)(1). Pub. L. 99-514, §803(b)(7)(C), substituted “Notwithstanding subsection (a) or section 263A, if” for “If”.

1982—Subsec. (c)(1). Pub. L. 97-354, §5(a)(28), substituted “an S corporation” for “an electing small business corporation (within the meaning of section 1371(b))”.

Subsec. (g)(1). Pub. L. 97-248, §230(a)(1), inserted “or qualified partnership” after “corporation” wherever appearing.

Subsec. (g)(3). Pub. L. 97-248, §230(a)(2), designated existing provisions from “a corporation acquired” through “transferee corporation”, as subpar. (A), inserted “qualified” before “farming trade”, and added subpar. (B).

Subsec. (g)(4). Pub. L. 97-354, §5(a)(29), substituted in subpar. (A)(i) “an S corporation” for “an electing small business corporation (within the meaning of section 1371(b))”.

Pub. L. 97-248, §230(a)(3), added par. (4).

1978—Subsec. (a). Pub. L. 95-600, §§353(a), 703(d), substituted in provisions following par. (2) “preproductive period expenses” for “preproductive expenses” and “nursery or sod farm” for “nursery”.

Subsec. (f)(3). Pub. L. 95-600, §701(l)(1), struck out “(except as otherwise provided in such regulations)” before “be taken” and inserted “(or the remaining taxable years where there is a stated future life of less than 10 taxable years)” after “10 taxable years”.

Subsec. (g)(2). Pub. L. 95-600, §703(d), substituted “preproductive period expenses” for “preproductive expenses”.

Subsec. (h). Pub. L. 95-600, §351(a), added subsec. (h).

EFFECTIVE DATE OF 1997 AMENDMENT

Section 1081(b) of Pub. L. 105-34 provided that: “The amendments made by this section [amending this section] shall apply to taxable years ending after June 8, 1997.”

EFFECTIVE DATE OF 1990 AMENDMENT

Amendment by Pub. L. 101-508 effective as if included in the provision of the Technical and Miscellaneous

Revenue Act of 1988, Pub. L. 100-647, to which such amendment relates, see section 11702(j) of Pub. L. 101-508, set out as a note under section 59 of this title.

EFFECTIVE DATE OF 1988 AMENDMENT

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

EFFECTIVE DATE OF 1987 AMENDMENT

Section 10205(d) of Pub. L. 100-203 provided that: “The amendments made by this section [amending this section] shall apply to taxable years beginning after December 31, 1987.”

EFFECTIVE DATE OF 1986 AMENDMENT

If any interest costs incurred after Dec. 31, 1986, are attributable to costs incurred before Jan. 1, 1987, the amendment by Pub. L. 99-514 is applicable to such interest costs only to the extent such interest costs are attributable to costs which were required to be capitalized under section 263 of the Internal Revenue Code of 1954 and which would have been taken into account in applying section 189 of the Internal Revenue Code of 1954 (as in effect before its repeal by section 803 of Pub. L. 99-514) or, if applicable, section 266 of such Code, see section 7831(d)(2) of Pub. L. 101-239, set out as an Effective Date note under section 263A of this title.

Amendment by Pub. L. 99-514 applicable to costs incurred after Dec. 31, 1986, in taxable years ending after such date, except as otherwise provided, see section 803(d) of Pub. L. 99-514, set out as an Effective Date note under section 263A of this title.

EFFECTIVE DATE OF 1982 AMENDMENTS

Amendment by Pub. L. 97-354 applicable to taxable years beginning after Dec. 31, 1982, see section 6(a) of Pub. L. 97-354, set out as an Effective Date note under section 1361 of this title.

Section 230(b) of Pub. L. 97-248 provided that: “The amendments made by this section [amending this section] shall apply to taxable years beginning after December 31, 1981.”

EFFECTIVE DATE OF 1978 AMENDMENT

Section 351(b) of Pub. L. 95-600 provided that: “The amendment made by subsection (a) [amending this section] shall apply to taxable years beginning after December 31, 1977.”

Section 353(b) of Pub. L. 95-600 provided that: “The amendment made by subsection (a) [amending this section] shall apply to taxable years beginning after December 31, 1976.”

Section 701(l)(4) of Pub. L. 95-600, as amended by Pub. L. 99-514, §2, Oct. 22, 1986, 100 Stat. 2095, provided that: “The amendment made by paragraphs (1) [amending this section] and (3) [amending section 464 of this title] shall take effect as if included in section 447 or 464 (as the case may be) of the Internal Revenue Code of 1986 [formerly I.R.C. 1954] at the time of the enactment of such sections [Oct. 4, 1976].”

