

Subsec. (b)(1). Pub. L. 85-866, §29(b)(1)-(3), inserted “, other than the amount of such adjustments to which paragraph (4) or (5) applies,” after “subsection (a)(2)” and substituted “the aggregate increase in the taxes” for “the aggregate of the taxes” and “which would result if one-third of such increase in taxable income” for “which would result if one-third of such increase”.

Subsec. (b)(2). Pub. L. 85-866, §29(b)(1), (4), inserted “other than the amount of such adjustments to which paragraph (4) or (5) applies,” after “subsection (a)(2)”, wherever appearing and “(or under the corresponding provisions of prior revenue laws)” after “the net increase in the taxes under this Chapter”.

Subsec. (b)(3)(A). Pub. L. 85-866, §29(b)(5), substituted “paragraph (1) or (2)” for “paragraph (2)”, wherever appearing.

Subsec. (b)(4) to (6). Pub. L. 85-866, §29(a)(2), added pars. (4) to (6).

#### EFFECTIVE DATE OF 1980 AMENDMENT

For effective date of amendment by Pub. L. 96-471, see section 6(a)(1) of Pub. L. 96-471, set out as an Effective Date note under section 453 of this title.

#### EFFECTIVE DATE OF 1976 AMENDMENT

Amendment by section 1901(a)(70) of Pub. L. 94-455 effective for taxable years beginning after Dec. 31, 1976, see section 1901(d) of Pub. L. 94-455, set out as a note under section 2 of this title.

#### EFFECTIVE DATE OF 1969 AMENDMENT

Amendment by Pub. L. 91-172 applicable with respect to net capital losses sustained in taxable years beginning after Dec. 31, 1969, see section 512(g) of Pub. L. 91-172, set out as a note under section 1212 of this title.

#### EFFECTIVE DATE OF 1958 AMENDMENT

Section 29(d) of Pub. L. 85-866, 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 381 of this title] shall apply with respect to any change in a method of accounting where the year of the change (within the meaning of section 481 of the Internal Revenue Code of 1986 [formerly I.R.C. 1954]) is a taxable year beginning after December 31, 1953, and ending after August 16, 1954.

“(2) EXCEPTION FOR CERTAIN AGREEMENTS.—The amendments made by subsections (a), (b)(I), and (c) [amending this section and section 381 of this title] shall not apply if before the date of the enactment of this Act [Sept. 2, 1958]—

“(A) the taxpayer applied for a change in the method of accounting in the manner provided by regulations prescribed by the Secretary of the Treasury or his delegate, and

“(B) the taxpayer and the Secretary of the Treasury or his delegate agreed to the terms and conditions for making the change.”

#### CHANGES IN TREATMENT OF POLICYHOLDER DIVIDENDS BY QUALIFIED GROUP SELF-INSURERS' FUNDS

Pub. L. 101-239, title VII, §7816(m), Dec. 19, 1989, 103 Stat. 2421, provided that: “If, for the 1st taxable year beginning on or after January 1, 1987, a qualified group self-insurers' fund changes its treatment of policyholder dividends to take into account such dividends no earlier than the date that the State regulatory authority determines the amount of the policyholder dividend that may be paid, then such change shall be treated as a change in a method of accounting and no adjustment under section 481(a) of the Internal Revenue Code of 1986 shall be made with respect to such change in method of accounting.”

#### TRANSITIONAL PROVISIONS FOR INCOME TAX TREATMENT OF DEALER RESERVE INCOME

Pub. L. 86-459, May 13, 1960, 74 Stat. 124, authorized any person who computed taxable income under the ac-

crual method of accounting for his most recent taxable year ending on or before June 22, 1959, and who treated dealer reserve income for such taxable year as accruable for a subsequent taxable year, to elect before Sept. 1, 1960, to have section 481 of this title apply to the treatment for income tax purposes of dealer reserve income.

#### ELECTION TO RETURN TO FORMER METHOD OF ACCOUNTING

Section 29(e) of Pub. L. 85-866 authorized an election by certain taxpayers, who, for any taxable years beginning after Dec. 31, 1953, and ending after Aug. 16, 1954, and before Sept. 2, 1958, computed their taxable incomes using different accounting methods in succeeding taxable years, to return to their first method of accounting, where the election was made within six months after Sept. 2, 1958. Claims for refunds of overpayments of tax resulting from the election were to be filed within one year after the date of the election. Such an election was to be considered a consent to an assessment of a deficiency resulting from the election, where the assessment is made within one year after the date of the election.

#### § 482. Allocation of income and deductions among taxpayers

In any case of two or more organizations, trades, or businesses (whether or not incorporated, whether or not organized in the United States, and whether or not affiliated) owned or controlled directly or indirectly by the same interests, the Secretary may distribute, apportion, or allocate gross income, deductions, credits, or allowances between or among such organizations, trades, or businesses, if he determines that such distribution, apportionment, or allocation is necessary in order to prevent evasion of taxes or clearly to reflect the income of any of such organizations, trades, or businesses. In the case of any transfer (or license) of intangible property (within the meaning of section 936(h)(3)(B)), the income with respect to such transfer or license shall be commensurate with the income attributable to the intangible.

(Aug. 16, 1954, ch. 736, 68A Stat. 162; Pub. L. 94-455, title XIX, §1906(b)(13)(A), Oct. 4, 1976, 90 Stat. 1834; Pub. L. 99-514, title XII, §1231(e)(1), Oct. 22, 1986, 100 Stat. 2562.)

