

(3) A total or partial liquidation of the corporation, including any distribution which the corporation indicates is a distribution in total or partial liquidation or any distribution of assets, other than cash, pursuant to a court decree or final administrative order by a government agency ordering distribution of the particular assets.

(c) Distributions made from ordinary income by a regulated investment company or by a trust qualifying and electing to be taxed under federal law as a real estate investment trust are income. All other distributions made by the company or trust, including distributions from capital gains, depreciation, or depletion, whether in the form of cash or an option to take new stock or cash or an option to purchase additional shares, are principal; EXCEPT THAT DISTRIBUTIONS PER SHARE, MADE IN ANY CALENDAR YEAR, BY A REGULATED INVESTMENT COMPANY FROM REALIZED CAPITAL GAINS ARE INCOME TO THE EXTENT REQUIRED IN ORDER FOR THE SUM OF THE DISTRIBUTIONS PER SHARE FROM ORDINARY INCOME AND FROM REALIZED CAPITAL GAINS TO EQUAL AN AMOUNT DETERMINED BY MULTIPLYING THE NET ASSET VALUE OF A SHARE OF THE REGULATED INVESTMENT COMPANY ON JANUARY 1 OF SUCH CALENDAR YEAR (OR ON SUCH LATER DATE OF ACQUISITION BY A TRUSTEE DURING SUCH CALENDAR YEAR) BY THE ANNUAL FEDERAL MID-TERM RATE APPLICABLE TO JANUARY 1 OF SUCH CALENDAR YEAR (OR TO SUCH LATER DATE OF ACQUISITION) ESTABLISHED BY THE SECRETARY OF THE TREASURY UNDER § 1274(1) OF THE INTERNAL REVENUE CODE OF 1986, ADJUSTED TO REFLECT THE PROPORTION OF THE CALENDAR YEAR IN WHICH THE SHARE HAS BEEN HELD BY A TRUSTEE, PROVIDED THAT THE TRUSTEE MAKES AN IRREVOCABLE WRITTEN ELECTION TO SO TREAT SUCH DISTRIBUTIONS ON THE FIRST YEAR-END ACCOUNTING OF THE TRUST'S PRINCIPAL AND INCOME STATED (1) AFTER JUNE 30, 1989, IF SUCH SHARE IS OWNED ON JUNE 30, 1989, OR (2) AFTER SUCH SHARE IS ACQUIRED, IF SUCH SHARE IS ACQUIRED ON OR AFTER JULY 1, 1989.

(d) Except as provided in subsections (a), (b), and (c), all corporate distributions are income, including cash dividends, distributions of or rights to subscribe to shares or securities or obligations of corporations other than the distributing corporation, and the proceeds of the rights or property distributions. Except as provided in subsections (b) and (c), if the distributing corporation gives a stockholder an option to receive a distribution either in cash or in its own shares, the distribution chosen is income.

(e) The trustee may rely upon any statement of the distributing corporation as to any fact relevant under any provision of this subtitle concerning the source or character of dividends or distributions of corporate assets.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 1989.