

§ 597. Treatment of transactions in which Federal financial assistance provided

(a) General rule

The treatment for purposes of this chapter of any transaction in which Federal financial assistance is provided with respect to a bank or domestic building and loan association shall be determined under regulations prescribed by the Secretary.

(b) Principles used in prescribing regulations

(1) Treatment of taxable asset acquisitions

In the case of any acquisition of assets to which section 381(a) does not apply, the regulations prescribed under subsection (a) shall—

(A) provide that Federal financial assistance shall be properly taken into account by the institution from which the assets were acquired, and

(B) provide the proper method of allocating basis among the assets so acquired (including rights to receive Federal financial assistance).

(2) Other transactions

In the case of any transaction not described in paragraph (1), the regulations prescribed under subsection (a) shall provide for the proper treatment of Federal financial assistance and appropriate adjustments to basis or other tax attributes in connection with such assistance.

(3) Denial of double benefit

No regulations prescribed under this section shall permit the utilization of any deduction (or other tax benefit) if such amount was in effect reimbursed by nontaxable Federal financial assistance.

(c) Federal financial assistance

For purposes of this section, the term “Federal financial assistance” means—

(1) any money or other property provided with respect to a domestic building and loan association by the Federal Savings and Loan Insurance Corporation or the Resolution Trust Corporation pursuant to section 406(f) of the National Housing Act or section 21A of the Federal Home Loan Bank Act (or under any other similar provision of law), and

(2) any money or other property provided with respect to a bank or domestic building and loan association by the Federal Deposit Insurance Corporation pursuant to section 11(f) or 13(c) of the Federal Deposit Insurance Act (or under any other similar provision of law),

regardless of whether any note or other instrument is issued in exchange therefor.

(d) Domestic building and loan association

For purposes of this section, the term “domestic building and loan association” has the meaning given such term by section 7701(a)(19) without regard to subparagraph (C) thereof.

(Added Pub. L. 97-34, title II, §244(a), Aug. 13, 1981, 95 Stat. 255; amended Pub. L. 99-514, title IX, §904(b)(1), Oct. 22, 1986, 100 Stat. 2385; Pub. L. 100-647, title IV, §4012(b)(2)(A)-(D)(i), (c)(1), Nov. 10, 1988, 102 Stat. 3657, 3658; Pub. L. 101-73, title

XIV, §1401(a)(3)(A), (b)(1), Aug. 9, 1989, 103 Stat. 548, 549; Pub. L. 101-239, title VII, §7841(e)(1), Dec. 19, 1989, 103 Stat. 2429; Pub. L. 101-508, title XI, §11704(a)(7), Nov. 5, 1990, 104 Stat. 1388-518.)

REFERENCES IN TEXT

Section 406 of the National Housing Act, referred to in subsec. (c)(1), which was classified to section 1729 of Title 12, Banks and Banking, was repealed by Pub. L. 101-73, title IV, §407, Aug. 9, 1989, 103 Stat. 363.

Section 21A of the Federal Home Loan Bank Act, referred to in subsec. (c)(1), is classified to section 1414a of Title 12.

Sections 11(f) and 13(c) of the Federal Deposit Insurance Act, referred to in subsec. (c)(2), are classified to sections 1821(f) and 1823(c), respectively, of Title 12.

AMENDMENTS

1990—Subsec. (c). Pub. L. 101-508 substituted “For purposes of” for “The purposes of”.

1989—Pub. L. 101-73, §1401(b)(1), repealed amendment made by Pub. L. 99-514, §904(b)(1), see 1986 Amendment note below.

Pub. L. 101-73, §1401(a)(3)(A), amended section generally, substituting present provisions for former provisions which contained section catchline that read “FSLIC or FDIC financial assistance” and which provided: in subsec. (a) for an exclusion from gross income; in subsec. (b) for no reduction in basis of assets; in subsec. (c) for a reduction of tax attributes by 50 percent of amounts excludable under subsection (a); and in subsec. (d) for a definition of “domestic building and loan association”.

Subsec. (b)(2). Pub. L. 101-239 substituted “in connection with such assistance” for “to reflect such treatment”.

1988—Pub. L. 100-647, §4012(b)(2)(D)(i), substituted “FSLIC or FDIC” for “FSLIC” in section catchline.

