

Selected Sections Federal Income Tax Code and Regulations

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Federal Income Tax Code and Regulations

SELECTED SECTIONS

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Contents

Subtitle A — Income Taxes	1
Chapter 1 — Normal Taxes or Surtaxes	1
Subchapter A — Determination of Tax Liability	1
Part I — Tax on Individuals	1
Part II — Tax on Corporations	12
Part IV — Credits Against Tax	12
Subpart A — Nonrefundable Personal Credits	12
Subpart B — Other Credits	27
Subpart C — Refundable Credits	28
Part VI — Alternative Minimum Tax	34
Subchapter B — Computation of Taxable Income	44
Part I — Definition of Gross Income, Adjusted Gross Income, Taxable Income, Etc.	44
Part II — Items Specifically Included in Gross Income	54
Part III — Items Specifically Excluded From Gross Income	77
Part IV — Tax Exemption Requirements for State and Local Bonds	123
Subpart A — Private Activity Bonds	123
Subpart B — Requirements Applicable to All State and Local Bonds	127
Part V — Deductions for Personal Exemptions	127
Part VI — Itemized Deductions for Individuals and Corporations	132
Part VII — Additional Itemized Deductions For Individuals	199
Part VIII — Special Deductions for Corporations	213
Part IX — Items Not Deductible	214
Subchapter C — Corporate Distributions and Adjustments	245
Part III — Corporate Organizations and Reorganizations	245
Subpart A — Corporate Organizations	245
Subpart B — Effects on Shareholders and Security Holders	246
Subpart C — Effects on Corporations	247
Subchapter D — Deferred Compensation, Etc.	247
Part I — Pension, Profit-Sharing, Stock Bonus Plans, Etc.	247
Subpart A — General Rule	247
Subpart B — Special Rules	276
Subpart D — Treatment of Welfare Benefit Plans	284
Part II — Certain Stock Options	285
Subchapter E — Accounting Periods and Methods of Accounting	288
Part I — Accounting Periods	288
Part II — Methods of Accounting	292
Subpart A — Methods of Accounting in General	292
Subpart B — Taxable Year for Which Items of Gross Income Included	295
Subpart C — Taxable Year for Which Deductions Taken	310
Subpart D — Inventories	327

Part III — Adjustments	330
Subchapter F — Exempt Organizations	333
Part I — General Rule	333
Part II — Private Foundations	337
Part III — Taxation of Business Income of Certain Exempt Organizations	338
Part VIII — Higher Education Savings Entities	343
Subchapter I — Natural Resources	349
Part I — Deductions	349
Part III — Sales and Exchanges	356
Part IV — Mineral Production Payments	358
Subchapter J — Estates, Trusts, Beneficiaries, and Decedents	358
Part I — Estates, Trusts, and Beneficiaries	358
Subpart A — General Rules for Taxation of Estates and Trusts	358
Subpart B — Trusts Which Distribute Current Income Only	364
Subpart C — Estates and Trusts Which May Accumulate Income or Which Distribute Corpus	365
Subpart D — Treatment of Excess Distributions by Trusts	369
Subpart E — Grantors and Others Treated as Substantial Owners	374
Subpart F — Miscellaneous	380
Part II — Income in Respect of Decedents	381
Subchapter K — Partners and Partnerships	385
Subchapter O — Gain or Loss on Disposition of Property	386
Part I — Determination of Amount of and Recognition of Gain or Loss	386
Part II — Basis Rules of General Application	387
Part III — Common Nontaxable Exchanges	394
Part V — Special Rules	403
Part VII — Wash Sales; Straddles	403
Subchapter P — Capital Gains and Losses	404
Part I — Treatment of Capital Gains	404
Part II — Treatment of Capital Losses	407
Part III — General Rules for Determining Capital Gains and Losses	409
Part IV — Special Rules for Determining Capital Gains and Losses	412
Part V — Special Rules for Bonds and Other Debt Instruments	429
Subpart A — Original Issue Discount	429
Subpart B — Market Discount on Bonds	441
Subchapter Q — Readjustment of Tax Between Years and Special Limitations	443
Part I — Income Averaging	443
Part II — Mitigation of Effect of Limitations and Other Provisions	443
Part V — Claim of Right	447
Chapter 41 — Public Charities	450
Chapter 46 — Golden Parachute Payments	452
Subtitle F — Procedure and Administration	453
Chapter 61 — Information and Returns	453
Subchapter A — Returns and Records	453
Part II — Tax Returns or Statements	453
Subpart B — Income Tax Returns	453

