

cluded 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 5041(e) of Pub. L. 100-647, as amended by Pub. L. 101-239, title VII, § 7815(e)(3), Dec. 19, 1989, 103 Stat. 2419, provided that:

“(1) SUBSECTIONS (a), (b), AND (c).—

“(A) IN GENERAL.—Except as otherwise provided in this paragraph, the amendments made by subsections (a), (b), and (c) [amending this section and section 56 of this title] shall apply to contracts entered into on or after June 21, 1988.

“(B) BINDING BIDS.—The amendments made by subsections (a), (b), and (c) shall not apply to any contract resulting from the acceptance of a bid made before June 21, 1988. The preceding sentence shall apply only if the bid could not have been revoked or altered at any time on or after June 21, 1988.

“(C) SPECIAL RULE FOR CERTAIN SHIP CONTRACTS.—The amendments made by subsections (a) and (b) [amending this section and section 56 of this title] shall not apply in the case of a qualified ship contract (as defined in section 10203(b)(2)(B) of the Revenue Act of 1987 [Pub. L. 100-203, set out below]).

“(2) SUBSECTION (d).—The amendment made by subsection (d) [amending this section] shall apply as if included in the amendments made by section 804 of the Reform Act [Pub. L. 99-514]; except that such amendment shall not apply to any contract completed in a taxable year ending before the date of the enactment of this Act [Nov. 10, 1988], if the due date (determined with regard to extensions) for the return for such year is before such date of enactment.”

#### EFFECTIVE DATE OF 1987 AMENDMENT

Section 10203(b) of Pub. L. 100-203 provided that:

“(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section [amending this section] shall apply to contracts entered into after October 13, 1987.

“(2) SPECIAL RULE FOR CERTAIN SHIP CONTRACTS.—

“(A) IN GENERAL.—The amendments made by this section shall not apply in the case of a qualified ship contract.

“(B) QUALIFIED SHIP CONTRACT.—For purposes of subparagraph (A), the term ‘qualified ship contract’ means any contract for the construction in the United States of not more than 5 ships if—

“(i) such ships will not be constructed (directly or indirectly) for the Federal Government, and

“(ii) the taxpayer reasonably expects to complete such contract within 5 years of the contract commencement date (as defined in section 460(g) of the Internal Revenue Code of 1986).”

#### EFFECTIVE DATE OF 1986 AMENDMENT

Section 804(d) of Pub. L. 99-514, as amended by Pub. L. 100-647, title I, § 1008(c)(3), Nov. 10, 1988, 102 Stat. 3439, provided that:

“(1) IN GENERAL.—The amendments made by this section [enacting this section] shall apply to any contract entered into after February 28, 1986.

“(2) CLARIFICATION OF TREATMENT OF INDEPENDENT RESEARCH AND DEVELOPMENT EXPENSES.—

“(A) IN GENERAL.—For periods before, on, or after the date of enactment of this Act [Oct. 22, 1986]—

“(i) any independent research and development expenses taken into account in determining the total contract price shall not be severable from the contract, and

“(ii) any independent research and development expenses shall not be treated as amounts chargeable to capital account.

“(B) INDEPENDENT RESEARCH AND DEVELOPMENT EXPENSES.—For purposes of subparagraph (A), the term ‘independent research and development expenses’ has the meaning given to such term by section 460(c)(5) of the Internal Revenue Code of 1986, as added by this section.”

#### REGULATIONS

Section 804(b) of Pub. L. 99-514 provided that: “The Secretary of the Treasury or his delegate shall modify the income tax regulations relating to accounting for long-term contracts to carry out the provisions of section 460 of the Internal Revenue Code of 1986 (as added by subsection (a)).”

#### SAVINGS PROVISION

For provisions that nothing in amendment by Pub. L. 101-508 be construed to affect treatment of certain transactions occurring, property acquired, or items of income, loss, deduction, or credit taken into account prior to Nov. 5, 1990, for purposes of determining liability for tax for periods ending after Nov. 5, 1990, see section 11821(b) of Pub. L. 101-508, set out as a note under section 45K of this title.

#### METHOD OF ACCOUNTING FOR NAVAL SHIPBUILDERS

Pub. L. 108-357, title VII, § 708, Oct. 22, 2004, 118 Stat. 1550, as amended by Pub. L. 109-135, title IV, § 403(s), Dec. 21, 2005, 119 Stat. 2628, provided that:

“(a) IN GENERAL.—In the case of a qualified naval ship contract, the taxable income of such contract during the 5-taxable year period beginning with the taxable year in which the construction commencement date occurs shall be determined under a method identical to the method used in the case of a qualified ship contract (as defined in section 10203(b)(2)(B) of the Revenue Act of 1987 [Pub. L. 100-203, set out as an Effective Date of 1987 Amendment note above]).