Amendment by section 703(d) of Pub. L. 95-600 effective on Oct. 4, 1976, see section 703(r) of Pub. L. 95-600, set out as a note under section 46 of this title.

EFFECTIVE DATE

Section 207(c)(2) of Pub. L. 94-455, as amended by Pub. L. 95-30, title IV, §404, May 23, 1977, 91 Stat. 155; Pub. L. 99-514, §2, Oct. 22, 1986, 100 Stat. 2095, provided that:

“(A) IN GENERAL.—Except as provided in subparagraph (B), the amendments made by paragraph (1) [enacting this section] shall apply to taxable years beginning after December 31, 1976.

“(B) SPECIAL RULE FOR CERTAIN CORPORATIONS.—In the case of a corporation engaged in the trade or business of farming and with respect to which—

“(i) members of two families (within the meaning of paragraph (1) of section 447(d) of the Internal Revenue Code of 1986 [formerly I.R.C. 1954], as added by paragraph (1) owned, on October 4, 1976 (directly or through the application of such section 447(d)), at least 65 percent of the total combined voting power of all classes of stock of such corporation entitled to vote, and at least 65 percent of the total number of shares of all other classes of stock of such corporation; or

“(ii) members of three families (within the meaning of paragraph (1) of such section 447(d)) owned, on October 4, 1976 (directly or through the application of such section 447(d)), at least 50 percent of the total combined voting power of all classes of stock of such corporation entitled to vote, and at least 50 percent of the total number of shares of all other classes of stock of such corporation; and substantially all of the stock of such corporation which was not so owned (directly or through the application of such section 447(d)), by members of such three families was owned, on October 4, 1976, directly—

“(I) by employees of the corporation or members of the families (within the meaning of section 267(c)(4) of such Code) of such employees, or

“(II) by a trust for the benefit of the employees of such corporation which is described in section 401(a) of such Code and which is exempt from taxation under section 501(a) of such Code, the amendments made by paragraph (1) shall apply to taxable years beginning after December 31, 1977.”

ACCOUNTING FOR GROWING CROPS

Section 352 of Pub. L. 95-600 provided that:

“(a) APPLICATION OF SECTION.—This section shall apply to a taxpayer who—

“(1) is a farmer, nurseryman, or florist,

“(2) is on an accrual method of accounting, and

“(3) is not required by section 447 of the Internal Revenue Code of 1954 to capitalize preproductive period expenses.

“(b) TAXPAYER MAY NOT BE REQUIRED TO INVENTORY GROWING CROPS.—A taxpayer to whom this section applies may not be required to inventory growing crops for any taxable year beginning after December 31, 1977.

“(c) TAXPAYER MAY ELECT TO CHANGE TO CASH METHOD.—A taxpayer to whom this section applies may, for any taxable year beginning after December 31, 1977 and before January 1, 1981, change to the cash receipts and disbursements method of accounting with respect to any trade or business in which the principal activity is growing crops.

“(d) SECTION 481 OF CODE TO APPLY.—Any change in the way in which a taxpayer accounts for the costs of growing crops resulting from the application of subsection (b) or (c)—

“(1) shall not require the consent of the Secretary of the Treasury or his delegate, and

“(2) shall be treated, for purposes of section 481 of the Internal Revenue Code of 1954 as a change in the method of accounting initiated by the taxpayer.

“(e) GROWING CROPS.—For purposes of this section, the term ‘Growing crops’ does not include trees grown for lumber, pulp, or other nonlife purposes.”

AUTOMATIC TEN-YEAR ADJUSTMENT FOR FARMING SYNDICATES CHANGING TO ACCRUAL ACCOUNTING

Section 701(l)(2) of Pub. L. 95-600 provided that: “If—

“(A) a farming syndicate (within the meaning of section 464(c) of the Internal Revenue Code of 1954) was in existence on December 31, 1975, and

“(B) such syndicate elects an accrual method of accounting (including the capitalization of preproductive period expenses described in section 447(b) of such Code) for a taxable year beginning before January 1, 1979,

then such election shall be treated as having been made with the consent of the Secretary of the Treasury or his delegate and, under regulations prescribed by the

Secretary of the Treasury or his delegate, the net amount of the adjustments required by section 481(a) of such Code to be taken into account by the taxpayer in computing taxable income shall be taken into account in each of the 10 taxable years (or the remaining taxable years where there is a stated future life of less than 10 taxable years) beginning with the year of change.”

