

**LIST OF PROVISIONS IDENTIFIED BY
THE STAFF OF THE JOINT COMMITTEE ON TAXATION
AS POTENTIAL “DEADWOOD”
IN THE INTERNAL REVENUE CODE OF 1986**

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of the
JOINT COMMITTEE ON TAXATION



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INTRODUCTION

This document,¹ prepared by the staff of the Joint Committee on Taxation, provides a list of provisions identified by the staff of the Joint Committee on Taxation as potential deadwood provisions. Deadwood provisions are out-of-date and obsolete provisions in the Internal Revenue Code of 1986. Repeal of these provisions is not intended to make any substantive change in the tax law.

¹ This document may be cited as follows: Joint Committee on Taxation, *List of Provisions Identified by the Staff of the Joint Committee on Taxation as Potential “Deadwood” in the Internal Revenue Code of 1986* (JCX-18-13), November 20, 2013. This document can also be found on our website at www.jct.gov.

DEADWOOD PROVISIONS

(a) IN GENERAL.--

(1) ADJUSTMENTS IN TAX TABLES SO THAT INFLATION WILL NOT RESULT IN TAX INCREASES.—Paragraph (7) of section 1(f) is amended to read as follows:

“(7) SPECIAL RULE FOR CERTAIN BRACKETS.—In prescribing tables under paragraph (1) which apply to taxable years beginning in a calendar year after 1994, the cost-of-living adjustment used in making adjustments to the dollar amounts at which the 36 percent rate bracket begins or at which the 39.6 percent rate bracket begins shall be determined under paragraph (3) by substituting ‘1993’ for ‘1992’.”.

(2) Certain plug-in electric vehicles.—

(A) Subpart B of part IV of subchapter A of chapter 1 is amended by striking section 30 (and by striking the item relating to such section in the table of sections for such subpart).

(B) Section 1016(a) is amended by striking paragraph (25).

(C) Section 6501(m) is amended by striking “section 30(e)(6)”.

(3) Puerto Rico economic activity credit.—Subpart B of part IV of subchapter A of chapter 1 is amended by striking section 30A (and by striking the item relating to such section in the table of sections for such subpart).

(4) EARNED INCOME CREDIT.—Paragraph (1) of section 32(b) is amended—

(A) by striking subparagraphs (B) and (C), and

(B) in subparagraph (A) by striking “(A) IN GENERAL.—In the case of taxable years beginning after 1995” and moving the table items to the left.

(5) Making Work Pay Credit.—

(A) Subpart C of part IV of subchapter A of chapter 1 is amended by striking section 36A (and by striking the item relating to such section in the table of sections for such subpart).

(B) Paragraph (4) of section 6211(b)(4) is amended by striking “, 36A”.

(C) Section 6213(g)(2) is amended by striking subparagraph (N),

(6) GENERAL BUSINESS CREDITS.—Subsection (d) of section 38 is amended by striking paragraph (3).

(7) Low-income housing credit.—Subclause (I) of section 42(h)(3)(C)(ii) is amended by striking “(\$1.50 for 2001)”.

(8) Minimum tax credit.—

(A) Section 53 is amended by striking subsections (e) and (f).

(B) Paragraph (4) of section 6211(b)(4) is amended by striking “, 53(e)”.

(9) ADJUSTMENTS BASED ON ADJUSTED CURRENT EARNINGS.—

Clause (ii) of section 56(g)(4)(F) is amended by striking “In the case of any taxable year beginning after December 31, 1992, clause” and inserting “Clause”.

(10) ITEMS OF TAX PREFERENCE; DEPLETION.—Paragraph (1) of section 57(a) is amended by striking “Effective with respect to taxable years beginning after December 31, 1992, this” and inserting “This”.

(11) INTANGIBLE DRILLING COSTS.—

(A) Clause (i) of section 57(a)(2)(E) is amended by striking “In the case of any taxable year beginning after December 31, 1992, this” and inserting “This”.

(B) Clause (ii) of section 57(a)(2)(E) is amended by striking “(30 percent in the case of taxable years beginning in 1993)”.

(12) Environmental tax.—

(A) Subchapter A of chapter 1 is amended by striking part VII (and by striking the item relating to such section in the table of sections for such part).

(B) Paragraph (2) of section 26(b) is amended by striking subparagraph (B) and redesignating subparagraphs (C) thru (S) as subparagraphs (B) thru (R), respectively.

(C) Subsection (a) of section 164 is amended by striking paragraph (5).

(13) Standard deduction.—

(A) So much of paragraph (1) of section 63(c) as follows “the sum of—” is amended to read as follows:

“(A) the basic standard deduction, and

“(B) the additional standard deduction.”.

