

Internal Revenue Service, Treasury

§ 1.1291-0

and any stripped coupon or coupons were stripped.

(c) *Effective date.* This section is effective on and after August 8, 1991.

[T.D. 8463, 57 FR 61812, Dec. 29, 1992]

§ 1.1286-2 Stripped inflation-indexed debt instruments.

Stripped inflation-indexed debt instruments. If a Treasury Inflation-Indexed Security is stripped under the Department of the Treasury's Separate Trading of Registered Interest and Principal of Securities (STRIPS) program, the holders of the principal and coupon components must use the discount bond method (as described in § 1.1275-7(e)) to account for the original issue discount on the components.

[T.D. 8709, 62 FR 621, Jan. 6, 1997. Redesignated by T.D. 8838, 64 FR 48547, Sept. 7, 1999]

§ 1.1287-1 Denial of capital gains treatment for gains on registration-required obligations not in registered form.

(a) *In general.* Except as provided in paragraph (c) of this section, any gain on the sale or other disposition of a registration-required obligation held after December 31, 1982, that is not in registered form shall be treated as ordinary income unless the issuance of the obligation was subject to tax under section 4701. The term *registration-required obligation* has the meaning given to that term in section 163(f)(2), except that clause (iv) of subparagraph (A) thereof shall not apply. Therefore, although an obligation that is not in registered form is described in § 1.163-5(c)(1), the holder of such an obligation shall be required to treat the gain on the sale or other disposition of such obligation as ordinary income. The term *holder* means the person that would be denied a loss deduction under section 165(j)(1) or denied capital gain treatment under section 1287(a).

(b) *Registered form—(1) Obligations issued after September 21, 1984.* With respect to any obligation originally issued after September 21, 1984, the term *registered form* has the meaning given that term in section 103(j)(3) and the regulations thereunder. Therefore, an obligation that would otherwise be in registered form is not considered to be in registered form if it can be trans-

ferred at that time or at any time until its maturity by any means not described in § 5f.103-1(c). An obligation that, as of a particular time, is not considered to be in registered form because it can be transferred by any means not described in § 5f.103-1(c) is considered to be in registered form at all times during the period beginning with a later time and ending with the maturity of the obligation in which the obligation can be transferred only by a means described in § 5f.103-1(c).

(2) *Obligations issued after December 31, 1982, and on or before September 21, 1984.* With respect to any obligation originally issued after December 31, 1982, and on or before September 21, 1984, or an obligation originally issued after September 21, 1984, pursuant to the exercise of a warrant or the conversion of a convertible obligation, which warrant or obligation (including conversion privilege) was issued after December 31, 1982, and on or before September 21, 1984, that obligation will be considered to be in registered form if it satisfied § 5f.163-1 or the proposed regulations provided in § 1.163-5(c) and published in the FEDERAL REGISTER on September 2, 1983 (48 FR 39953).

(c) *Registration-required obligations not in registered form which are not subject to section 1287(c).* Notwithstanding the fact that an obligation is a registration-required obligation that is not in registered form, the holder will not be subject to section 1287(a) if the holder meets the conditions of § 1.165-12(c).

(d) *Effective date.* These regulations apply generally to obligations issued after January 20, 1987. However, a taxpayer may choose to apply the rules of § 1.1287-1 with respect to an obligation issued after December 31, 1982, and on or before January 20, 1987, which obligation is held after January 20, 1987.

[T.D. 8110, 51 FR 45461, Dec. 19, 1986]

§ 1.1291-0 Treatment of shareholders of certain passive foreign investment companies; table of contents.

This section contains a listing of the headings for §§ 1.1291-1, 1.1291-9, and 1.1291-10.

§ 1.1291-1

26 CFR Ch. I (4-1-09 Edition)

§ 1.1291-1 Taxation of U.S. persons that are shareholders of PFICs that are not pedigreed QEFs.

