

other property shall be considered together for purposes of applying this title.

(e) Nonresident aliens and foreign corporations

In the case of a consent dividend which, if paid in money would be subject to the provisions of section 1441 (relating to withholding of tax on nonresident aliens) or section 1442 (relating to withholding of tax on foreign corporations), this section shall not apply unless the consent is accompanied by money, or such other medium of payment as the Secretary may by regulations authorize, in an amount equal to the amount that would be required to be deducted and withheld under sections 1441 or 1442 if the consent dividend had been, on the last day of the taxable year of the corporation, paid to the shareholder in money as a dividend. The amount accompanying the consent shall be credited against the tax imposed by this subtitle on the shareholder.

(f) Definitions

(1) Consent stock

Consent stock, for purposes of this section, means the class or classes of stock entitled, after the payment of preferred dividends, to a share in the distribution (other than in complete or partial liquidation) within the taxable year of all the remaining earnings and profits, which share constitutes the same proportion of such distribution regardless of the amount of such distribution.

(2) Preferred dividends

Preferred dividends, for purposes of this section, means a distribution (other than in complete or partial liquidation), limited in amount, which must be made on any class of stock before a further distribution (other than in complete or partial liquidation) of earnings and profits may be made within the taxable year.

(Aug. 16, 1954, ch. 736, 68A Stat. 200; Pub. L. 94-455, title XIX, §1906(b)(13)(A), Oct. 4, 1976, 90 Stat. 1834.)

AMENDMENTS

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

Subchapter H—Banking Institutions

- Part
I. Rules of general application to banking institutions.
II. Mutual savings banks, etc.

AMENDMENTS

1976—Pub. L. 94-455, title XIX, §1901(b)(20)(C), Oct. 4, 1976, 90 Stat. 1797, struck out item for part III “Bank affiliates”.

PART I—RULES OF GENERAL APPLICATION TO BANKING INSTITUTIONS

- Sec.
581. Definition of bank.
582. Bad debts, losses, and gains with respect to securities held by financial institutions.
[583. Repealed.]
584. Common trust funds.
585. Reserves for losses on loans of banks.
[586. Repealed.]

AMENDMENTS

1986—Pub. L. 99-514, title IX, §901(d)(4)(H), Oct. 22, 1986, 100 Stat. 2380, struck out item 586 “Reserves for

losses on loans of small business investment companies, etc.”

1976—Pub. L. 94-455, title XIX, §1901(b)(18), Oct. 4, 1976, 90 Stat. 1796, struck out item 583 “Deductions of dividends paid on certain preferred stock”.

1969—Pub. L. 91-172, title IV, §431(c)(2), Dec. 30, 1969, 83 Stat. 620, substituted “Bad debts, losses, and gains with respect to securities held by financial institutions”, for “Bad debt and loss deduction with respect to securities held by banks” in item 582, and added items 585 and 586.

§ 581. Definition of bank

For purposes of sections 582 and 584, the term “bank” means a bank or trust company incorporated and doing business under the laws of the United States (including laws relating to the District of Columbia) or of any State, a substantial part of the business of which consists of receiving deposits and making loans and discounts, or of exercising fiduciary powers similar to those permitted to national banks under authority of the Comptroller of the Currency, and which is subject by law to supervision and examination by State, Territorial, or Federal authority having supervision over banking institutions. Such term also means a domestic building and loan association.

(Aug. 16, 1954, ch. 736, 68A Stat. 202; Pub. L. 87-722, §5, Sept. 28, 1962, 76 Stat. 670; Pub. L. 94-455, title XIX, §1901(c)(5), Oct. 4, 1976, 90 Stat. 1803.)

AMENDMENTS

1976—Pub. L. 94-455 substituted “or of any State” for “of any State, or of any Territory” after “District of Columbia)” and struck out “Territorial” after “examination by State”.

1962—Pub. L. 87-722 substituted “authority of the Comptroller of the Currency” for “section 11(k) of the Federal Reserve Act (38 Stat. 262; 12 U.S.C. 248(k))”.

§ 582. Bad debts, losses, and gains with respect to securities held by financial institutions

(a) Securities

Notwithstanding sections 165(g)(1) and 166(e), subsections (a) and (b) of section 166 (relating to allowance of deduction for bad debts) shall apply in the case of a bank to a debt which is evidenced by a security as defined in section 165(g)(2)(C).

(b) Worthless stock in affiliated bank

For purposes of section 165(g)(1), where the taxpayer is a bank and owns directly at least 80 percent of each class of stock of another bank, stock in such other bank shall not be treated as a capital asset.

(c) Bond, etc., losses and gains of financial institutions

(1) General rule

For purposes of this subtitle, in the case of a financial institution referred to in paragraph (2), the sale or exchange of a bond, debenture, note, or certificate or other evidence of indebtedness shall not be considered a sale or exchange of a capital asset. For purposes of the preceding sentence, any regular or residual interest in a REMIC shall be treated as an evidence of indebtedness.

(2) Financial institutions to which paragraph (1) applies

(A) In general

For purposes of paragraph (1), the financial institutions referred to in this paragraph are—

- (i) any bank (and any corporation which would be a bank except for the fact it is a foreign corporation),
- (ii) any financial institution referred to in section 591,
- (iii) any small business investment company operating under the Small Business Investment Act of 1958, and
- (iv) any business development corporation.

(B) Business development corporation

For purposes of subparagraph (A), the term “business development corporation” means a corporation which was created by or pursuant to an act of a State legislature for purposes of promoting, maintaining, and assisting the economy and industry within such State on a regional or statewide basis by making loans to be used in trades and businesses which would generally not be made by banks within such region or State in the ordinary course of their business (except on the basis of a partial participation), and which is operated primarily for such purposes.

(C) Limitations on foreign banks

In the case of a foreign corporation referred to in subparagraph (A)(i), paragraph (1) shall only apply to gains and losses which are effectively connected with the conduct of a banking business in the United States.