Chapter 65 — Abatements, Credits, and Refunds	458
Subchapter B — Rules of Special Application	458
Chapter 68 — Additions to the Tax, Additional Amounts, and Assessable Penalties	460
Subchapter A — Additions to the Tax and Additional Amounts	460
Part I — General Provisions	460
Part II — Accuracy-Related and Related Penalties	461
Chapter 76 — Judicial Proceedings	465
Chapter 79 — Definitions	466
Chapter 80 — General Rules	468
Subchapter A — Application of International Revenue Laws	468
Subchapter B — Effective Date and Related Provisions	469
Treasury Regulations: Income Taxes	472
Definition of Gross Income, Adjusted Gross Income, Taxable Income, Etc.	472
Items Specifically Included in Gross Income	483
Items Specifically Excluded From Gross Income	496
Itemized Deductions for Individuals and Corporations	516
Additional Itemized Deductions for Individuals	530
Items Not Deductible	533
Methods of Accounting	540
Exempt Organizations — General Rule	542
Estates, Trusts, Beneficiaries, and Decedents	543
Gain or Loss on Disposition of Property — Determination of Amount of and Recognition of Gain or Loss	547
Basis Rules of General Application	550
Common Nontaxable Exchanges	554
Revenue Procedure 2001-13	565

SUBTITLE A — INCOME TAXES

Chapter 1 — Normal Taxes or Surtaxes

Subchapter A — Determination of Tax Liability

Part I — Tax on Individuals

§ 1. Tax imposed

(a) **Married individuals filing joint returns and surviving spouses**—There is hereby imposed on the taxable income of—

(1) every married individual (as defined in section 7703) who makes a single return jointly with his spouse under section 6013, and

(2) every surviving spouse (as defined in section 2(a)),

a tax determined in accordance with the following table:

<i>If taxable income is:</i>	<i>The tax is:</i>
Not over \$36,900	15% of taxable income.
Over \$36,900 but not over \$89,150	\$5,535, plus 28% of the excess over \$36,900.
Over \$89,150 but not over \$140,000	\$20,165, plus 31% of the excess over \$89,150.
Over \$140,000 but not over \$250,000	\$35,928.50, plus 36% of the excess over \$140,000.
Over \$250,000	\$75,528.50, plus 39.6% of the excess over \$250,000.

(b) **Heads of households**—There is hereby imposed on the taxable income of every head of a household (as defined in section 2(b)) a tax determined in accordance with the following table:

<i>If taxable income is:</i>	<i>The tax is:</i>
Not over \$29,600	15% of taxable income.
Over \$29,600 but not over \$76,400	\$4,440, plus 28% of the excess over \$29,600.
Over \$76,400 but not over \$127,500	\$17,544, plus 31% of the excess over \$76,400.
Over \$127,500 but not over \$250,000	\$33,385, plus 36% of the excess over \$127,500.
Over \$250,000	\$77,485, plus 39.6% of the excess over \$250,000.

(c) **Unmarried individuals (other than surviving spouses and heads of households)**—There is hereby imposed on the taxable income of every individual (other than a surviving spouse as defined in section 2(a) or the head of a household as defined in section 2(b)) who is not a married individual (as defined in section 7703) a tax determined in accordance with the following table:

<i>If taxable income is:</i>	<i>The tax is:</i>
Not over \$22,100	15% of taxable income.
Over \$22,100 but not over \$53,500	\$3,315, plus 28% of the excess over \$22,100.
Over \$53,500 but not over \$115,000	\$12,107, plus 31% of the excess over \$53,500.
Over \$115,000 but not over \$250,000	\$31,172, plus 36% of the excess over \$115,000.
Over \$250,000	\$79,772, plus 39.6% of the excess over \$250,000.

