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Internal Revenue Code Section 2501(a)(4)

Imposition of tax

(a) Taxable transfers.

(1) General rule.

A tax, computed as provided in section 2502 , is hereby imposed for each calendar year on the transfer of property by gift during such calendar year by any individual, resident or nonresident.

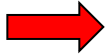
(2) Transfers of intangible property.

Except as provided in paragraph (3) , paragraph (1) shall not apply to the transfer of intangible property by a nonresident not a citizen of the United States.

(3) Exception.

(A) Certain individuals. Paragraph (2) shall not apply in the case of a donor to whom section 877(b) applies for the taxable year which includes the date of the transfer.

(B) Credit for foreign gift taxes. The tax imposed by this section solely by reason of this paragraph shall be credited with the amount of any gift tax actually paid to any foreign country in respect of any gift which is taxable under this section solely by reason of this paragraph .



(4) Transfers to political organizations.

Paragraph (1) shall not apply to the transfer of money or other property to a political organization (within the meaning of section 527(e)(1)) for the use of such organization.

(5) Transfers of certain stock.

(A) In general. In the case of a transfer of stock in a foreign corporation described in subparagraph (B) by a donor to whom section 877(b) applies for the taxable year which includes the date of the transfer-

(i) section 2511(a) shall be applied without regard to whether such stock is situated within the United States, and

(ii) the value of such stock for purposes of this chapter shall be its U.S.-asset value determined under subparagraph (C) .

(B) Foreign corporation described. A foreign corporation is described in this subparagraph with respect to a donor if-

(i) the donor owned (within the meaning of section 958(a)) at the time of such transfer 10 percent or more of the total combined voting power of all classes of stock entitled to vote of the foreign corporation, and

(ii) such donor owned (within the meaning of section 958(a)), or is considered to have owned (by applying the ownership rules of section 958(b)), at the time of such transfer, more than 50 percent of-

- (I) the total combined voting power of all classes of stock entitled to vote of such corporation, or

- (II) the total value of the stock of such corporation.

(C) U.S.-asset value. For purposes of subparagraph (A) , the U.S.-asset value of stock shall be the amount which bears the same ratio to the fair market value of such stock at the time of transfer as-

- (i) the fair market value (at such time) of the assets owned by such foreign corporation and situated in the United States, bears to

- (ii) the total fair market value (at such time) of all assets owned by such foreign corporation.

(6) Transfers to certain exempt organizations.

Paragraph (1) shall not apply to the transfer of money or other property to an organization described in paragraph (4) , (5) , or (6) of section 501(c) and exempt from tax under section 501(a) , for the use of such organization.

(b) Certain residents of possessions considered citizens of the United States.

A donor who is a citizen of the United States and a resident of a possession thereof shall, for purposes of the tax imposed by this chapter, be considered a "citizen" of the United States within the meaning of that term wherever used in this title unless he acquired his United States citizenship solely by reason of (1) his being a citizen of such possession of the United States, or (2) his birth or residence within such possession of the United States.

(c) Certain residents of possessions considered nonresidents not citizens of the United States.

A donor who is a citizen of the United States and a resident of a possession thereof shall, for purposes of the tax imposed by this chapter, be considered a "nonresident not a citizen of the United States" within the meaning of that term wherever used in this title, but only if such donor acquired his United States citizenship solely by reason of (1) his being a citizen of such possession of the United States, or (2) his birth or residence within such possession of the United States.

(d) Cross references.

- (1) For increase in basis of property acquired by gift for gift tax paid, see section 1015(d) .

- (2) For exclusion of transfers of property outside the United States by a nonresident who is not a citizen of the United States, see section 2511(a) .