(Aug. 16, 1954, ch. 736, 68A Stat. 202; Pub. L. 85-866, title I, § 34, Sept. 2, 1958, 72 Stat. 1632; Pub. L. 91-172, title IV, § 433(a), (c), Dec. 30, 1969, 83 Stat. 623, 624; Pub. L. 94-455, title X, § 1044(a), title XIV, § 1402(b)(1)(G), (2), Oct. 4, 1976, 90 Stat. 1642, 1732; Pub. L. 98-369, div. A, title X, § 1001(b)(6), (e), July 18, 1984, 98 Stat. 1011, 1012; Pub. L. 99-514, title VI, § 671(b)(4), title IX, § 901(d)(3), Oct. 22, 1986, 100 Stat. 2318, 2379; Pub. L. 100-647, title I, § 1008(d)(3), Nov. 10, 1988, 102 Stat. 3439; Pub. L. 101-508, title XI, § 11801(a)(25), (c)(11), Nov. 5, 1990, 104 Stat. 1388-521, 1388-527; Pub. L. 104-188, title I, § 1621(b)(4), Aug. 20, 1996, 110 Stat. 1867; Pub. L. 108-357, title VIII, § 835(b)(3), Oct. 22, 2004, 118 Stat. 1593.)

REFERENCES IN TEXT

The Small Business Investment Act of 1958, referred to in subsec. (c)(2)(A)(iii), is Pub. L. 85-699, Aug. 21, 1958, 72 Stat. 689, as amended, which is classified principally to chapter 14B (§ 661 et seq.) of Title 15, Commerce and Trade. For complete classification of this Act to the Code, see Short Title note set out under section 661 of Title 15 and Tables.

AMENDMENTS

2004—Subsec. (c)(1). Pub. L. 108-357 struck out “, and any regular interest in a FASIT,” before “shall be treated”.

1996—Subsec. (c)(1). Pub. L. 104-188 inserted “, and any regular interest in a FASIT,” after “REMIC”.

1990—Subsec. (c)(1). Pub. L. 101-508, § 11801(c)(11)(A), substituted “paragraph (2)” for “paragraph (5)”.

Subsec. (c)(2). Pub. L. 101-508, § 11801(a)(25), (c)(11)(B), redesignated par. (5) as (2) and struck out former par. (2) “Transitional rule for banks” which read as follows: “In the case of a bank, if the net long-term capital gains of the taxable year from sales or exchanges of qualifying securities exceed the net short-term capital losses of the taxable year from such sales or exchanges, such excess shall be considered as gain from the sale of a capital asset held for more than 6 months to the extent it does not exceed the net gain on sales and exchanges described in paragraph (1).”

Subsec. (c)(3). Pub. L. 101-508, § 11801(a)(25), struck out par. (3) “Special rules” which read as follows: “For purposes of this subsection—

“(A) The term ‘qualifying security’ means a bond, debenture, note, or certificate or other evidence of indebtedness held by a bank on July 11, 1969.

“(B) The amount treated as capital gain or loss from the sale or exchange of a qualifying security shall be determined by multiplying the amount of capital gain or loss from the sale or exchange of such security (determined without regard to this subsection) by a fraction, the numerator of which is the number of days before July 12, 1969, that such security was held by the bank, and the denominator of which is the number of days the security was held by the bank.”

Subsec. (c)(4). Pub. L. 101-508, § 11801(a)(25), struck out par. (4) “Transitional rule for banks” which read as follows: “In the case of a corporation which would be a bank except for the fact that it is a foreign corporation, the net gain, if any, for the taxable year on sales and exchanges described in paragraph (1) shall be considered as gain from the sale or exchange of a capital asset to the extent such net gain does not exceed the portion of any capital loss carryover to such taxable year which is attributable to capital losses on sales or exchanges described in paragraph (1) for a taxable year beginning before July 12, 1969. For purposes of the preceding sentence, the portion of a net capital loss for a taxable year which is attributable to capital losses on sales or exchanges described in paragraph (1) is the amount of the net capital loss on such sales or exchanges for such taxable year (but not in excess of the net capital loss for such taxable year).”

Subsec. (c)(5). Pub. L. 101-508, § 11801(c)(11)(B), redesignated par. (5) as (2).

1988—Subsec. (a). Pub. L. 100-647 substituted “subsections (a) and (b) of section 166” for “subsections (a), (b), and (c) of section 166”.

1986—Subsec. (c)(1). Pub. L. 99-514, § 901(d)(3)(A), substituted “referred to in paragraph (5)” for “to which section 585, 586, or 593 applies”.

Pub. L. 99-514, § 671(b)(4), inserted “For purposes of the preceding sentence, any regular or residual interest in a REMIC shall be treated as an evidence of indebtedness.”

Subsec. (c)(5). Pub. L. 99-514, § 901(d)(3)(B), added par. (5).

1984—Subsec. (c)(2). Pub. L. 98-369 substituted “6 months” for “1 year”, applicable to property acquired after June 22, 1984, and before Jan. 1, 1988. See Effective Date of 1984 Amendment note below.

1976—Subsec. (c)(2). Pub. L. 94-455, § 1402(b)(2), provided that “9 months” would be changed to “1 year”.

Pub. L. 94-455, § 1402(b)(1)(G), (2), provided that “6 months” would be changed to “9 months” for taxable years beginning in 1977.

Subsec. (c)(4). Pub. L. 94-455, § 1044(a), added par. (4).

1969—Pub. L. 91-172, § 433(c), substituted “Bad debts, losses, and gains with respect to securities held by financial institutions” for “Bad debt and loss deduction with respect to securities held by banks” in section catchline.

Subsec. (c). Pub. L. 91-172, § 433(a), redesignated existing provisions as par. (1), inserted reference to sections 585, 586 and 593, and added pars. (2) and (3).

1958—Subsec. (c). Pub. L. 85-866 struck out “with interest coupons or in registered form,” before “exceed the gains”.

EFFECTIVE DATE OF 2004 AMENDMENT

Amendment by Pub. L. 108-357 effective Jan. 1, 2005, with exception for any FASIT in existence on Oct. 22, 2004, to the extent that regular interests issued by the FASIT before such date continue to remain outstanding in accordance with the original terms of issuance, see section 835(c) of Pub. L. 108-357, set out as a note under section 56 of this title.

EFFECTIVE DATE OF 1996 AMENDMENT

Amendment by Pub. L. 104-188 effective Sept. 1, 1997, see section 1621(d) of Pub. L. 104-188, set out as a note under section 26 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 1986 AMENDMENT

Amendment by section 671(b)(4) of Pub. L. 99-514 effective Jan. 1, 1987, see section 675(a) of Pub. L. 99-514, as amended, set out as an Effective Date note under section 860A of this title.

