Internal Revenue Service, Treasury

§ 1.1002–1

(a) General rule. The general rule with respect to gain or loss realized upon the sale or exchange of property as determined under section 1001 is that the entire amount of such gain or loss is recognized except in cases where specific provisions of subtitle A of the code provide otherwise.

(b) Strict construction of exceptions from general rule. The exceptions from the general rule requiring the recognition of all gains and losses, like other exceptions from a rule of taxation of general and uniform application, are strictly construed and do not extend either beyond the words or the underlying assumptions and purposes of the

§ 1.1001–4 Modifications of certain notional principal contracts.

(a) Dealer assignments. For purposes of § 1.1001–1(a), the substitution of a new party on an interest rate or commodity swap, or other notional principal contract (as defined in § 1.446–3(c)(1)), is not treated as a deemed exchange by the nonassigning party of the original contract for a modified contract that differs materially either in kind or in extent if—

(1) The party assigning its rights and obligations under the contract and the party to which the rights and obligations are assigned are both dealers in notional principal contracts, as defined in § 1.446–3(c)(4)(iii); and

(2) The terms of the contract permit the substitution.

(b) Effective date. This section applies to alterations of the terms of a debt instrument on or after September 24, 1996. Taxpayers, however, may rely on this section for alterations of the terms of a debt instrument after December 2, 1992, and before September 24, 1996.

[T.D. 8763, 63 FR 4396, Jan. 29, 1998]

§ 1.1001–5 European Monetary Union (conversion to the euro).

(a) Conversion of currencies. For purposes of § 1.1001–1(a), the conversion to the euro of legacy currencies (as defined in § 1.985–8(a)(1)) is not the exchange of property for other property differing materially in kind or extent.

(b) Effect of currency conversion on other rights and obligations. For purposes of § 1.1001–1(a), if, solely as the result of the conversion of legacy currencies to the euro, rights or obligations denominated in a legacy currency become rights or obligations denominated in the euro, that event is not the exchange of property for other property differing materially in kind or extent. Thus, for example, when a debt instrument that requires payments of amounts denominated in a legacy currency becomes a debt instrument requiring payments of euros, that alteration is not a modification within the meaning of § 1.1001–3(c).

(c) Effective date. This section applies to tax years ending after July 29, 1998.

[T.D. 8927, 66 FR 2218, Jan. 11, 2001]