ELECTION TO CHANGE FROM STATIC VALUE METHOD TO ACCRUAL METHOD OF ACCOUNTING

Section 207(c)(3) of Pub. L. 94-455, as amended by Pub. L. 99-514, § 2, Oct. 22, 1986, 100 Stat. 2095, provided that:

“(A) IN GENERAL.—If—

“(i) a corporation has computed its taxable income on an annual accrual method of accounting together with a static value method of accounting for deferred costs of growing crops for the 10 taxable years ending with its first taxable year beginning after December 31, 1975,

“(ii) such corporation raises crops which are harvested not less than 12 months after planting, and

“(iii) such corporation elects, within one year after the date of the enactment of this Act [Oct. 4, 1976] and in such manner as the Secretary of the Treasury or his delegate prescribes, to change to the annual accrual method of accounting (within the meaning of section 447(g)(2) of the Internal Revenue Code of 1986 [formerly I.R.C. 1954]) for taxable years beginning after December 31, 1976,

such change shall be treated as having been made with the consent of the Secretary of the Treasury, and, under regulations prescribed by the Secretary of the Treasury or his delegate, the net amount of the adjustments required by section 481(a) of the Internal Revenue Code of 1986 to be taken into account by the taxpayer in computing taxable income shall (except as otherwise provided in such regulations) be taken into account in each of the 10 taxable years beginning with the year of change.

“(B) COORDINATION WITH SECTION 447 OF THE CODE.—A corporation which elects under subparagraph (A) to change to the annual accrual method of accounting shall, for purposes of section 447(g) of the Internal Revenue Code of 1986, be deemed to be a corporation which has computed its taxable income on an annual accrual method of accounting for its 10 taxable years ending with its first taxable year beginning after December 31, 1975.

“(C) CERTAIN CORPORATE REORGANIZATIONS.—For purposes of this paragraph, if a corporation acquired substantially all the assets of a farming trade or business from another corporation in a transaction in which no gain or loss was recognized to the transferor or transferee corporation, the transferee corporation shall be deemed to have computed its taxable income on an annual accrual method of accounting together with a static value method of accounting for deferred costs of growing crops during the period for which the transferor corporation computed its taxable income from such trade or business on such accrual and static value method.”

§ 448. Limitation on use of cash method of accounting

(a) General rule

Except as otherwise provided in this section, in the case of a—

(1) C corporation,

(2) partnership which has a C corporation as a partner, or

(3) tax shelter,

taxable income shall not be computed under the cash receipts and disbursements method of accounting.

(b) Exceptions**(1) Farming business**

Paragraphs (1) and (2) of subsection (a) shall not apply to any farming business.

(2) Qualified personal service corporations

Paragraphs (1) and (2) of subsection (a) shall not apply to a qualified personal service corporation, and such a corporation shall be treated as an individual for purposes of determining whether paragraph (2) of subsection (a) applies to any partnership.

(3) Entities with gross receipts of not more than \$5,000,000

Paragraphs (1) and (2) of subsection (a) shall not apply to any corporation or partnership for any taxable year if, for all prior taxable years beginning after December 31, 1985, such entity (or any predecessor) met the \$5,000,000 gross receipts test of subsection (c).

(c) \$5,000,000 gross receipts test

For purposes of this section—

(1) In general

A corporation or partnership meets the \$5,000,000 gross receipts test of this subsection for any prior taxable year if the average annual gross receipts of such entity for the 3-taxable-year period ending with such prior taxable year does not exceed \$5,000,000.

(2) Aggregation rules

All persons treated as a single employer under subsection (a) or (b) of section 52 or subsection (m) or (o) of section 414 shall be treated as one person for purposes of paragraph (1).

(3) Special rules

For purposes of this subsection—

(A) Not in existence for entire 3-year period

If the entity was not in existence for the entire 3-year period referred to in paragraph (1), such paragraph shall be applied on the basis of the period during which such entity (or trade or business) was in existence.

(B) Short taxable years

Gross receipts for any taxable year of less than 12 months shall be annualized by multiplying the gross receipts for the short period by 12 and dividing the result by the number of months in the short period.

(C) Gross receipts

Gross receipts for any taxable year shall be reduced by returns and allowances made during such year.