Amendment by section 901(d)(3) of Pub. L. 99-514 applicable to taxable years beginning after Dec. 31, 1986, see section 901(e) of Pub. L. 99-514, set out as a note under section 166 of this title.

EFFECTIVE DATE OF 1984 AMENDMENT

Amendment by Pub. L. 98-369 applicable to property acquired after June 22, 1984, and before Jan. 1, 1988, see section 1001(e) of Pub. L. 98-369, set out as a note under section 166 of this title.

EFFECTIVE DATE OF 1976 AMENDMENT

Section 1044(b) of Pub. L. 94-455, as amended by Pub. L. 99-514, § 2, Oct. 22, 1986, 100 Stat. 2095, provided that: “(1) The amendment made by subsection (a) [amending this section] shall apply with respect to taxable years beginning after July 11, 1969.

“(2) If the refund or credit of any overpayment attributable to the application of the amendment made by subsection (a) to any taxable year is otherwise prevented by the operation of any law or rule of law (other than section 7122 of the Internal Revenue Code of 1986 [formerly I.R.C. 1954], relating to compromises) on the day which is one year after the date of the enactment of this Act [Oct. 4, 1976], such credit or refund shall be nevertheless allowed or made if claim therefor is filed on or before such day.”

Section 1402(b)(1) of Pub. L. 94-455 provided that amendment made by that section is effective with respect to taxable years beginning in 1977.

Section 1402(b)(2) of Pub. L. 94-455 provided that the amendment made by that section is effective with respect to taxable years beginning after Dec. 31, 1977.

EFFECTIVE DATE OF 1969 AMENDMENT

Section 433(d) of Pub. L. 91-172, as amended by Pub. L. 99-514, § 2, Oct. 22, 1986, 100 Stat. 2095, provided that: “(1) IN GENERAL.—The amendments made by this section [amending this section and section 1243 of this title] shall apply to taxable years beginning after July 11, 1969.

“(2) ELECTION FOR SMALL BUSINESS INVESTMENT COMPANIES AND BUSINESS DEVELOPMENT CORPORATIONS.—Notwithstanding paragraph (1), in the case of a financial institution described in section 586(a) of the Internal Revenue Code of 1986 [formerly I.R.C. 1954], the amendments made by this section [amending this section and section 1243 of this title] shall not apply for its taxable years beginning after July 11, 1969, and before July 11, 1974, unless the taxpayer so elects at such time and in such manner as shall be prescribed by the Secretary of the Treasury or his delegate. Such election

shall be irrevocable and shall apply to all such taxable years.”

EFFECTIVE DATE OF 1958 AMENDMENT

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

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.

§ 583. Repealed. Pub. L. 94-455, title XIX, § 1901(a)(82), Oct. 4, 1976, 90 Stat. 1778]

Section, act Aug. 16, 1954, ch. 736, 68A Stat. 202, related to deductions by certain taxpayers of dividends paid to the United States or any instrumentality thereof exempt from Federal income taxes on the preferred stock of the corporation owned by the United States or such instrumentality.

EFFECTIVE DATE OF REPEAL

Repeal effective with respect to taxable years beginning after Dec. 31, 1976, see section 1901(d) of Pub. L. 94-455, set out as an Effective Date of 1976 Amendment note under section 2 of this title.

§ 584. Common trust funds

(a) Definitions

For purposes of this subtitle, the term “common trust fund” means a fund maintained by a bank—

(1) exclusively for the collective investment and reinvestment of moneys contributed thereto by the bank in its capacity—

(A) as a trustee, executor, administrator, or guardian, or

(B) as a custodian of accounts—

(i) which the Secretary determines are established pursuant to a State law which is substantially similar to the Uniform Gifts to Minors Act as published by the American Law Institute, and

(ii) with respect to which the bank establishes, to the satisfaction of the Secretary, that it has duties and responsibilities similar to duties and responsibilities of a trustee or guardian; and

(2) in conformity with the rules and regulations, prevailing from time to time, of the Board of Governors of the Federal Reserve System or the Comptroller of the Currency pertaining to the collective investment of trust funds by national banks.

For purposes of this subsection, two or more banks which are members of the same affiliated group (within the meaning of section 1504) shall be treated as one bank for the period of affiliation with respect to any fund of which any of the member banks is trustee or two or more of the member banks are cotrustees.

(b) Taxation of common trust funds

A common trust fund shall not be subject to taxation under this chapter and for purposes of

this chapter shall not be considered a corporation.

(c) Income of participants in fund

Each participant in the common trust fund in computing its taxable income shall include, whether or not distributed and whether or not distributable—

(1) as part of its gains and losses from sales or exchanges of capital assets held for not more than 1 year, its proportionate share of the gains and losses of the common trust fund from sales or exchanges of capital assets held for not more than 1 year,

(2) as part of its gains and losses from sales or exchanges of capital assets held for more than 1 year, its proportionate share of the gains and losses of the common trust fund from sales or exchanges of capital assets held for more than 1 year, and

(3) its proportionate share of the ordinary taxable income or the ordinary net loss of the common trust fund, computed as provided in subsection (d).

The proportionate share of each participant in the amount of dividends received by the common trust fund and to which section 1(h)(11) applies shall be considered for purposes of such paragraph as having been received by such participant.

(d) Computation of common trust fund income

The taxable income of a common trust fund shall be computed in the same manner and on the same basis as in the case of an individual, except that—

(1) there shall be segregated the gains and losses from sales or exchanges of capital assets;

(2) after excluding all items of gain and loss from sales or exchanges of capital assets, there shall be computed—

(A) an ordinary taxable income which shall consist of the excess of the gross income over deductions; or

(B) an ordinary net loss which shall consist of the excess of the deductions over the gross income; and

(3) the deduction provided by section 170 (relating to charitable, etc., contributions and gifts) shall not be allowed.

(e) Admission and withdrawal

No gain or loss shall be realized by the common trust fund by the admission or withdrawal of a participant. The admission of a participant shall be treated with respect to the participant as the purchase of, or an exchange for, the participating interest. The withdrawal of any participating interest by a participant shall be treated as a sale or exchange of such interest by the participant.