Subsec. (a). Pub. L. 100-647, §4012(b)(2)(A), inserted at end “Gross income of a bank does not include any amount of money or other property received from the Federal Deposit Insurance Corporation pursuant to sections 13(c), 15(c)(1), and 15(c)(2) of the Federal Deposit Insurance Act (12 U.S.C. 1821(f) and 1823(c)(1) and (c)(2)), regardless of whether any note or other instrument is issued in exchange therefor.”

Subsec. (b). Pub. L. 100-647, §4012(b)(2)(C), substituted “association or bank” for “association”.

Subsec. (c). Pub. L. 100-647, §4012(c)(1), added subsec. (c).

Subsec. (d). Pub. L. 100-647, §4012(b)(2)(B), which directed amendment of section 597(b), as amended by section 4012(c)(1) of Pub. L. 100-647, by adding at the end thereof subsec. (d), was executed by adding subsec. (d) at the end of section 597, as amended by section 4012(c)(1) of Pub. L. 100-647, as the probable intent of Congress.

1986—Pub. L. 99-514, §904(b)(1), (c)(2)(A), as amended by Pub. L. 100-647, title IV, §4012(a)(2), which (applicable to transfers after Dec. 31, 1989, in taxable years ending after such date, with exceptions) directed repeal of this section, was repealed by Pub. L. 101-73, §1401(b)(1), (c)(4), eff. Oct. 22, 1986, and I.R.C. of 1986 applicable as if the amendments made by such section had not been enacted.

EFFECTIVE DATE OF 1989 AMENDMENTS

Section 7841(e)(2) of Pub. L. 101-239 provided that: “The amendment made by this subsection [amending this section] shall apply as if included in the amendments made by section 1401 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 [Pub. L. 101-73].”

Section 1401(c)(3)-(5) of Pub. L. 101-73 provided that: “(3) SUBSECTION (a)(3).—

“(A) IN GENERAL.—The amendments made by subsection (a)(3) [amending this section and repealing provisions set out below] shall apply to any amount received or accrued by the financial institution on or

after May 10, 1989, except that such amendments shall not apply to transfers on or after such date pursuant to an acquisition to which the amendment made by subsection (a)(1) [amending section 368 of this title] does not apply.

“(B) INTERIM RULE.—In the case of any payment pursuant to a transaction on or after May 10, 1989, and before the date on which the Secretary of the Treasury (or his delegate) takes action in exercise of his regulatory authority under section 597 of the Internal Revenue Code of 1986 (as amended by subsection (a)(3)), the taxpayer may rely on the legislative history for the amendments made by subsection (a)(3) in determining the proper treatment of such payment.

“(4) SUBSECTION (b)(1).—The provisions of subsection (b)(1) [set out below] shall take effect on the date of the enactment of the Tax Reform Act of 1986 [Oct. 22, 1986].

“(5) SUBSECTION (b)(2).—The amendment made by subsection (b)(2) [amending provisions set out below] shall take effect on the date of the enactment of the Technical and Miscellaneous Revenue Act of 1988 [Nov. 10, 1988].”

EFFECTIVE DATE OF 1988 AMENDMENT

Section 4012(b)(2)(E) of Pub. L. 100-647 provided that: “The amendments made by this paragraph [amending this section] shall apply to any transfer—

“(i) after the date of the enactment of this Act [Nov. 10, 1988], and before January 1, 1990, unless such transfer is pursuant to an acquisition occurring on or before such date of enactment, and

“(ii) after December 31, 1989, if such transfer is pursuant to an acquisition occurring after such date of enactment and before January 1, 1990.”

Section 4012(c)(3) of Pub. L. 100-647, as amended by Pub. L. 101-73, title XIV, §1401(b)(2), Aug. 9, 1989, 103 Stat. 549, provided that: “The amendments made by this subsection [amending this section and provisions set out below] shall apply to any transfer—

“(A) after December 31, 1988, and before January 1, 1990, unless such transfer is pursuant to an acquisition occurring before January 1, 1989, and

“(B) after December 31, 1989, if such transfer is pursuant to an acquisition occurring after December 31, 1988, and before January 1, 1990.

