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## **Internal Revenue Code Section 532**

### **Corporations subject to accumulated earnings tax**

**(a) General rule.**

The accumulated earnings tax imposed by section 531 shall apply to every corporation (other than those described in subsection (b)) formed or availed of for the purpose of avoiding the income tax with respect to its shareholders or the shareholders of any other corporation, by permitting earnings and profits to accumulate instead of being divided or distributed.

**(b) Exceptions.**

The accumulated earnings tax imposed by section 531 shall not apply to-

- (1) a personal holding company (as defined in section 542 ),
- (2) a corporation exempt from tax under subchapter F ( section 501 and following), or
- (3) a passive foreign investment company (as defined in section 1297 ).

**(c) Application determined without regard to number of shareholders.**

The application of this part to a corporation shall be determined without regard to the number of shareholders of such corporation.