(f) Different taxable years of common trust fund and participant

If the taxable year of the common trust fund is different from that of a participant, the inclusions with respect to the taxable income of the common trust fund, in computing the taxable income of the participant for its taxable year, shall be based upon the taxable income of the

common trust fund for any taxable year of the common trust fund ending within or with the taxable year of the participant.

(g) Net operating loss deduction

The benefit of the deduction for net operating losses provided by section 172 shall not be allowed to a common trust fund, but shall be allowed to the participants in the common trust fund under regulations prescribed by the Secretary.

(h) Nonrecognition treatment for certain transfers to regulated investment companies

(1) In general

If—

(A) a common trust fund transfers substantially all of its assets to one or more regulated investment companies in exchange solely for stock in the company or companies to which such assets are so transferred, and

(B) such stock is distributed by such common trust fund to participants in such common trust fund in exchange solely for their interests in such common trust fund,

no gain or loss shall be recognized by such common trust fund by reason of such transfer or distribution, and no gain or loss shall be recognized by any participant in such common trust fund by reason of such exchange.

(2) Basis rules

(A) Regulated investment company

The basis of any asset received by a regulated investment company in a transfer referred to in paragraph (1)(A) shall be the same as it would be in the hands of the common trust fund.

(B) Participants

The basis of the stock which is received in an exchange referred to in paragraph (1)(B) shall be the same as that of the property exchanged. If stock in more than one regulated investment company is received in such exchange, the basis determined under the preceding sentence shall be allocated among the stock in each such company on the basis of respective fair market values.

(3) Treatment of assumptions of liability

(A) In general

In determining whether the transfer referred to in paragraph (1)(A) is in exchange solely for stock in one or more regulated investment companies, the assumption by any such company of a liability of the common trust fund shall be disregarded.

(B) Special rule where assumed liabilities exceed basis

(i) In general

If, in any transfer referred to in paragraph (1)(A), the assumed liabilities exceed the aggregate adjusted bases (in the hands of the common trust fund) of the assets transferred to the regulated investment company or companies—

(I) notwithstanding paragraph (1), gain shall be recognized to the common trust

fund on such transfer in an amount equal to such excess,

(II) the basis of the assets received by the regulated investment company or companies in such transfer shall be increased by the amount so recognized, and

(III) any adjustment to the basis of a participant's interest in the common trust fund as a result of the gain so recognized shall be treated as occurring immediately before the exchange referred to in paragraph (1)(B).

If the transfer referred to in paragraph (1)(A) is to two or more regulated investment companies, the basis increase under subclause (II) shall be allocated among such companies on the basis of the respective fair market values of the assets received by each of such companies.

(ii) Assumed liabilities

For purposes of clause (i), the term "assumed liabilities" means any liability of the common trust fund assumed by any regulated investment company in connection with the transfer referred to in paragraph (1)(A).

(C) Assumption

For purposes of this paragraph, in determining the amount of any liability assumed, the rules of section 357(d) shall apply.

(4) Common trust fund must meet diversification rules

This subsection shall not apply to any common trust fund which would not meet the requirements of section 368(a)(2)(F)(ii) if it were a corporation. For purposes of the preceding sentence, Government securities shall not be treated as securities of an issuer in applying the 25-percent and 50-percent test and such securities shall not be excluded for purposes of determining total assets under clause (iv) of section 368(a)(2)(F).

(i) Taxable year of common trust fund

For purposes of this subtitle, the taxable year of any common trust fund shall be the calendar year.

(Aug. 16, 1954, ch. 736, 68A Stat. 203; Pub. L. 87-722, §4, Sept. 28, 1962, 76 Stat. 670; Pub. L. 88-272, title II, §201(d)(5), Feb. 26, 1964, 78 Stat. 32; Pub. L. 94-414, §1, Sept. 17, 1976, 90 Stat. 1273; Pub. L. 94-455, title XIV, §1402(b)(1)(H), (2), title XIX, §§1901(b)(1)(G), 1906(b)(13)(A), title XXI, §§2131(d), 2138, Oct. 4, 1976, 90 Stat. 1732, 1790, 1834, 1924, 1932; Pub. L. 95-30, title I, §101(d)(7), May 23, 1977, 91 Stat. 133; Pub. L. 96-223, title IV, §404(b)(3), Apr. 2, 1980, 94 Stat. 306; Pub. L. 97-34, title III, §301(b)(3), (6)(A), Aug. 13, 1981, 95 Stat. 270; Pub. L. 97-448, title I, §103(a)(2), Jan. 12, 1983, 96 Stat. 2375; Pub. L. 98-369, div. A, title X, §1001(b)(7), (e), July 18, 1984, 98 Stat. 1011, 1012; Pub. L. 99-514, title VI, §612(b)(2), Oct. 22, 1986, 100 Stat. 2250; Pub. L. 100-647, title I, §1008(e)(5)(A), Nov. 10, 1988, 102 Stat. 3440; Pub. L. 104-188, title I, §1805(a), Aug. 20, 1996, 110 Stat. 1894; Pub. L. 106-36, title III, §3001(c)(1), June 25, 1999, 113 Stat. 183; Pub. L. 108-27, title III, §302(e)(7), May 28, 2003, 117 Stat. 764.)

AMENDMENT OF SECTION

For termination of amendment by section 303 of Pub. L. 108-27, see Effective and Termination Dates of 2003 Amendment note below.

AMENDMENTS

2003—Subsec. (c). Pub. L. 108-27, §§302(e)(7), 303, temporarily inserted concluding provisions. See Effective and Termination Dates of 2003 Amendment note below.

1999—Subsec. (h)(3)(A). Pub. L. 106-36, §3001(c)(1)(A), struck out ", and the fact that any property transferred by the common trust fund is subject to a liability," before "shall be disregarded".

Subsec. (h)(3)(B)(ii). Pub. L. 106-36, §3001(c)(1)(B), added cl. (ii) and struck out heading and text of former cl. (ii). Text read as follows: "For purposes of clause (i), the term 'assumed liabilities' means the aggregate of—

"(I) any liability of the common trust fund assumed by any regulated investment company in connection with the transfer referred to in paragraph (1)(A), and

"(II) any liability to which property so transferred is subject."

Subsec. (h)(3)(C). Pub. L. 106-36, §3001(c)(1)(B), added subpar. (C).