(D) Treatment of predecessors

Any reference in this subsection to an entity shall include a reference to any predecessor of such entity.

(d) Definitions and special rules

For purposes of this section—

(1) Farming business**(A) In general**

The term “farming business” means the trade or business of farming (within the meaning of section 263A(e)(4)).

(B) Timber and ornamental trees

The term “farming business” includes the raising, harvesting, or growing of trees to which section 263A(c)(5) applies.

(2) Qualified personal service corporation

The term “qualified personal service corporation” means any corporation—

(A) substantially all of the activities of which involve the performance of services in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, or consulting, and

(B) substantially all of the stock of which (by value) is held directly (or indirectly through 1 or more partnerships, S corporations, or qualified personal service corporations not described in paragraph (2) or (3) of subsection (a)) by—

(i) employees performing services for such corporation in connection with the activities involving a field referred to in subparagraph (A),

(ii) retired employees who had performed such services for such corporation,

(iii) the estate of any individual described in clause (i) or (ii), or

(iv) any other person who acquired such stock by reason of the death of an individual described in clause (i) or (ii) (but only for the 2-year period beginning on the date of the death of such individual).

To the extent provided in regulations which shall be prescribed by the Secretary, indirect holdings through a trust shall be taken into account under subparagraph (B).

(3) Tax shelter defined

The term “tax shelter” has the meaning given such term by section 461(i)(3) (determined after application of paragraph (4) thereof). An S corporation shall not be treated as a tax shelter for purposes of this section merely by reason of being required to file a notice of exemption from registration with a State agency described in section 461(i)(3)(A), but only if there is a requirement applicable to all corporations offering securities for sale in the State that to be exempt from such registration the corporation must file such a notice.

(4) Special rules for application of paragraph (2)

For purposes of paragraph (2)—

(A) community property laws shall be disregarded,

(B) stock held by a plan described in section 401(a) which is exempt from tax under section 501(a) shall be treated as held by an employee described in paragraph (2)(B)(i), and

(C) at the election of the common parent of an affiliated group (within the meaning of section 1504(a)), all members of such group may be treated as 1 taxpayer for purposes of paragraph (2)(B) if 90 percent or more of the activities of such group involve the performance of services in the same field described in paragraph (2)(A).

(5) Special rule for certain services**(A) In general**

In the case of any person using an accrual method of accounting with respect to

amounts to be received for the performance of services by such person, such person shall not be required to accrue any portion of such amounts which (on the basis of such person's experience) will not be collected if—

(i) such services are in fields referred to in paragraph (2)(A), or

(ii) such person meets the gross receipts test of subsection (c) for all prior taxable years.

(B) Exception

This paragraph shall not apply to any amount if interest is required to be paid on such amount or there is any penalty for failure to timely pay such amount.

(C) Regulations

The Secretary shall prescribe regulations to permit taxpayers to determine amounts referred to in subparagraph (A) using computations or formulas which, based on experience, accurately reflect the amount of income that will not be collected by such person. A taxpayer may adopt, or request consent of the Secretary to change to, a computation or formula that clearly reflects the taxpayer's experience. A request under the preceding sentence shall be approved if such computation or formula clearly reflects the taxpayer's experience.

(6) Treatment of certain trusts subject to tax on unrelated business income

For purposes of this section, a trust subject to tax under section 511(b) shall be treated as a C corporation with respect to its activities constituting an unrelated trade or business.

(7) Coordination with section 481

In the case of any taxpayer required by this section to change its method of accounting for any taxable year—

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

(B) such change shall be treated as made with the consent of the Secretary, and

(C) the period for taking into account the adjustments under section 481 by reason of such change—

(i) except as provided in clause (ii), shall not exceed 4 years, and

(ii) in the case of a hospital, shall be 10 years.

(8) Use of related parties, etc.

The Secretary shall prescribe such regulations as may be necessary to prevent the use of related parties, pass-thru entities, or intermediaries to avoid the application of this section.

(Added Pub. L. 99-514, title VIII, § 801(a), Oct. 22, 1986, 100 Stat. 2345; amended Pub. L. 100-647, title I, § 1008(a)(1), (2), (7)-(9), title VI, § 6032(a), Nov. 10, 1988, 102 Stat. 3436, 3437, 3695; Pub. L. 107-147, title IV, § 403(a), Mar. 9, 2002, 116 Stat. 40.)