#### AMENDMENTS

1986—Pub. L. 99-514 inserted at end “In the case of any transfer (or license) of intangible property (within the meaning of section 936(h)(3)(B)), the income with respect to such transfer or license shall be commensurate with the income attributable to the intangible.”

1976—Pub. L. 94-455 struck out “or his delegate” after “Secretary”.

#### EFFECTIVE DATE OF 1986 AMENDMENT

Amendment by Pub. L. 99-514 applicable to taxable years beginning after Dec. 31, 1986, but only with respect to transfers after Nov. 16, 1985, or licenses granted after such date, or before such date with respect to property not in existence or owned by the taxpayer on such date, except that for purposes of section 936(h)(5)(C) of this title, such amendment applicable to taxable years beginning after Dec. 31, 1986, without regard to when the transfer or license was made, see section 1231(g)(2) of Pub. L. 99-514, set out as a note under section 936 of this title.

#### REGULATIONS

For requirement that, not later than 180 days after July 18, 1984, the Secretary of the Treasury modify the

safe harbor interest rates applicable under the regulations prescribed under this section so that such rates are consistent with the rates applicable under section 483 of this title by reason of the amendments made by Pub. L. 98-369, see section 44(b)(2) of Pub. L. 98-369, set out as an Effective Date note under section 1271 of this title.

STUDY OF APPLICATION AND ADMINISTRATION OF THIS SECTION

Pub. L. 101-508, title XI, §11316, Nov. 5, 1990, 104 Stat. 1388-458, directed Secretary of the Treasury or his delegate to conduct a study of the application and administration of section 482 of the Internal Revenue Code of 1986 and not later than Mar. 1, 1992, submit to Committee on Ways and Means of House of Representatives and Committee on Finance of Senate a report on the study, together with such recommendations as he deemed advisable.

**§ 483. Interest on certain deferred payments**

**(a) Amount constituting interest**

For purposes of this title, in the case of any payment—

- (1) under any contract for the sale or exchange of any property, and
- (2) to which this section applies,

there shall be treated as interest that portion of the total unstated interest under such contract which, as determined in a manner consistent with the method of computing interest under section 1272(a), is properly allocable to such payment.

**(b) Total unstated interest**

For purposes of this section, the term “total unstated interest” means, with respect to a contract for the sale or exchange of property, an amount equal to the excess of—

- (1) the sum of the payments to which this section applies which are due under the contract, over
- (2) the sum of the present values of such payments and the present values of any interest payments due under the contract.

For purposes of the preceding sentence, the present value of a payment shall be determined under the rules of section 1274(b)(2) using a discount rate equal to the applicable Federal rate determined under section 1274(d).

**(c) Payments to which subsection (a) applies**

**(1) In general**

Except as provided in subsection (d), this section shall apply to any payment on account of the sale or exchange of property which constitutes part or all of the sales price and which is due more than 6 months after the date of such sale or exchange under a contract—

- (A) under which some or all of the payments are due more than 1 year after the date of such sale or exchange, and
- (B) under which there is total unstated interest.

**(2) Treatment of other debt instruments**

For purposes of this section, a debt instrument of the purchaser which is given in consideration for the sale or exchange of property shall not be treated as a payment, and any payment due under such debt instrument shall be treated as due under the contract for the sale or exchange.

**(3) Debt instrument defined**

For purposes of this subsection, the term “debt instrument” has the meaning given such term by section 1275(a)(1).

**(d) Exceptions and limitations**

**(1) Coordination with original issue discount rules**

This section shall not apply to any debt instrument for which an issue price is determined under section 1273(b) (other than paragraph (4) thereof) or section 1274.

**(2) Sales prices of \$3,000 or less**

This section shall not apply to any payment on account of the sale or exchange of property if it can be determined at the time of such sale or exchange that the sales price cannot exceed \$3,000.

**(3) Carrying charges**

In the case of the purchaser, the tax treatment of amounts paid on account of the sale or exchange of property shall be made without regard to this section if any such amounts are treated under section 163(b) as if they included interest.

**(4) Certain sales of patents**

In the case of any transfer described in section 1235(a) (relating to sale or exchange of patents), this section shall not apply to any amount contingent on the productivity, use, or disposition of the property transferred.

**(e) Maximum rate of interest on certain transfers of land between related parties**

**(1) In general**

In the case of any qualified sale, the discount rate used in determining the total unstated interest rate under subsection (b) shall not exceed 6 percent, compounded semi-annually.

**(2) Qualified sale**

For purposes of this subsection, the term “qualified sale” means any sale or exchange of land by an individual to a member of such individual’s family (within the meaning of section 267(c)(4)).

**(3) \$500,000 limitation**

Paragraph (1) shall not apply to any qualified sale between individuals made during any calendar year to the extent that the sales price for such sale (when added to the aggregate sales price for prior qualified sales between such individuals during the calendar year) exceeds \$500,000.

**(4) Nonresident alien individuals**

Paragraph (1) shall not apply to any sale or exchange if any party to such sale or exchange is a nonresident alien individual.

**(f) Regulations**

The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section including regulations providing for the application of this section in the case of—

- (1) any contract for the sale or exchange of property under which the liability for, or the