1996—Subsecs. (h), (i). Pub. L. 104-188 added subsec. (h) and redesignated former subsec. (h) as (i).

1988—Subsec. (h). Pub. L. 100-647 added subsec. (h).

1986—Subsec. (c). Pub. L. 99-514, §612(b)(2)(B), substituted "1 year" for "6 months" wherever appearing in pars. (1) and (2).

Pub. L. 99-514, §612(b)(2)(A), amended subsec. (c) generally, restating subpars. (A) to (C) of former par. (1) as pars. (1) to (3) and striking out former par. (2) which read as follows: "The proportionate share of each participant in the amount of dividends or interest received by the common trust fund and to which section 116 or 128 applies shall be considered for purposes of such section as having been received by such participant."

1984—Subsec. (c)(1)(A), (B). Pub. L. 98-369 substituted "6 months" for "1 year", wherever appearing, applicable to property acquired after June 22, 1984, and before Jan. 1, 1988. See Effective Date of 1984 Amendment note below.

1983—Subsec. (c)(2). Pub. L. 97-448 reenacted par. (2) without change.

1981—Subsec. (c)(2). Pub. L. 97-34, §301(b)(6)(A), inserted reference to "interest" in heading and text, which continued the amendment made by Pub. L. 96-223.

Pub. L. 97-34, §301(b)(3), inserted "or 128" after "section 116".

1980—Subsec. (c)(2). Pub. L. 96-223 inserted "or interest" after "dividends" in heading and text.

1977—Subsec. (d)(4). Pub. L. 95-30 struck out par. (4) relating to standard deduction.

1976—Subsec. (a). Pub. L. 94-414 inserted provision relating to treatment of two or more bank members of same affiliated group.

Subsec. (a)(1). Pub. L. 94-455, §2138, designated existing provisions relating to trustee, executor, administrator and guardian as subpar. (A) and added subpar. (B).

Subsec. (c)(1)(A), (B). Pub. L. 94-455, §1402(b)(2), provided that "9 months" would be changed to "1 year" wherever appearing.

Pub. L. 94-455, §1402(b)(1)(H), provided that "6 months" would be changed to "9 months" for taxable years beginning in 1977.

Subsec. (c)(2). Pub. L. 94-455, §1901(b)(1)(G), struck out provisions relating to partially tax exempt interest and election of a common trust fund to amortize premiums on bonds and other obligations.

Subsec. (e). Pub. L. 94-455, §2131(d), inserted "The admission of a participant shall be treated with respect to the participant as the purchase of, or exchange for, the participating interest".

Subsec. (g). Pub. L. 94-455, §1906(b)(13)(A), struck out "or his delegate" after "Secretary".

1964—Subsec. (c)(2). Pub. L. 88-272 struck out "section 34 or" before "section 116 applies".

1962—Subsec. (a)(2). Pub. L. 87-722 inserted “or the Comptroller of the Currency” after “the Board of Governors of the Federal Reserve System”.

EFFECTIVE AND TERMINATION DATES OF 2003
AMENDMENT

Amendment by Pub. L. 108-27 applicable, except as otherwise provided, to taxable years beginning after Dec. 31, 2002, see section 302(f) of Pub. L. 108-27, set out as a note under section 1 of this title.

Amendment by Pub. L. 108-27 inapplicable to taxable years beginning after Dec. 31, 2010, and the Internal Revenue Code of 1986 to be applied and administered to such years as if such amendment had never been enacted, see section 303 of Pub. L. 108-27, as amended, set out as a note under section 1 of this title.

EFFECTIVE DATE OF 1999 AMENDMENT

Amendment by Pub. L. 106-36 applicable to transfers after Oct. 18, 1998, see section 3001(e) of Pub. L. 106-36, set out as a note under section 351 of this title.

EFFECTIVE DATE OF 1996 AMENDMENT

Section 1805(b) of Pub. L. 104-188 provided that: “The amendment made by subsection (a) [amending this section] shall apply to transfers after December 31, 1995.”

EFFECTIVE DATE OF 1988 AMENDMENT

Section 1008(e)(5)(B) of Pub. L. 100-647 provided that: “The amendment made by subparagraph (A) [amending this section] shall take effect as if included in the amendments made by section 806 of the Reform Act [Pub. L. 99-514], except that section 806(e)(1) [set out as a note under section 1378 of this title] shall be applied by substituting ‘December 31, 1987’ for ‘December 31, 1986’. For purposes of section 806(e)(2) of the Reform Act [set out as a note under section 1378 of this title]—

“(i) a participant in a common trust fund shall be treated in the same manner as a partner, and

“(ii) subparagraph (C) thereof shall be applied by substituting ‘December 31, 1987’ for ‘December 31, 1986’ and as if it did not contain the election to include all income in the short taxable year.”

EFFECTIVE DATE OF 1986 AMENDMENT

Section 612(b)(2)(B) of Pub. L. 99-514 provided that: “If the amendments made by section 1001 of the Tax Reform Act of 1984 [Pub. L. 98-369, amending this section and sections 166, 341, 402, 403, 423, 582, 631, 642, 702, 818, 852, 856, 857, 1222, 1223, 1231, 1232, 1233, 1234, 1235, 1246, 1247, and 1248 of this title] cease to apply [see Effective Date of 1984 Amendment note below], effective with respect to property to which such amendments do not apply, subsection (c) of section 584 is amended by striking out ‘6 months’ each place it appears and inserting in lieu thereof ‘1 year’.”

Amendment by section 612(b)(2) of Pub. L. 99-514 applicable to taxable years beginning after Dec. 31, 1986, see section 612(c) of Pub. L. 99-514, set out as a note under section 301 of this title.

EFFECTIVE DATE OF 1984 AMENDMENT

Amendment by Pub. L. 98-369 applicable to property acquired after June 22, 1984, and before Jan. 1, 1988, see section 1001(e) of Pub. L. 98-369, set out as a note under section 166 of this title.

EFFECTIVE DATE OF 1983 AMENDMENT

Amendment by Pub. L. 97-448 effective, except as otherwise provided, as if it had been included in the provision of the Economic Recovery Tax Act of 1981, Pub. L. 97-34, to which such amendment relates, see section 109 of Pub. L. 97-448, set out as a note under section 1 of this title.