AMENDMENTS

2002—Subsec. (d)(5). Pub. L. 107-147 amended heading and text of par. (5) generally. Prior to amendment, text read as follows: "In the case of any person using an accrual method of accounting with respect to amounts to be received for the performance of services by such per-

son, such person shall not be required to accrue any portion of such amounts which (on the basis of experience) will not be collected. This paragraph shall not apply to any amount if interest is required to be paid on such amount or there is any penalty for failure to timely pay such amount."

1988—Subsec. (c)(3)(D). Pub. L. 100-647, § 1008(a)(9), added subpar. (D).

Subsec. (d)(2). Pub. L. 100-647, § 6032(a), inserted at end "To the extent provided in regulations which shall be prescribed by the Secretary, indirect holdings through a trust shall be taken into account under subparagraph (B)."

Subsec. (d)(2)(B). Pub. L. 100-647, § 1008(a)(1)(A), substituted "(or indirectly through 1 or more partnerships, S corporations, or qualified personal service corporations not described in paragraph (2) or (3) of subsection (a))" for "or indirectly".

Subsec. (d)(3). Pub. L. 100-647, § 1008(a)(7), inserted sentence at end relating to treatment of S corporation as tax shelter.

Subsec. (d)(4)(C). Pub. L. 100-647, § 1008(a)(8), substituted "90 percent or more of" for "substantially all of".

Pub. L. 100-647, § 1008(a)(2), substituted "such group" for "all such members".

Subsec. (d)(8). Pub. L. 100-647, § 1008(a)(1)(B), added par. (8).

EFFECTIVE DATE OF 2002 AMENDMENT

Pub. L. 107-147, title IV, § 403(b), Mar. 9, 2002, 116 Stat. 41, provided that:

"(1) IN GENERAL.—The amendments made by this section [amending this section] shall apply to taxable years ending after the date of the enactment of this Act [Mar. 9, 2002].

"(2) CHANGE IN METHOD OF ACCOUNTING.—In the case of any taxpayer required by the amendments made by this section to change its method of accounting for its first taxable year ending after the date of the enactment of this Act—

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

"(B) such change shall be treated as made with the consent of the Secretary of the Treasury, and

"(C) the net amount of the adjustments required to be taken into account by the taxpayer under section 481 of the Internal Revenue Code of 1986 shall be taken into account over a period of 4 years (or if less, the number of taxable years that the taxpayer used the method permitted under section 448(d)(5) of such Code as in effect before the date of the enactment of this Act) beginning with such first taxable year."

EFFECTIVE DATE OF 1988 AMENDMENT

Amendment by section 1008(a)(1), (2), (7)-(9) 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 6032(b) of Pub. L. 100-647 provided that: "The amendment made by subsection (a) [amending this section] shall apply to taxable years beginning after December 31, 1986."

EFFECTIVE DATE

Section 801(d) of Pub. L. 99-514, as amended by Pub. L. 100-647, title I, § 1008(a)(5), (6), Nov. 10, 1988, 102 Stat. 3437, provided that:

"(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section [enacting this section and amending section 461 of this title] shall apply to taxable years beginning after December 31, 1986.

"(2) ELECTION TO RETAIN CASH METHOD FOR CERTAIN TRANSACTIONS.—A taxpayer may elect not to have the amendments made by this section apply to any loan or lease, or any transaction with a related party (within

the meaning of section 267(b) of the Internal Revenue Code of 1954, as in effect before the enactment of this Act), entered into on or before September 25, 1985. Any election under the preceding sentence may be made separately with respect to each transaction.

“(3) CERTAIN CONTRACTS.—The amendments made by this section shall not apply to—

“(A) contracts for the acquisition or transfer of real property, and

“(B) contracts for services related to the acquisition or development of real property, but only if such contracts were entered into before September 25, 1985, and the sole element of the contract which has not been performed as of September 25, 1985, is payment for such property or services.

“(4) TREATMENT OF AFFILIATED GROUP PROVIDING ENGINEERING SERVICES.—Each member of an affiliated group of corporations (within the meaning of section 1504(a) of the Internal Revenue Code of 1986) shall be allowed to use the cash receipts and disbursements method of accounting for any trade or business of providing engineering services with respect to taxable years ending after December 31, 1986, if the common parent of such group—

“(A) was incorporated in the State of Delaware in 1970,

“(B) was the successor to a corporation that was incorporated in the State of Illinois in 1949, and

“(C) used a method of accounting for long-term contracts of accounting [sic] for a substantial part of its income from the performance of engineering services.