(d) Married individuals filing separate returns—There is hereby imposed on the taxable income of every married individual (as defined in section 7703) who does not make a single return jointly with his spouse under section 6013, a tax determined in accordance with the following table:

<i>If taxable income is:</i>	<i>The tax is:</i>
Not over \$18,450	15% of taxable income.
Over \$18,450 but not over \$44,575	\$2,767.50, plus 28% of the excess over \$18,450.
Over \$44,575 but not over \$70,000	\$10,082.50, plus 31% of the excess over \$44,575.
Over \$70,000 but not over \$125,000	\$17,964.25, plus 36% of the excess over \$70,000.
Over \$125,000	\$37,764.25, plus 39.6% of the excess over \$125,000.

(e) Estates and trusts—There is hereby imposed on the taxable income of—

- (1) every estate, and
- (2) every trust,

taxable under this subsection a tax determined in accordance with the following table:

<i>If taxable income is:</i>	<i>The tax is:</i>
Not over \$1,500	15% of taxable income.
Over \$1,500 but not over \$3,500	\$225, plus 28% of the excess over \$1,500.
Over \$3,500 but not over \$5,500	\$785, plus 31% of the excess over \$3,500.
Over \$5,500 but not over \$7,500	\$1,405, plus 36% of the excess over \$5,500.
Over \$7,500	\$2,125, plus 39.6% of the excess over \$7,500.

(f) Phaseout of marriage penalty in 15-percent bracket; adjustments in tax tables so that inflation will not result in tax increases—

(1) **In general**—Not later than December 15 of 1993, and each subsequent calendar year, the Secretary shall prescribe tables which shall apply in lieu of the tables contained in subsections (a), (b), (c), (d), and (e) with respect to taxable years beginning in the succeeding calendar year.

(2) **Method of prescribing tables**—The table which under paragraph (1) is to apply in lieu of the table contained in subsection (a), (b), (c), (d), or (e), as the case may be, with respect to taxable years beginning in any calendar year shall be prescribed—

(A) except as provided in paragraph (8), by increasing the minimum and maximum dollar amounts for each rate bracket for which a tax is imposed under such table by the cost-of-living adjustment for such calendar year,

(B) by not changing the rate applicable to any rate bracket as adjusted under subparagraph (A), and

(C) by adjusting the amounts setting forth the tax to the extent necessary to reflect the adjustments in the rate brackets.

(3) **Cost-of-living adjustment**—For purposes of paragraph (2), the cost-of-living adjustment for any calendar year is the percentage (if any) by which—

(A) the CPI for the preceding calendar year, exceeds

(B) the CPI for the calendar year 1992.

(4) **CPI for any calendar year**—For purposes of paragraph (3), the CPI for any calendar year is the average of the Consumer Price Index as of the close of the 12-month period ending on August 31 of such calendar year.

(5) Consumer price index—For purposes of paragraph (4), the term “Consumer Price Index” means the last Consumer Price Index for all-urban consumers published by the Department of Labor. For purposes of the preceding sentence, the revision of the Consumer Price Index which is most consistent with the Consumer Price Index for calendar year 1986 shall be used.

(6) Rounding—

(A) In general—If any increase determined under paragraph (2)(A), section 63(c)(4), section 68(b)(2) or section 151(d)(4) is not a multiple of \$50, such increase shall be rounded to the next lowest multiple of \$50.

(B) Table for married individuals filing separately—In the case of a married individual filing a separate return, subparagraph (A) (other than with respect to subsection (c)(4) of section 63 (as it applies to subsections (c)(5)(A) and (f) of such section) and section 151(d)(4)(A)) shall be applied by substituting “\$25” for “\$50” each place it appears.

(7) Special rule for certain brackets—

(A) Calendar year 1994—In prescribing the tables under paragraph (1) which apply with respect to taxable years beginning in calendar year 1994, the Secretary shall make no adjustment to the dollar amounts at which the 36 percent rate bracket begins or at which the 39.6 percent rate begins under any table contained in subsection (a), (b), (c), (d), or (e).