- (a) through (b) [Reserved]
- (c) Coordination with other PFIC rules.
- (1) and (2) [Reserved]
- (3) Coordination with section 1296: distributions and dispositions.
- (4) Coordination with mark to market rules under chapter 1 of the Internal Revenue Code other than section 1296.
 - (i) In general.
 - (ii) Coordination rule.
 - (d) [Reserved]
 - (e) Exempt organization as shareholder.
 - (1) In general.
 - (2) Effective date.
 - (f) through (i) [Reserved]
 - (j) Effective date.

§ 1.1291-9 Deemed dividend election.

- (a) Deemed dividend election.
 - (1) In general.
 - (2) Post-1986 earnings and profits defined.
 - (i) In general.
 - (ii) Pro rata share of post-1986 earnings and profits attributable to shareholder's stock.
 - (A) In general.
 - (B) Reduction for previously taxed amounts.
 - (b) Who may make the election.
 - (c) Time for making the election.
 - (d) Manner of making the election.
 - (1) In general.
 - (2) Attachment to Form 8621.
 - (e) Qualification date.
 - (1) In general.
 - (2) Elections made after March 31, 1995, and before January 27, 1997.
 - (i) In general.
 - (ii) Exception.
 - (3) Examples.
 - (f) Adjustment to basis.
 - (g) Treatment of holding period.
 - (h) Coordination with section 959(e).
 - (i) Election inapplicable to shareholder of former PFIC.
 - (1) [Reserved]
 - (2) Former PFIC.
 - (j) Definitions.
 - (1) Passive foreign investment company (PFIC).
 - (2) Types of PFICs.
 - (i) Qualified electing fund (QEF).
 - (ii) Pedigreed QEF.
 - (iii) Unpedigreed QEF.
 - (iv) Former PFIC.
 - (3) Shareholder.
 - (k) Effective date.

§ 1.1291-10 Deemed sale election.

- (a) Deemed sale election.
- (b) Who may make the election.
- (c) Time for making the election.
- (d) Manner of making the election.
- (e) Qualification date.

- (1) In general.
- (2) Elections made after March 31, 1995, and before January 27, 1997.
 - (i) In general.
 - (ii) Exception.
- (f) Adjustments to basis.
 - (1) In general.
 - (2) Adjustment to basis for section 1293 inclusion with respect to deemed sale election made after March 31, 1995, and before January 27, 1997.
 - (g) Treatment of holding period.
 - (h) Election inapplicable to shareholder of former PFIC.
 - (i) Effective date.

[T.D. 8701, 61 FR 68151, Dec. 27, 1996, as amended by T.D. 8750, 63 FR 13, Jan. 2, 1998; T.D. 9123, 69 FR 24073, May 3, 2004]

§ 1.1291-1 Taxation of U.S. persons that are shareholders of PFICs that are not pedigreed QEFs.

- (a)-(b) [Reserved]
- (c) *Coordination with other PFIC rules.*
- (1)-(2) [Reserved]
- (3) *Coordination with section 1296: distributions and dispositions.* If PFIC stock is marked to market under section 1296 for any taxable year, then, except as provided in § 1.1296-1(i), section 1291 and the regulations thereunder shall not apply to any distribution with respect to section 1296 stock (as defined in § 1.1296-1(a)(2)), or to any disposition of such stock, for such taxable year.
- (4) *Coordination with mark to market rules under chapter 1 of the Internal Revenue Code other than section 1296—(i) In general.* If PFIC stock is marked to market for any taxable year under section 475 or any other provision of chapter 1 of the Internal Revenue Code, other than section 1296, regardless of whether the application of such provision is mandatory or results from an election by the taxpayer or another person, then, except as provided in paragraph (c)(4)(ii) of this section, section 1291 and the regulations thereunder shall not apply to any distribution with respect to such PFIC stock or to any disposition of such PFIC stock for such taxable year. *See* §§ 1.1295-1(i)(3) and 1.1296-1(h)(3)(i) for rules regarding the automatic termination of an existing election under section 1295 or section 1296 when a taxpayer marks to market PFIC stock under section 475 or any other provision of chapter 1 of the Internal Revenue Code.