In the case of any bank or any institution treated as a domestic building and loan association for purposes of section 597 of the 1986 Code by reason of the amendment made by subsection (b)(2)(B), the amendments made by this subsection shall also apply to any transfer before January 1, 1989, to which the amendments made by subsection (b)(2) [amending this section] apply.”

EFFECTIVE DATE OF REPEAL

Pub. L. 99-514, title IX, §904(c)(2), Oct. 22, 1986, 100 Stat. 2385, as amended by Pub. L. 100-647, title IV, §4012(a)(2), (c)(2), Nov. 10, 1988, 102 Stat. 3656, 3660, which provided that repeal of this section was to be applicable to transfers after Dec. 31, 1989, in taxable years ending after such date, with exceptions, and which related to clarification of treatment of amounts excluded under this section, was repealed by Pub. L. 101-73, title XIV, §1401(a)(3)(B), (b)(1), Aug. 9, 1989, 103 Stat. 549.

EFFECTIVE DATE

Section 246(c) of Pub. L. 97-34 provided that: “The amendment made by section 244 [enacting this section] shall apply to any payment made on or after January 1, 1981.”

TRANSFER OF FUNCTIONS

Federal Savings and Loan Insurance Corporation abolished and its functions transferred, see sections 401

to 406 of Pub. L. 101-73, set out as a note under section 1437 of Title 12, Banks and Banking.

REPEAL OF PROVISIONS RELATING TO REPEAL OF SPECIAL REORGANIZATION RULES FOR FINANCIAL INSTITUTIONS

Section 1401(b)(1) of Pub. L. 101-73 provided that: “Section 904 of the Tax Reform Act of 1986 [Pub. L. 99-514, amending section 368 of this title, repealing this section and enacting provisions set out as notes under sections 368 and 597 of this title] (other than subsection (c)(2)(B) thereof [section 904(c)(2)(B) of Pub. L. 99-514, formerly set out as a note above]) is hereby repealed and the Internal Revenue Code of 1986 shall be applied as if the amendments made by such section had not been enacted.”

REFERENCES TO FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

Section 1401(c)(7) of Pub. L. 101-73 provided that: “Any reference to the Federal Savings and Loan Insurance Corporation in section 597 of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of this Act [Aug. 9, 1989]) shall be treated as including a reference to the Resolution Trust Corporation and the FSLIC Resolution Fund.”

ANNUAL REPORTS ON TRANSACTIONS IN WHICH FEDERAL FINANCIAL ASSISTANCE PROVIDED

Pub. L. 101-73, title XIV, §1403, Aug. 9, 1989, 103 Stat. 551, which required the Secretary of the Treasury to submit annual reports to the Senate and to the Committee on Ways and Means of the House of Representatives on transactions with respect to which Federal financial assistance subject to this section was provided, terminated, effective May 15, 2000, pursuant to section 3003 of Pub. L. 104-66, as amended, set out as a note under section 1113 of Title 31, Money and Finance. See, also, page 142 of House Document No. 103-7.

[§ 601. Repealed. Pub. L. 94-455, title XIX, § 1901(a)(85), Oct. 4, 1976, 90 Stat. 1778]

Section, act Aug. 16, 1954, ch. 736, 68A Stat. 206, related to a special deduction for bank affiliates.

EFFECTIVE DATE OF REPEAL

Repeal effective for 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.

Subchapter I—Natural Resources

Part I.	Deductions.
[II.]	Repealed.]
III.	Sales and exchanges.
IV.	Mineral production payments.
V.	Continental shelf areas.

PART I—DEDUCTIONS

Sec. 611.	Allowance of deduction for depletion.
612.	Basis for cost depletion.
613.	Percentage depletion.
613A.	Limitations on percentage depletion in case of oil and gas wells. ¹
614.	Definition of property.
[615.]	Repealed.]
616.	Development expenditures.
617.	Deduction and recapture of certain mining exploration expenditures.

AMENDMENTS

1990—Pub. L. 101-508, title XI, §11801(b)(7), Nov. 5, 1990, 104 Stat. 1388-522, struck out item for part II “Exclusions from gross income”.

¹Editorially supplied. Section 613A added by Pub. L. 94-112 without corresponding amendment of part analysis.