

Current Internal Revenue Code, SEC. 197. AMORTIZATION OF GOODWILL AND CERTAIN OTHER INTANGIBLES.

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197(a) General Rule.—

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A taxpayer shall be entitled to an amortization deduction with respect to any amortizable [section 197](#) intangible. The amount of such deduction shall be determined by amortizing the adjusted basis (for purposes of determining gain) of such intangible ratably over the 15-year period beginning with the month in which such intangible was acquired.

197(b) No Other Depreciation or Amortization Deduction Allowable.—

Except as provided in subsection (a), no depreciation or amortization deduction shall be allowable with respect to any amortizable [section 197](#) intangible.

197(c) Amortizable [Section 197](#) Intangible.—

For purposes of this section—

197(c)(1) In general.—

Except as otherwise provided in this section, the term “amortizable [section 197](#) intangible” means any [section 197](#) intangible—

197(c)(1)(A)

which is acquired by the taxpayer after the date of the enactment of this section, and

197(c)(1)(B)

which is held in connection with the conduct of a trade or business or an activity described in [section 212](#).

197(c)(2)Exclusion of self-created intangibles, etc.—

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The term “amortizable [section 197](#) intangible” shall not include any [section 197](#) intangible—

197(c)(2)(A)

which is not described in subparagraph (D), (E), or (F) of subsection (d)(1), and

197(c)(2)(B)

which is created by the taxpayer.

This paragraph shall not apply if the intangible is created in connection with a transaction (or series of related transactions) involving the acquisition of assets constituting a trade or business or substantial portion thereof.

197(c)(3)Anti-churning rules.—

For exclusion of intangibles acquired in certain transactions, see subsection (f)(9).

197(d)[Section 197](#) Intangible.—

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For purposes of this section—

197(d)(1)In general.—

Except as otherwise provided in this section, the term “ [section 197](#) intangible” means—

197(d)(1)(A)

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goodwill,

197(d)(1)(B)

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going concern value,

197(d)(1)(C)

any of the following intangible items:

197(d)(1)(C)(i)

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workforce in place including its composition and terms and conditions (contractual or otherwise) of its employment,

197(d)(1)(C)(ii)

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business books and records, operating systems, or any other information base (including lists or other information with respect to current or prospective customers),

197(d)(1)(C)(iii)

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any patent, copyright, formula, process, design, pattern, knowhow, format, or other similar item,

197(d)(1)(C)(iv)

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any customer-based intangible,

197(d)(1)(C)(v)

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any supplier-based intangible, and

197(d)(1)(C)(vi)

any other similar item,

197(d)(1)(D)

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any license, permit, or other right granted by a governmental unit or an agency or instrumentality thereof,

197(d)(1)(E)

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any covenant not to compete (or other arrangement to the extent such arrangement has substantially the same effect as a covenant not to compete) entered into in connection with an acquisition (directly or indirectly) of an interest in a trade or business or substantial portion thereof, and

197(d)(1)(F)

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any franchise, trademark, or trade name.

197(d)(2)Customer-based intangible.—

197(d)(2)(A)In general.—

The term “customer-based intangible” means—

197(d)(2)(A)(i)

composition of market,

197(d)(2)(A)(ii)

market share, and

197(d)(2)(A)(iii)

any other value resulting from future provision of goods or services pursuant to relationships (contractual or otherwise) in the ordinary course of business with customers.

197(d)(2)(B)Special rule for financial institutions.—

In the case of a financial institution, the term “customer-based intangible” includes deposit base and similar items.

197(d)(3)Supplier-based intangible.—

The term “supplier-based intangible” means any value resulting from future acquisitions of goods or services pursuant to relationships (contractual or otherwise) in the ordinary course of business with suppliers of goods or services to be used or sold by the taxpayer.

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