EFFECTIVE DATE OF 1981 AMENDMENT

Amendment by section 301(b)(3) of Pub. L. 97-34 applicable to taxable years ending after Sept. 30, 1981, and

amendment by section 301(b)(6)(A) of Pub. L. 97-34 applicable to taxable years beginning after Dec. 31, 1981, see section 301(d) of Pub. L. 97-34, set out as a note under section 265 of this title.

EFFECTIVE AND TERMINATION DATES OF 1980
AMENDMENT

Amendment by Pub. L. 96-223 applicable with respect to taxable years beginning after Dec. 31, 1980, and before Jan. 1, 1982, see section 404(c) of Pub. L. 96-223, set out as a note under section 265 of this title.

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.

EFFECTIVE DATE OF 1976 AMENDMENTS

Section 2131(f)(6) of Pub. L. 94-455 provided that: “The amendments made by subsections (d) and (e) [amending this section and section 683 of this title] shall take effect on April 8, 1976, in taxable years ending on or after such date.”

Section 1402(b)(1) of Pub. L. 94-455 provided that the amendment made by that section is effective with respect to taxable years beginning in 1977.

Section 1402(b)(2) of Pub. L. 94-455 provided that the amendment made by that section is effective with respect to taxable years beginning after Dec. 31, 1977.

Amendment by section 1901(b)(1)(G) 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 an Effective Date of 1976 Amendment note under section 2 of this title.

Section 2 of Pub. L. 94-414 provided that: “The amendment made by the first provision of this Act [amending this section] shall apply to taxable years beginning after December 31, 1975.”

EFFECTIVE DATE OF 1964 AMENDMENT

Amendment by Pub. L. 88-272 applicable with respect to dividends received after Dec. 31, 1964, in taxable years ending after such date, see section 201(e) of Pub. L. 88-272, set out as a note under section 22 of this title.

§ 585. Reserves for losses on loans of banks

(a) Reserve for bad debts

(1) In general

Except as provided in subsection (c), a bank shall be allowed a deduction for a reasonable addition to a reserve for bad debts. Such deduction shall be in lieu of any deduction under section 166(a).

(2) Bank

For purposes of this section—

(A) In general

The term “bank” means any bank (as defined in section 581).

(B) Banking business of United States branch of foreign corporation

The term “bank” also includes any corporation to which subparagraph (A) would apply except for the fact that it is a foreign corporation. In the case of any such foreign corporation, this section shall apply only with respect to loans outstanding the interest on which is effectively connected with the conduct of a banking business within the United States.

(b) Addition to reserves for bad debts

(1) General rule

For purposes of subsection (a), the reasonable addition to the reserve for bad debts of

any financial institution to which this section applies shall be an amount determined by the taxpayer which shall not exceed the addition to the reserve for losses on loans determined under the experience method as provided in paragraph (2).

(2) Experience method

The amount determined under this paragraph for a taxable year shall be the amount necessary to increase the balance of the reserve for losses on loans (at the close of the taxable year) to the greater of—

(A) the amount which bears the same ratio to loans outstanding at the close of the taxable year as (i) the total bad debts sustained during the taxable year and the 5 preceding taxable years (or, with the approval of the Secretary, a shorter period), adjusted for recoveries of bad debts during such period, bears to (ii) the sum of the loans outstanding at the close of such 6 or fewer taxable years, or

(B) the lower of—

(i) the balance of the reserve at the close of the base year, or

(ii) if the amount of loans outstanding at the close of the taxable year is less than the amount of loans outstanding at the close of the base year, the amount which bears the same ratio to loans outstanding at the close of the taxable year as the balance of the reserve at the close of the base year bears to the amount of loans outstanding at the close of the base year.

For purposes of this paragraph, the base year shall be the last taxable year before the most recent adoption of the experience method, except that for taxable years beginning after 1987 the base year shall be the last taxable year beginning before 1988.

(3) Regulations; definition of loan

The Secretary shall define the term loan and prescribe such regulations as may be necessary to carry out the purposes of this section.

(c) Section not to apply to large banks

(1) In general

In the case of a large bank, this section shall not apply (and no deduction shall be allowed under any other provision of this subtitle for any addition to a reserve for bad debts).

(2) Large banks

For purposes of this subsection, a bank is a large bank if, for the taxable year (or for any preceding taxable year beginning after December 31, 1986)—

(A) the average adjusted bases of all assets of such bank exceeded \$500,000,000, or

(B) such bank was a member of a parent-subsidiary controlled group and the average adjusted bases of all assets of such group exceeded \$500,000,000.

(3) 4-year spread of adjustments

(A) In general

Except as provided in paragraph (4), in the case of any bank which for its last taxable year before the disqualification year maintained a reserve for bad debts—

(i) the provisions of this subsection shall be treated as a change in the method of accounting of such bank for the disqualification year,

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

(iii) the net amount of adjustments required by section 481(a) to be taken into account by the taxpayer shall be taken into account in each of the 4 taxable years beginning with the disqualification year with—

(I) the amount taken into account for the 1st of such taxable years being the greater of 10 percent of such net amount or such higher percentage of such net amount as the taxpayer may elect, and

(II) the amount taken into account in each of the 3 succeeding taxable years being equal to the applicable fraction (determined in accordance with the following table for the taxable year involved) of the portion of such net amount not taken into account under subclause (I).

If the case of the—	The applicable fraction is—
1st succeeding year	2%
2nd succeeding year	1/3
3rd succeeding year	1/6.

(B) Suspension of recapture for taxable year for which bank is financially troubled

(i) In general

In the case of a bank which is a financially troubled bank for any taxable year—

(I) no adjustment shall be taken into account under subparagraph (A) for such taxable year, and

(II) such taxable year shall be disregarded in determining whether any other taxable year is a taxable year for which an adjustment is required to be taken into account under subparagraph (A) or the amount of such adjustment.

(ii) Exception for elective recapture for 1st year

Clause (i) shall not apply to the 1st taxable year referred to in subparagraph (A)(iii)(I) if the taxpayer elects a higher percentage in accordance with such subparagraph.

(iii) Financially troubled bank

For purposes of clause (i), the term “financially troubled bank” means any bank if, for the taxable year, the nonperforming loan percentage of such bank exceeds 75 percent.