(B) Subsection (c) of section 63 is amended by striking paragraph (7), (8), and (9).

(14) ANNUITIES; CERTAIN PROCEEDS OF ENDOWMENT AND LIFE INSURANCE CONTRACTS.—Section 72 is amended—

(A) in subsection (c)(4) by striking “; except that if such date was before January 1, 1954, then the annuity starting date is January 1, 1954”, and

(B) in subsection (g)(3) by striking “January 1, 1954, or” and “, whichever is later”.

(15) Unemployment compensation.—Section 85 is amended by striking subsection (c).

(16) ACCIDENT AND HEALTH PLANS.—Section 105(f) is amended by striking “or (d)”.

(17) FLEXIBLE SPENDING ARRANGEMENTS.—Section 106(c)(1) is amended by striking “Effective on and after January 1, 1997, gross” and inserting “Gross”.

(18) CERTAIN COMBAT ZONE COMPENSATION OF MEMBERS OF THE ARMED FORCES.—Subsection (c) of section 112 is amended—

(A) by striking “(after June 24, 1950)” in paragraph (2), and

(B) striking “such zone;” and all that follows in paragraph (3) and inserting “such zone.”.

(19) Legal service plans.—

(A) Part III of subchapter B of chapter 1 is amended by striking section 120 (and by striking the item relating to such section in the table of sections for such subpart).

(B)(i) Section 414(n)(3)(C) is amended by striking “120,”.

(ii) Section 414(t)(2) is amended by striking “120,”.

(iii) Section 501(c) is amended by striking paragraph (20).

(iv) Section 3121(a) is amended by striking paragraph (17).

(v) Section 3231(e) is amended by striking paragraph (7).

(vi) Section 3306(b) is amended by striking paragraph (12).

(vii) Section 6039D(d)(1) is amended by striking “120,”.

(viii) Section 209(a)(14) of the Social Security Act is amended—

- (I) by striking subparagraph (B), and
- (II) by striking “(14)(A)” and inserting “(14)”.
- (20) PRINCIPAL RESIDENCE.—Section 121(b)(3) is amended—
 - (A) by striking subparagraph (B), and
 - (B) in subparagraph (A) by striking “(A) IN GENERAL.—” and moving the text 2 ems to the left.
- (21) CERTAIN REDUCED UNIFORMED SERVICES RETIREMENT PAY.—Section 122(b)(1) is amended by striking “after December 31, 1965,”.
- (22) GREAT PLAINS CONSERVATION PROGRAM.—Section 126(a) is amended by striking paragraph (6) and by redesignating paragraphs (7),(8), (9), and (10) as paragraphs (6), (7), (8), and (9), respectively.
- (23) STATE LEGISLATORS’ TRAVEL EXPENSES AWAY FROM HOME.—Paragraph (4) of section 162(h) is amended by striking “For taxable years beginning after December 31, 1980, this” and inserting “This”.
- (24) TREBLE DAMAGE PAYMENTS UNDER THE ANTITRUST LAW.—Section 162(g) is amended by striking the last sentence.
- (25) INTEREST.—
 - (A) Section 163 is amended—
 - (i) by striking paragraph (6) of subsection (d), and
 - (ii) by striking paragraph (5) of subsection (h).
 - (B) Section 56(b)(1)(C) is amended by striking clause (ii) and by redesignating clauses (iii), (iv), and (v) as clauses (ii), (iii), and (iv), respectively.
- (26) Qualified motor vehicle taxes.—Section 164 is amended by striking subsections (a)(6) and (b)(6).
- (27) Disaster losses.—Subsection (h) of section 165 is amended by striking paragraph (3).
- (28) CHARITABLE, ETC., CONTRIBUTIONS AND GIFTS.—Section 170 is amended—
 - (A) by striking paragraph (3) of subsection (b),
 - (B) by striking paragraph (6) of subsection (e) and
 - (C) by striking subsection (k).
- (29) Amortizable Bond Premium—
 - (A) Subparagraph (B) of section 171(b)(1) is amended to read as follows:
 - “(B)(i) with reference to the amount payable on maturity (or if it results in a smaller amortizable bond premium attributable to the period before the call date, with reference to the amount payable on the earlier call date), in the case of a bond described in subsection (a)(1), and
 - “(ii) with reference to the amount payable on maturity or on an earlier call date, in the case of a bond described in subsection (a)(2).”
 - (B) Paragraphs (2) and (3)(B) of section 171(b) are each amended by striking “paragraph (1)(B)(ii)” and inserting “paragraph (1)(B)(i)”.
- (30) Meals and entertainment expense.—Paragraph (3) of section 274(n) is amended—
 - (A) by striking subparagraph (B),
 - (B) by striking “(A) In general.—”, and
 - (C) by striking “substituting ‘the applicable percentage’ for” and inserting “substituting ‘50 percent’ for”.