(B) Later calendar years—In prescribing tables under paragraph (1) which apply with respect to taxable years beginning in a calendar year after 1994, the cost-of-living adjustment used in making adjustments to the dollar amounts referred to in subparagraph (A) shall be determined under paragraph (3) by substituting “1993” for “1992”.

(8) Phaseout of marriage penalty in 15-percent bracket—

(A) In general—With respect to taxable years beginning after December 31, 2004, in prescribing the tables under paragraph (1)—

(i) the maximum taxable income in the 15-percent rate bracket in the table contained in subsection (a) (and the minimum taxable income in the next higher taxable income bracket in such table) shall be the applicable percentage of the maximum taxable income in the 15-percent rate bracket in the table contained in subsection (c) (after any other adjustment under this subsection), and

(ii) the comparable taxable income amounts in the table contained in subsection (d) shall be 1/2 of the amounts determined under clause (i).

(B) Applicable percentage—For purposes of subparagraph (A), the applicable percentage shall be determined in accordance with the following table:

<i>For taxable years beginning in calendar year—</i>	<i>The applicable percentage is—</i>
2005	180
2006	187
2007	193
2008 and thereafter	200.

(C) **Rounding**—If any amount determined under subparagraph (A)(i) is not a multiple of \$50, such amount shall be rounded to the next lowest multiple of \$50.

(g) Certain unearned income of minor children taxed as if parent's income—

(1) **In general**—In the case of any child to whom this subsection applies, the tax imposed by this section shall be equal to the greater of—

(A) the tax imposed by this section without regard to this subsection, or

(B) the sum of—

(i) the tax which would be imposed by this section if the taxable income of such child for the taxable year were reduced by the net unearned income of such child, plus

(ii) such child's share of the allocable parental tax.

(2) **Child to whom subsection applies**—This subsection shall apply to any child for any taxable year if—

(A) such child has not attained age 14 before the close of the taxable year, and

(B) either parent of such child is alive at the close of the taxable year.

(3) **Allocable parental tax**—For purposes of this subsection—

(A) **In general**—The term “allocable parental tax” means the excess of—

(i) the tax which would be imposed by this section on the parent's taxable income if such income included the net unearned income of all children of the parent to whom this subsection applies, over

(ii) the tax imposed by this section on the parent without regard to this subsection.

For purposes of clause (i), net unearned income of all children of the parent shall not be taken into account in computing any exclusion, deduction, or credit of the parent.

(B) **Child's share**—A child's share of any allocable parental tax of a parent shall be equal to an amount which bears the same ratio to the total allocable parental tax as the child's net unearned income bears to the aggregate net unearned income of all children of such parent to whom this subsection applies.

(C) **Special rule where parent has different taxable year**—Except as provided in regulations, if the parent does not have the same taxable year as the child, the allocable parental tax shall be determined on the basis of the taxable year of the parent ending in the child's taxable year.

(4) **Net unearned income**—For purposes of this subsection—

(A) **In general**—The term “net unearned income” means the excess of—

(i) the portion of the adjusted gross income for the taxable year which is not attributable to earned income (as defined in section 911(d)(2)), over

(ii) the sum of—

(I) the amount in effect for the taxable year under section 63(c)(5)(A) (relating to limitation on standard deduction in the case of certain dependents), plus

(II) the greater of the amount described in subclause (I) or, if the child itemizes his deductions for the taxable year, the amount of the itemized deductions

allowed by this chapter for the taxable year which are directly connected with the production of the portion of adjusted gross income referred to in clause (i).

(B) Limitation based on taxable income—The amount of the net unearned income for any taxable year shall not exceed the individual's taxable income for such taxable year.

(5) Special rules for determining parent to whom subsection applies—For purposes of this subsection, the parent whose taxable income shall be taken into account shall be—

(A) in the case of parents who are not married (within the meaning of section 7703), the custodial parent (within the meaning of section 152(e)) of the child, and

(B) in the case of married individuals filing separately, the individual with the greater taxable income.

