

(A) notwithstanding paragraph (1)(C), section 1296 shall be applied as if such company's taxable year ended on October 31, and

(B) any ordinary gain or loss from an actual disposition of stock in a passive foreign investment company during the portion of the calendar year after October 31 shall be taken into account in determining such regulated investment company's ordinary income for the following calendar year.

In the case of a company making an election under paragraph (4), the preceding sentence shall be applied by substituting the last day of the company's taxable year for October 31.

(f) Exception for certain regulated investment companies

This section shall not apply to any regulated investment company for any calendar year if at all times during such calendar year each shareholder in such company was either—

- (1) a trust described in section 401(a) and exempt from tax under section 501(a), or
- (2) a segregated asset account of a life insurance company held in connection with variable contracts (as defined in section 817(d)).

For purposes of the preceding sentence, any shares attributable to an investment in the regulated investment company (not exceeding \$250,000) made in connection with the organization of such company shall not be taken into account.

(Added Pub. L. 99-514, title VI, §651(a), Oct. 22, 1986, 100 Stat. 2294; amended Pub. L. 100-203, title X, §10104(b)(1), Dec. 22, 1987, 101 Stat. 1330-387; Pub. L. 100-647, title I, §1006(l)(2), (5), (6), Nov. 10, 1988, 102 Stat. 3413, 3414; Pub. L. 101-239, title VII, §7204(a)(1), Dec. 19, 1989, 103 Stat. 2334; Pub. L. 105-34, title XI, §1122(c)(1), Aug. 5, 1997, 111 Stat. 976.)

AMENDMENTS

- 1997—Subsec. (e)(6). Pub. L. 105-34 added par. (6).
- 1989—Subsec. (b)(1)(A). Pub. L. 101-239 substituted "98 percent" for "97 percent".
- 1988—Subsec. (e)(2). Pub. L. 100-647, §1006(l)(2), amended par. (2) generally. Prior to amendment, par. (2) read as follows: "The term 'capital gain net income' has the meaning given to such term by section 1222(9) (determined by treating the 1-year period ending on October 31 of any calendar year as the company's taxable year)."
- Subsec. (e)(5). Pub. L. 100-647, §1006(l)(5), added par. (5).
- Subsec. (f). Pub. L. 100-647, §1006(l)(6), added subsec. (f).
- 1987—Subsec. (b)(1)(B). Pub. L. 100-203 substituted "98 percent" for "90 percent".

EFFECTIVE DATE OF 1997 AMENDMENT

Amendment by Pub. L. 105-34 applicable to taxable years of United States persons beginning after Dec. 31, 1997, and to taxable years of foreign corporations ending with or within such taxable years of United States persons, see section 1124 of Pub. L. 105-34, set out as a note under section 532 of this title.

EFFECTIVE DATE OF 1989 AMENDMENT

Section 7204(a)(2) of Pub. L. 101-239 provided that: "The amendment made by paragraph (1) [amending this section] shall apply to calendar years ending after July 10, 1989."

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 10104(b)(2) of Pub. L. 100-203 provided that: "The amendment made by paragraph (1) [amending this section] shall take effect as if included in the amendments made by section 651 of the Tax Reform Act of 1986 [section 651 of Pub. L. 99-514, see Effective Date note below]."

EFFECTIVE DATE

Section 651(d) of Pub. L. 99-514 provided that: "The amendments made by this section [enacting this section and amending sections 852 and 855 of this title] shall apply to calendar years beginning after December 31, 1986."

CHAPTER 45—PROVISIONS RELATING TO EXPATRIATED ENTITIES

Sec. 4985. Stock compensation of insiders in expatriated corporations.

PRIOR PROVISIONS

A prior chapter 45, consisting of sections 4986 to 4998, related to windfall profit tax on domestic crude oil, prior to repeal by Pub. L. 100-418, title I, §1941(a), (c), Aug. 23, 1988, 102 Stat. 1322, 1324, applicable to crude oil removed from the premises on or after Aug. 23, 1988.

§ 4985. Stock compensation of insiders in expatriated corporations

(a) Imposition of tax

In the case of an individual who is a disqualified individual with respect to any expatriated corporation, there is hereby imposed on such person a tax equal to—

- (1) the rate of tax specified in section 1(h)(1)(C), multiplied by
- (2) the value (determined under subsection (b)) of the specified stock compensation held (directly or indirectly) by or for the benefit of such individual or a member of such individual's family (as defined in section 267) at any time during the 12-month period beginning on the date which is 6 months before the expatriation date.

(b) Value

For purposes of subsection (a)—

(1) In general

The value of specified stock compensation shall be—

- (A) in the case of a stock option (or other similar right) or a stock appreciation right, the fair value of such option or right, and
- (B) in any other case, the fair market value of such compensation.

(2) Date for determining value

The determination of value shall be made—

- (A) in the case of specified stock compensation held on the expatriation date, on such date,
- (B) in the case of such compensation which is canceled during the 6 months before the expatriation date, on the day before such cancellation, and
- (C) in the case of such compensation which is granted after the expatriation date, on the date such compensation is granted.