“(b) RECAPTURE OF TAX BENEFIT.—In the case of a qualified naval ship contract to which subsection (a) applies, the taxpayer’s tax imposed by chapter 1 of the Internal Revenue Code of 1986 for the first taxable year following the 5-taxable year period described in subsection (a) shall be increased by the excess (if any) of—

“(1) the amount of tax which would have been imposed during such period if this section had not been enacted, over

“(2) the amount of tax so imposed during such period.

“(c) QUALIFIED NAVAL SHIP CONTRACT.—For purposes of this section:

“(1) IN GENERAL.—The term ‘qualified naval ship contract’ means any contract or portion thereof that is for the construction in the United States of 1 ship or submarine for the Federal Government if the taxpayer reasonably expects the acceptance date will occur no later than 9 years after the construction commencement date.

“(2) ACCEPTANCE DATE.—The term ‘acceptance date’ means the date 1 year after the date on which the Federal Government issues a letter of acceptance or other similar document for the ship or submarine.

“(3) CONSTRUCTION COMMENCEMENT DATE.—The term ‘construction commencement date’ means the date on which the physical fabrication of any section or component of the ship or submarine begins in the taxpayer’s shipyard.

“(d) CERTAIN ADJUSTMENTS NOT TO APPLY.—Section 481 of the Internal Revenue Code of 1986 shall not apply with respect to any change in the method of accounting which is required by this section.

“(e) EFFECTIVE DATE.—This section shall apply to contracts for ships or submarines with respect to which the construction commencement date occurs after the date of the enactment of this Act [Oct. 22, 2004].”

#### AMORTIZATION OF PAST SERVICE PENSION COSTS

Allocable costs (within the meaning of subsec. (c) of this section) with respect to any property to include contributions paid to or under a pension or annuity plan whether or not such contributions represent past service costs, see section 10204 of Pub. L. 100-203, set out as a note under section 263A of this title.

#### SUBPART C—TAXABLE YEAR FOR WHICH DEDUCTIONS TAKEN

Sec.

461. General rule for taxable year of deduction.

Sec.	
[462, 463.]	Repealed.]
464.	Limitations on deductions for certain farming expenses. <sup>1</sup>
465.	Deductions limited to amount at risk.
[466.]	Repealed.]
467.	Certain payments for the use of property or services.
468.	Special rules for mining and solid waste reclamation and closing costs.
468A.	Special rules for nuclear decommissioning costs.
468B.	Special rules for designated settlement funds.
469.	Passive activity losses and credits limited.
470.	Limitation on deductions allocable to property used by governments or other tax-exempt entities.

## AMENDMENTS

2004—Pub. L. 108-357, title VIII, §848(b), Oct. 22, 2004, 118 Stat. 1606, added item 470.

1987—Pub. L. 100-203, title X, §10201(b)(7), Dec. 22, 1987, 101 Stat. 1330-387, struck out item 463 "Accrual of vacation pay".

1986—Pub. L. 99-514, title IV, §404(b)(2), title V, §501(b), title VIII, §823(b)(2), title XVIII, §§1807(a)(7)(B), 1899A(71), Oct. 22, 1986, 100 Stat. 2224, 2241, 2374, 2815, 2963, substituted "for certain farming expenses" for "in case of farming syndicates" in item 464, struck out item 466 "Qualified discount coupons redeemed after close of taxable year", inserted "the" before "use" in item 467, and added items 468B and 469.

1984—Pub. L. 98-369, div. A, title I, §§91(b)(2), (c)(2), 92(b), July 18, 1984, 98 Stat. 604, 606, 612, added items 467, 468, and 468A.

1978—Pub. L. 95-600, title II, §201(c)(2), title III, §373(b), Nov. 6, 1978, 92 Stat. 2816, 2865, struck out "in case of certain activities" after "amount at risk" in item 465 and added item 466.

1976—Pub. L. 94-455, title II, §§204(b), 207(a)(2), Oct. 4, 1976, 90 Stat. 1532, 1537, added items 464 and 465.

1975—Pub. L. 93-625, §4(b), Jan. 3, 1975, 88 Stat. 2111, added item 463.

1955—Act June 15, 1955, ch. 143, §2(3), 69 Stat. 135, struck out item 462 "Reserves for estimated expenses, etc."

**§ 461. General rule for taxable year of deduction****(a) General rule**

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

**(b) Special rule in case of death**

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

**(c) Accrual of real property taxes****(1) In general**

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

**(2) When election may be made****(A) Without consent**

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

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

**(B) With consent**

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

**(d) Limitation on acceleration of accrual of taxes****(1) General rule**

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

**(2) Limitation**

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

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

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

**(f) Contested liabilities**

If—

(1) the taxpayer contests an asserted liability,

(2) the taxpayer transfers money or other property to provide for the satisfaction of the asserted liability,

(3) the contest with respect to the asserted liability exists after the time of the transfer, and

(4) but for the fact that the asserted liability is contested, a deduction would be allowed for the taxable year of the transfer (or for an earlier taxable year) determined after application of subsection (h),

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

<sup>1</sup> So in original. Does not conform to section catchline.