(6) Providing of parent's TIN—The parent of any child to whom this subsection applies for any taxable year shall provide the TIN of such parent to such child and such child shall include such TIN on the child's return of tax imposed by this section for such taxable year.

(7) Election to claim certain unearned income of child on parent's return—

(A) In general—If—

(i) any child to whom this subsection applies has gross income for the taxable year only from interest and dividends (including Alaska Permanent Fund dividends),

(ii) such gross income is more than the amount described in paragraph (4)(A)(ii)(I) and less than 10 times the amount so described,

(iii) no estimated tax payments for such year are made in the name and TIN of such child, and no amount has been deducted and withheld under section 3406, and

(iv) the parent of such child (as determined under paragraph (5)) elects the application of subparagraph (B),

such child shall be treated (other than [for] purposes of this paragraph) as having no gross income for such year and shall not be required to file a return under section 6012.

(B) Income included on parent's return—In the case of a parent making the election under this paragraph—

(i) the gross income of each child to whom such election applies (to the extent the gross income of such child exceeds twice the amount described in paragraph (4)(A)(ii)(I)) shall be included in such parent's gross income for the taxable year,

(ii) the tax imposed by this section for such year with respect to such parent shall be the amount equal to the sum of—

(I) the amount determined under this section after the application of clause (i), plus

(II) for each such child, 10 percent of the lessor amount described in paragraph (4)(A)(ii)(I) or the excess of the gross income of such child over the amount so described, and

(iii) any interest which is an item of tax preference under section 57(a)(5) of the child shall be treated as an item of tax preference of such parent (and not of such child).

(C) Regulations—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this paragraph.

(h) Maximum capital gains rate—

(1) **In general**—If a taxpayer has a net capital gain for any taxable year, the tax imposed by this section for such taxable year shall not exceed the sum of—

(A) a tax computed at the rates and in the same manner as if this subsection had not been enacted on the greater of—

(i) taxable income reduced by the net capital gain; or

(ii) the lesser of—

(I) the amount of taxable income taxed at a rate below 25 percent; or

(II) taxable income reduced by the adjusted net capital gain,

(B) 10 percent of so much of the adjusted net capital gain (or, if less, taxable income) as does not exceed the excess (if any) of—

(i) the amount of taxable income which would (without regard to this paragraph) be taxed at a rate below 25 percent, over

(ii) the taxable income reduced by the adjusted net capital gain;

(C) 20 percent of the adjusted net capital gain (or, if less, taxable income) in excess of the amount on which a tax is determined under subparagraph (B);

(D) 25 percent of the excess (if any) of—

(i) the unrecaptured section 1250 gain (or, if less, the net capital gain), over

(ii) the excess (if any) of—

(I) the sum of the amount on which tax is determined under subparagraph

(A) plus the net capital gain, over

(II) taxable income; and

(E) 28 percent of the amount of taxable income in excess of the sum of the amounts on which tax is determined under the preceding subparagraphs of this paragraph.

(2) Reduced capital gain rates for qualified 5-year gain—

(A) **Reduction in 10-percent rate**—In the case of any taxable year beginning after December 31, 2000, the rate under paragraph (1)(B) shall be 8 percent with respect to so much of the amount to which the 10-percent rate would otherwise apply as does not exceed qualified 5-year gain, and 10 percent with respect to the remainder of such amount.

(B) **Reduction in 20-percent rate**—The rate under paragraph (1)(C) shall be 18 percent with respect to so much of the amount to which the 20-percent rate would otherwise apply as does not exceed the lesser of—

(i) the excess of qualified 5-year gain over the amount of such gain taken into account under subparagraph (A) of this paragraph; or

(ii) the amount of qualified 5-year gain (determined by taking into account only property the holding period for which begins after December 31, 2000), and 20 percent with respect to the remainder of such amount. For purposes of determining under the preceding sentence whether the holding period of property begins after December 31, 2000, the holding period of property acquired pursuant to the exercise of an option (or other right or obligation to acquire property) shall include the period such option (or other right or obligation) was held.