(iv) Nonperforming loan percentage

For purposes of clause (iii), the term “nonperforming loan percentage” means the percentage determined by dividing—

(I) the sum of the outstanding balances of nonperforming loans of the bank as of the close of each quarter of the taxable year, by

(II) the sum of the amounts of equity of the bank as of the close of each such quarter.

In the case of a bank which is a member of a parent-subsidiary controlled group for the taxable year, the preceding sentence shall be applied with respect to such group.

(v) Other definitions

For purposes of this subparagraph—

(I) Nonperforming loans

The term “nonperforming loan” means any loan which is considered to be nonperforming by the primary Federal regulatory agency with respect to the bank.

(II) Equity

The term “equity” means the equity of the bank as determined for Federal regulatory purposes.

(C) Coordination with estimated tax payments

For purposes of applying section 6655(e)(2)(A)(i) with respect to any installment, the determination under subparagraph (B) of whether an adjustment is required to be taken into account under subparagraph (A) shall be made as of the last day prescribed for payment of such installment.

(4) Elective cut-off method

If a bank makes an election under this paragraph for the disqualification year—

(A) the provisions of this subsection shall not be treated as a change in the method of accounting of the taxpayer for purposes of section 481,

(B) the taxpayer shall continue to maintain its reserve for loans held by the bank as of the 1st day of the disqualification year and charge against such reserve any losses resulting from loans held by the bank as of such 1st day, and

(C) no deduction shall be allowed under this section (or any other provision of this subtitle) for any addition to such reserve for the disqualification year or any subsequent taxable year.

If the amount of the reserve referred to in subparagraph (B) as of the close of any taxable year exceeds the outstanding balance (as of such time) of the loans referred to in subparagraph (B), such excess shall be included in gross income for such taxable year.

(5) Definitions

For purposes of this subsection—

(A) Parent-subsidiary controlled group

The term “parent-subsidiary controlled group” means any controlled group of corporations described in section 1563(a)(1). In determining the average adjusted bases of assets held by such a group, interests held by one member of such group in another member of such group shall be disregarded.

(B) Disqualification year

The term “disqualification year” means, with respect to any bank, the 1st taxable year beginning after December 31, 1986, for which such bank was a large bank if such bank maintained a reserve for bad debts for the preceding taxable year.

(C) Election made by each member

In the case of a parent-subsidiary controlled group, any election under this section shall be made separately by each member of such group.

(Added Pub. L. 91-172, title IV, §431(a), Dec. 30, 1969, 83 Stat. 616; amended Pub. L. 94-455, title XIX, §1906(b)(13)(A), Oct. 4, 1976, 90 Stat. 1834; Pub. L. 97-34, title II, §267(a), Aug. 13, 1981, 95 Stat. 266; Pub. L. 99-514, title IX, §901(a), (d)(1), Oct. 22, 1986, 100 Stat. 2375, 2378; Pub. L. 100-203, title X, §10301(b)(2), Dec. 22, 1987, 101 Stat. 1330-429; Pub. L. 100-647, title I, §1009(a)(2), (3), Nov. 10, 1988, 102 Stat. 3445; Pub. L. 101-508, title XI, §11801(a)(26), (c)(12)(C)-(E), Nov. 5, 1990, 104 Stat. 1388-521, 1388-527; Pub. L. 104-188, title I, §1616(b)(6), Aug. 20, 1996, 110 Stat. 1856.)

AMENDMENTS

1996—Subsec. (a)(2)(A). Pub. L. 104-188 struck out “other than an organization to which section 593 applies” after “section 581”.

1990—Subsec. (b)(1). Pub. L. 101-508, §11801(c)(12)(C), substituted “shall not exceed the addition to the reserve for losses on loans determined under the experience method as provided in paragraph (2).” for “shall not exceed the greater of—

“(A) for taxable years beginning before 1988 the addition to the reserve for losses on loans determined under the percentage method as provided in paragraph (2), or

“(B) the addition to the reserve for losses on loans determined under the experience method as provided in paragraph (3).”

Subsec. (b)(2). Pub. L. 101-508, §11801(a)(26), (c)(12)(D), redesignated par. (3) as (2) and struck out former par. (2) which related to use of percentage method for determining amount to add to reserve for bad debts.

Subsec. (b)(3). Pub. L. 101-508, §11801(c)(12)(D), (E), redesignated par. (4) as (3), substituted heading for one which read: “Regulations; definition of eligible loan, etc.”, and amended text generally. Prior to amendment, text read as follows: “The Secretary shall define the terms ‘loan’ and ‘eligible loan’ and prescribe such regulations as may be necessary to carry out the purposes of this section; except that the term ‘eligible loan’ shall not include—

“(A) a loan to a bank (as defined in section 581),

“(B) a loan to a domestic branch of a foreign corporation to which subsection (a)(2) applies,

“(C) a loan secured by a deposit (i) in the lending bank, or (ii) in an institution described in subparagraph (A) or (B) if the lending bank has control over withdrawal of such deposit,

“(D) a loan to or guaranteed by the United States, a possession or instrumentality thereof, or a State or a political subdivision thereof,

“(E) a loan evidenced by a security as defined in section 165(g)(2)(C),

“(F) a loan of Federal funds, and

“(G) commercial paper, including short-term promissory notes which may be purchased on the open market.” Former par. (3) redesignated (2).

Subsec. (b)(4). Pub. L. 101-508, §11801(c)(12)(D), redesignated par. (4) as (3).

1988—Subsec. (c)(3)(A)(iii)(I). Pub. L. 100-647, §1009(a)(2)(B), substituted “such higher percentage of such net amount as the taxpayer may elect” for “such greater amount as the taxpayer may designate”.

Subsec. (c)(3)(B)(ii). Pub. L. 100-647, §1009(a)(2)(C), substituted “elects a higher percentage” for “designates an amount”.

Subsec. (c)(4). Pub. L. 100-647, §1009(a)(3), inserted at end “If the amount of the reserve referred to in subparagraph (B) as of the close of any taxable year exceeds the outstanding balance (as of such time) of the loans referred to in subparagraph (B), such excess shall be included in gross income for such taxable year.”

Subsec. (c)(5)(C). Pub. L. 100-647, §1009(a)(2)(A), added subpar. (C).