“(5) SPECIAL RULE FOR PARAGRAPHS (2) AND (3).—If any loan, lease, contract, or evidence of any transaction to which paragraph (2) or (3) applies is transferred after June 10, 1987, to a person other than a related party (within the meaning of paragraph (2)), paragraph (2) or (3) shall cease to apply on and after the date of such transfer.”

SUBPART B—TAXABLE YEAR FOR WHICH ITEMS OF GROSS INCOME INCLUDED

Sec.	
451.	General rule for taxable year of inclusion.
[452.	Repealed.]
453.	Installment method.
453A.	Special rules for nondealers.
453B.	Gain or loss on disposition of installment obligations. ¹
[453C.	Repealed.]
454.	Obligations issued at discount.
455.	Prepaid subscription income.
456.	Prepaid dues income of certain membership organizations.
457.	Deferred compensation plans of State and local governments and tax-exempt organizations.
457A.	Nonqualified deferred compensation from certain tax indifferent parties.
458.	Magazines, paperbacks, and records returned after the close of the taxable year.
460.	Special rules for long-term contracts.

AMENDMENTS

Pub. L. 110-343, div. C, title VIII, § 801(c), Oct. 3, 2008, 122 Stat. 3931, added item 457A.

1988—Pub. L. 100-647, title V, § 5076(b)(2), Nov. 10, 1988, 102 Stat. 3683, struck out “of real property” after “rules for nondealers” in item 453A.

1987—Pub. L. 100-203, title X, § 10202(a)(2), (c)(2), Dec. 22, 1987, 101 Stat. 1330-388, 1330-392, substituted “Special rules for nondealers of real property” for “Installment method for dealers in personal property” in item 453A, and struck out item 453C “Certain indebtedness treated as payments on installment obligations”.

1986—Pub. L. 99-514, title XI, § 1107(b), (c), Oct. 22, 1986, 101 Stat. 2430, added item 457, applicable to taxable

¹ So in original. Does not conform to section catchline.

years beginning after Dec. 31, 1988, with certain exceptions, and struck out former item 457 “Deferred compensation plans with respect to service for State and local governments”.

Pub. L. 99-514, title VIII, §§ 804(c), 811(b), Oct. 22, 1986, 100 Stat. 2361, 2368, added items 453C and 460.

1980—Pub. L. 96-471, § 2(d), Oct. 19, 1980, 94 Stat. 2254, added items 453 to 453B and struck out former item 453 “Installment method”.

1978—Pub. L. 95-600, title I, § 131(b), title III, § 372(b), Nov. 6, 1978, 92 Stat. 2782, 2862, added items 457 and 458.

1961—Pub. L. 87-109, § 1(b), July 26, 1961, 75 Stat. 224, added item 456.

1958—Pub. L. 85-866, title I, § 28(b), Sept. 2, 1958, 72 Stat. 1626, added item 455, effective with respect to taxable years beginning after Dec. 31, 1957. See section 28(c) of Pub. L. 85-866 set out as an Effective Date note under section 455 of this title.

1955—Act June 15, 1955, ch. 143, § 2(2), 69 Stat. 135, struck out item 452 “Adjustment in case of position inconsistent with prior income tax liability”.

§ 451. General rule for taxable year of inclusion

(a) General rule

The amount of any item of gross income shall be included in the gross income for the taxable year in which received by the taxpayer, unless, under the method of accounting used in computing taxable income, such amount is to be properly accounted for as of a different period.

(b) Special rule in case of death

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

(c) Special rule for employee tips

For purposes of subsection (a), tips included in a written statement furnished an employer by an employee pursuant to section 6053(a) shall be deemed to be received at the time the written statement including such tips is furnished to the employer.

(d) Special rule for crop insurance proceeds or disaster payments

In the case of insurance proceeds received as a result of destruction or damage to crops, a taxpayer reporting on the cash receipts and disbursements method of accounting may elect to include such proceeds in income for the taxable year following the taxable year of destruction or damage, if he establishes that, under his practice, income from such crops would have been reported in a following taxable year. For purposes of the preceding sentence, payments received under the Agricultural Act of 1949, as amended, or title II of the Disaster Assistance Act of 1988, as a result of (1) destruction or damage to crops caused by drought, flood, or any other natural disaster, or (2) the inability to plant crops because of such a natural disaster shall be treated as insurance proceeds received as a result of destruction or damage to crops. An election under this subsection for any taxable year shall be made at such time and in such manner as the Secretary prescribes.