(3) **Net capital gain taken into account as investment income**—For purposes of this subsection, the net capital gain for any taxable year shall be reduced (but not below zero) by the amount which the taxpayer takes into account as investment income under section 163(d)(4)(B)(iii).

(4) **Adjusted net capital gain**—For purposes of this subsection, the term “adjusted net capital gain” means net capital gain reduced (but not below zero) by the sum of—

(A) unrecaptured section 1250 gain; and

(B) 28 percent rate gain.

(5) **28 percent rate gain**—For purposes of this subsection, the term “28-percent rate gain” means the excess (if any) of—

(A) the sum of—

(i) collectibles gain; and

(ii) section 1202 gain, over

(B) the sum of—

(i) collectibles loss;

(ii) the net short-term capital loss; and

(iii) the amount of long-term capital loss carried under section 1212(b)(1)(B) to the taxable year.

(6) **Collectibles gain and loss**—For purposes of this subsection—

(A) **In general**—The terms “collectibles gain” and “collectibles loss” mean gain or loss (respectively) from the sale or exchange of a collectible (as defined in section 408(m) without regard to paragraph (3) thereof) which is a capital asset held for more than 1 year but only to the extent such gain is taken into account in computing gross income and such loss is taken into account in computing taxable income.

(B) **Partnerships, etc.**—For purposes of subparagraph (A), any gain from the sale of an interest in a partnership, S corporation, or trust which is attributable to unrealized appreciation in the value of collectibles shall be treated as gain from the sale or exchange of a collectible. Rules similar to the rules of section 751 shall apply for purposes of the preceding sentence.

(7) **Unrecaptured section 1250 gain**—For purposes of this subsection—

(A) **In general**—The term “unrecaptured section 1250 gain” means the excess (if any) of—

(i) the amount of long-term capital gain (not otherwise treated as ordinary income) which would be treated as ordinary income if section 1250(b)(1) included all depreciation and the applicable percentage under section 1250(a) were 100 percent, and

(ii) the excess (if any) of—

(I) the amount described in paragraph (5)(B); over

(II) the amount described in paragraph (5)(A).

(B) **Limitation with respect to section 1231 property**—The amount described in subparagraph (A)(i) from sales, exchanges, and conversions described in section 1231(a)(3)(A) for any taxable year shall not exceed the net section 1231 gain (as defined in section 1231(c)(3)) for such year.

(8) Section 1202 gain—For purposes of this subsection, the term “section 1202 gain” means an amount equal to the gain excluded from gross income under section 1202(a).

(9) Qualified 5-year gain—For purposes of this subsection, the term “qualified 5-year gain” means the aggregate long-term capital gain from property held for more than 5 years. The determination under the preceding sentence shall be made without regard to collectibles gain, gain described in paragraph (7)(A)(i), and section 1202 gain.

(10) Coordination with recapture of net ordinary losses under section 1231—If any amount is treated as ordinary income under section 1231(c), such amount shall be allocated among the separate categories of net section 1231 gain (as defined in section 1231(c)(3)) in such manner as the Secretary may by forms or regulations prescribe.

(11) Regulations—The Secretary may prescribe such regulations as are appropriate (including regulations requiring reporting) to apply this subsection in the case of sales and exchanges by pass-thru entities and of interests in such entities.

(12) Pass-thru entity defined—For purposes of this subsection, the term “pass-thru entity” means—

(A) a regulated investment company;

(B) a real estate investment trust;

(C) an S corporation;

(D) a partnership;

(E) an estate or trust;

(F) a common trust fund;

(G) a foreign investment company which is described in section 1246(b)(1) and for which an election is in effect under section 1247; and

(H) a qualified electing fund (as defined in section 1295).

(i) Rate reductions after 2000—

(1) 10-percent rate bracket—

(A) In general—In the case of taxable years beginning after December 31, 2000—

(i) the rate of tax under subsections (a), (b), (c), and (d) on taxable income not over the initial bracket amount shall be 10 percent, and

(ii) the 15 percent rate of tax shall apply only to taxable income over the initial bracket amount but not over the maximum dollar amount for the 15-percent rate bracket.