1987—Subsec. (c)(3)(C). Pub. L. 100-203 substituted “section 6655(e)(2)(A)(i)” for “section 6655(d)(3)”.

1986—Subsec. (a). Pub. L. 99-514, §901(a)(1), amended subsec. (a) generally. Prior to amendment, subsec. (a) read as follows: “This section shall apply to the following financial institutions:

“(1) any bank (as defined in section 581) other than an organization to which section 593 applies, and

“(2) any corporation to which paragraph (1) would apply except for the fact that it is a foreign corporation, and in the case of any such foreign corporation this section shall apply only with respect to loans outstanding the interest on which is effectively connected with the conduct of a banking business within the United States.”

Subsec. (b)(1). Pub. L. 99-514, §901(d)(1), substituted “subsection (a)” for “section 166(c)”.

Subsec. (c). Pub. L. 99-514, §901(a)(2), added subsec. (c).

1981—Subsec. (b)(2). Pub. L. 97-34 defined “allowable percentage” to mean 1.0 percent for taxable years beginning in 1982 and 0.6 percent for taxable years beginning after 1982, previously so applicable for taxable years beginning after 1981 and redefined “base year” by substituting the last taxable year beginning before 1976 for taxable years beginning after 1975 but before 1983, for the last taxable year beginning before 1976 for taxable years after 1975 but before 1982; and the last taxable year beginning before 1983 for taxable years beginning after 1982, for the last taxable year beginning before 1982 for taxable years beginning after 1981.

1976—Subsec. (b)(3), (4). Pub. L. 94-455 struck out “or his delegate” after “Secretary”.

EFFECTIVE DATE OF 1996 AMENDMENT

Amendment by Pub. L. 104-188 applicable to taxable years beginning after Dec. 31, 1995, see section 1616(c) of Pub. L. 104-188, set out as a note under section 593 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 10301(c) of Pub. L. 100-203 provided that: “The amendments made by this section [amending this section and sections 6201, 6425, 6601, 6651, and 6655 of this title and repealing section 6154 of this title] shall apply to taxable years beginning after December 31, 1987.”

EFFECTIVE DATE OF 1986 AMENDMENT

Amendment by Pub. L. 99-514 applicable to taxable years beginning after Dec. 31, 1986, see section 901(e) of Pub. L. 99-514, set out as a note under section 166 of this title.

EFFECTIVE DATE OF 1981 AMENDMENT

Section 267(b) of Pub. L. 97-34 provided that: “The amendment made by subsection (a) [amending this section] shall apply to taxable years beginning after 1981.”

EFFECTIVE DATE

Section 431(d) of Pub. L. 91-172 provided that: “The amendments made by subsections (a) [enacting this section and section 586 of this title] and (c) [amending section 166 of this title] shall apply to taxable years beginning after July 11, 1969.”

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.

[§ 586. Repealed. Pub. L. 99-514, title IX, §901(c), Oct. 22, 1986, 100 Stat. 2378]

Section, added Pub. L. 91-172, title IV, §431(a), Dec. 30, 1969, 83 Stat. 618; amended Pub. L. 94-455, title XIX, §1906(b)(13)(A), Oct. 4, 1976, 90 Stat. 1834, related to reserves for losses on loans of small business investment companies, etc.

EFFECTIVE DATE OF REPEAL

Repeal applicable to taxable years beginning after Dec. 31, 1986, see section 901(e) of Pub. L. 99-514, set out as an Effective Date of 1986 Amendment note under section 166 of this title.

PART II—MUTUAL SAVINGS BANKS, ETC.

Sec. 591.	Deduction for dividends paid on deposits.
[592.]	Repealed.]
593.	Reserves for losses on loans.
594.	Alternative tax for mutual savings banks conducting life insurance business.
[595, 596.]	Repealed.]
597.	Treatment of transactions in which Federal financial assistance provided.

AMENDMENTS

1996—Pub. L. 104-188, title I, §1616(b)(16), Aug. 20, 1996, 110 Stat. 1857, struck out items 595 “Foreclosure on property securing loans” and 596 “Limitation on dividends received deduction”.

1989—Pub. L. 101-73, title XIV, §1401(b)(1), Aug. 9, 1989, 103 Stat. 549, repealed amendment made by Pub. L. 99-514, §904(b)(2), see 1986 Amendment note below.

Pub. L. 101-73, title XIV, §1401(a)(3)(C), Aug. 9, 1989, 103 Stat. 549, substituted “Treatment of transactions in which Federal financial assistance provided” for “FSLIC or FDIC financial assistance” in item 597.

1988—Pub. L. 100-647, title IV, §4012(b)(2)(D)(ii), Nov. 10, 1988, 102 Stat. 3658, substituted “FSLIC or FDIC” for “FSLIC” in item 597.

1986—Pub. L. 99-514, title IX, §904(b)(2), (c)(2)(A), Oct. 22, 1986, 100 Stat. 2385, as amended by Pub. L. 100-647, title IV, §4012(a)(2), Nov. 10, 1988, 102 Stat. 3656, which, applicable to transfers after Dec. 31, 1989, in taxable years ending after that date, directed amendment of analysis by striking out item 597, was repealed by Pub. L. 101-73, title XIV, §1401(b)(1), (c)(4), Aug. 9, 1989, 103 Stat. 549, 550, eff. Oct. 22, 1986, and applicable as if the amendments made by such section had not been enacted.

1981—Pub. L. 97-34, title II, §244(b), Aug. 13, 1981, 95 Stat. 255, added item 597.

1976—Pub. L. 94-455, title XIX, §1901(b)(19), Oct. 4, 1976, 90 Stat. 1796, struck out item 592 “Deduction for repayment of certain loans”.

1969—Pub. L. 91-172, title IV, §434(b)(2), Dec. 30, 1969, 83 Stat. 625, added item 596.

1962—Pub. L. 87-834, §6(d), Oct. 16, 1962, 76 Stat. 984, substituted “Reserves for losses on loans” for “Additions to reserve for bad debts” in item 593, and added item 595.

§ 591. Deduction for dividends paid on deposits

(a) In general

In the case of mutual savings banks, cooperative banks, and domestic building and loan associations and other savings institutions chartered and supervised as savings and loan or similar associations under Federal or State law, there shall be allowed as deductions in comput-