

**TITLE XVI: Section 1256 Contracts**

Title XVI amends Section 1256 of the Internal Revenue Code. Section 1256 provides that certain contracts, including regulated futures contracts, foreign currency contracts, nonequity options, dealer equity options, and dealer securities futures contracts, must be treated as if they are sold at fair market value on the last business day of the tax year for tax purposes.

Title XVI excludes certain categories of contracts from the term “Section 1256 contract” including: securities futures contracts and options on those contracts, except dealer securities future contracts, and any interest rate swap, currency swap, basis swap, interest rate cap, interest rate floor, commodity swap, equity swap, equity index swap, CDS, or similar agreements.

**Sec. 1601(a) (p. 861).**

The title becomes effective for the taxable years beginning after the date of enactment.

**Sec. 1601(b) (p. 861).**