(B) Initial bracket amount—For purposes of this paragraph, the initial bracket amount is—

(i) \$14,000 (\$12,000 in the case of taxable years beginning before January 1, 2008) in the case of subsection (a),

(ii) \$10,000 in the case of subsection (b), and

(iii) 1/2 the amount applicable under clause (i) (after adjustment, if any, under subparagraph (C)) in the case of subsections (c) and (d).

(C) Inflation adjustment—In prescribing the tables under subsection (f) which apply with respect to taxable years beginning in calendar years after 2000—

(i) the Secretary shall make no adjustment to the initial bracket amount for any taxable year beginning before January 1, 2009,

(ii) the cost-of-living adjustment used in making adjustments to the initial bracket amount for any taxable year beginning after December 31, 2008, shall be determined under subsection (f)(3) by substituting ‘2007’ for ‘1992’ in subparagraph (B) thereof, and

(iii) such adjustment shall not apply to the amount referred to in subparagraph (B)(iii).

If any amount after adjustment under the preceding sentence is not a multiple of \$50, such amount shall be rounded to the next lowest multiple of \$50.

(D) Coordination with acceleration of 10 percent rate bracket benefit for 2001—

This paragraph shall not apply to any taxable year to which section 6428 applies.

(2) Reductions in rates after June 30, 2001—In the case of taxable years beginning in a calendar year after 2000, the corresponding percentage specified for such calendar year in the following table shall be substituted for the otherwise applicable tax rate in the tables under subsections (a), (b), (c), (d), and (e).

<i>In the case of the taxable years beginning during calendar year:</i>	<i>The corresponding percentage shall be substituted for the following percentages:</i>			
	28%	31%	36%	39.6%
2001	27.5%	30.5%	35.5%	39.1%
2002 and 2003	27.0%	30.0%	35.0%	38.6%
2004 and 2005	26.0%	29.0%	34.0%	37.6%
2006 and thereafter	25.0%	28.0%	33.0%	35.0%

(3) Adjustment of tables—The Secretary shall adjust the tables prescribed under subsection (f) to carry out this subsection.

§ 2. Definitions and special rules

(a) Definition of surviving spouse—

(1) In general—For purposes of section 1, the term “surviving spouse” means a taxpayer—

(A) whose spouse died during either of his two taxable years immediately preceding the taxable year, and

(B) who maintains as his home a household which constitutes for the taxable year the principal place of abode (as a member of such household) of a dependent (i) who (within the meaning of section 152) is a son, stepson, daughter, or stepdaughter of the taxpayer, and (ii) with respect to whom the taxpayer is entitled to a deduction for the taxable year under section 151.

For purposes of this paragraph, an individual shall be considered as maintaining a household only if over half of the cost of maintaining the household during the taxable year is furnished by such individual.

(2) Limitations—Notwithstanding paragraph (1), for purposes of section 1 a taxpayer shall not be considered to be a surviving spouse—

(A) if the taxpayer has remarried at any time before the close of the taxable year, or

(B) unless, for the taxpayer's taxable year during which his spouse died, a joint return could have been made under the provisions of section 6013 (without regard to subsection (a)(3) thereof).

(3) Special rule where deceased spouse was in missing status—If an individual was in a missing status (within the meaning of section 6013(f)(3)) as a result of service in a combat zone (as determined for purposes of section 112) and if such individual remains in such status until the date referred to in subparagraph (A) or (B), then, for purposes of paragraph (1)(A), the date on which such individual died shall be treated as the earlier of the date determined under subparagraph (A) or the date determined under subparagraph (B):

(A) the date on which the determination is made under section 556 of title 37 of the United States Code or under section 5566 of title 5 of such Code (whichever is applicable) that such individual died while in such missing status, or

(B) except in the case of the combat zone designated for purposes of the Vietnam conflict, the date which is 2 years after the date designated under section 112 as the date of termination of combatant activities in that zone.

(b) Definition of head of household—

(1) In general—For purposes of this subtitle, an individual shall be considered a head of a household if, and only if, such individual is not married at the close of his taxable year, is not a surviving spouse (as defined in subsection (a)), and either—

(A) maintains as his home a household which constitutes for more than one-half of such taxable year the principal place of abode, as a member of such household, of—

(i) a son, stepson, daughter, or stepdaughter of the taxpayer, or a descendant of a son or daughter of the taxpayer, but if such son, stepson, daughter, stepdaughter, or descendant is married at the close of the taxpayer's taxable year, only if the taxpayer is entitled to a deduction for the taxable year for such person under section 151 (or would be so entitled but for paragraph (2) or (4) of section 152(e)), or

(ii) any other person who is a dependent of the taxpayer, if the taxpayer is entitled to a deduction for the taxable year for such person under section 151, or

(B) maintains a household which constitutes for such taxable year the principal place of abode of the father or mother of the taxpayer, if the taxpayer is entitled to a deduction for the taxable year for such father or mother under section 151.

For purposes of this paragraph, an individual shall be considered as maintaining a household only if over half of the cost of maintaining the household during the taxable year is furnished by such individual.

(2) Determination of status—For purposes of this subsection—

(A) a legally adopted child of a person shall be considered a child of such person by blood;

(B) an individual who is legally separated from his spouse under a decree of divorce or of separate maintenance shall not be considered as married;

(C) a taxpayer shall be considered as not married at the close of his taxable year if at any time during the taxable year his spouse is a nonresident alien; and

(D) a taxpayer shall be considered as married at the close of his taxable year if his spouse (other than a spouse described in subparagraph (C)) died during the taxable year.

(3) **Limitations**—Notwithstanding paragraph (1), for purposes of this subtitle a taxpayer shall not be considered to be a head of a household—

(A) if at any time during the taxable year he is a non-resident alien; or

(B) by reason of an individual who would not be a dependent for the taxable year but for—

(i) paragraph (9) of section 152(a), or

(ii) subsection (c) of section 152.

(c) **Certain married individuals living apart**—For purposes of this part, an individual shall be treated as not married at the close of the taxable year if such individual is so treated under the provisions of section 7703(b).

(d) **Nonresident aliens**—In the case of a nonresident alien individual, the taxes imposed by sections 1 and 55 shall apply only as provided by section 871 or 877.

(e) **Cross reference**—For definition of taxable income, see section 63.

§ 3. Tax tables for individuals

(a) **Imposition of tax table tax**—

(1) **In general**—In lieu of the tax imposed by section 1, there is hereby imposed for each taxable year on the taxable income of every individual—

(A) who does not itemize his deductions for the taxable year, and

(B) whose taxable income for such taxable year does not exceed the ceiling amount, a tax determined under tables, applicable to such taxable year, which shall be prescribed by the Secretary and which shall be in such form as he determines appropriate. In the table so prescribed, the amounts of the tax shall be computed on the basis of the rates prescribed by section 1.

(2) **Ceiling amount defined**—For purposes of paragraph (1), the term “ceiling amount” means, with respect to any taxpayer, the amount (not less than \$20,000) determined by the Secretary for the tax rate category in which such taxpayer falls.

(3) **Authority to prescribe tables for taxpayers who itemize deductions**—The Secretary may provide that this section shall apply also for any taxable year to individuals who itemize their deductions. Any tables prescribed under the preceding sentence shall be on the basis of taxable income.

(b) **Section inapplicable to certain individuals**—This section shall not apply to—

(1) an individual making a return under section 443(a)(1) for a period of less than 12 months on account of a change in annual accounting period, and

(2) an estate or trust.

(c) **Tax treated as imposed by section 1**—For purposes of this title, the tax imposed by this section shall be treated as tax imposed by section 1.

(d) **Taxable income**—Whenever it is necessary to determine the taxable income of an individual to whom this section applies, the taxable income shall be determined under section 63.

(e) **Cross reference**—For computation of tax by Secretary, see section 6014.