(31) NET OPERATING LOSS CARRYBACKS AND CARRYOVERS.—

(A) Section 172 is amended—

(i) by striking subparagraphs (D), (H), (I) and (J) of subsection (b)(1) and by redesignating subparagraphs (E), (F), and (G) as subparagraphs (D), (E), and (F), respectively,

(ii) by striking “ending after August 2, 1989” in subsection (b)(1)(D)(i)(II) (as redesignated by clause (i)),

(iii) by striking subsections (g) and (j),

(iv) by striking “or or qualified disaster loss (as defined in subsection (j))” in subsection (b)(1)(F)(ii), and

(iv) by striking subparagraph (F) of subsection (h)(2).

(B) Section 172(h)(4) is amended by striking “subsection (b)(1)(E)” each place it appears and inserting “subsection (b)(1)(D)”.

(C) Section 172(i)(3) is amended by striking “subsection (b)(1)(G)” each place it appears and inserting “subsection (b)(1)(F)”.

(D) Section 172, as amended by subparagraphs (A) through (C) of this paragraph, is amended—

(i) by redesignating subsections (h) and (i), as subsections (g) and (h), respectively,

(ii) by striking “subsection (h)” each place it appears and inserting “subsection (g)”, and

(iii) by striking “subsection (i)” each place it appears and inserting “subsection (h)”.

(32) RESEARCH AND EXPERIMENTAL EXPENDITURES.—Subparagraph (A) of section 174(a)(2) is amended to read as follows:

“(A) WITHOUT CONSENT.—A taxpayer may, without the consent of the Secretary, adopt the method provided in this subsection for his first taxable year for which expenditures described in paragraph (1) are paid or incurred.”.

(33) AMORTIZATION OF CERTAIN RESEARCH AND EXPERIMENTAL EXPENDITURES.—Paragraph (2) of section 174(b) is amended by striking “beginning after December 31, 1953”.

(34) SOIL AND WATER CONSERVATION EXPENDITURES.—Paragraph (1) of section 175(d) is amended to read as follows:

“(1) WITHOUT CONSENT.—A taxpayer may, without the consent of the Secretary, adopt the method provided in this section for the taxpayer’s first taxable year for which expenditures described in subsection (a) are paid or incurred.”.

(35) Clean-fuel vehicles.—

(A) Part VI of subchapter A of chapter 1 is amended by striking section 179A (and by striking the item relating to such section in the table of sections for such part).

(B) Section 62(a) is amended by striking paragraph (14)

(C) Section 280F(a)(1) is amended by striking subparagraph (C).

(D) Section 312(k)(3) is amended by striking “179A,” each place it appears.

(E) Section 1016(a)(24)

(36) Qualified disaster expenses.--Part VI of subchapter A of chapter 1 is amended by striking section 198A (and by striking the item relating to such section in the table of sections for such part).

(37) ACTIVITIES NOT ENGAGED IN FOR PROFIT.—Section 183(e)(1) is amended by striking the last sentence.

(38) Domestic production activities.—

(A) Subsection (a) of section 199 is amended by striking paragraph (2) and by striking “(1) In general.--”, and by redesignating subparagraphs (A) and (B) as paragraphs (1) and (2).

(B) Paragraphs (2) and (6)(B) of section 199(d) are each amended by striking “(a)(1)(B)” and inserting “(a)(2)”.

(39) Retirement savings.—

(A) Subclause (A) of section 219(a)(5) is amended to read:

“(A) In general.—The deductible amount is \$5,000.”

(B) Clause (ii) of section 219(a)(5)(B) is amended to read:

“(ii) In general.—For purposes of clause (i), the applicable amount is \$1,000.”

(C) Clause (ii) of section 219(g)(2)(A) and clause (ii) of section 219(g)(3)(A) are each amended to read “(ii) \$20,000”.

(D) Clauses (i) and (ii) of section 219(g)(3)(B) is amended to read:

“(i) In the case of a taxpayer filing a joint return, \$80,000.

“(ii) In the case of any taxpayer (other than a married individual filing a separate return), \$50,000.”

(40) Interest on Education Loans.—Paragraph (1) of section 221(b) is amended by striking “shall not exceed” and all that follows and inserting “shall not exceed \$2,500”.

(41) DIVIDENDS RECEIVED ON CERTAIN PREFERRED STOCK; AND
DIVIDENDS PAID ON CERTAIN PREFERRED STOCK OF PUBLIC UTILITIES.—

(A) Sections 244 and 247 are hereby repealed, and the table of sections for part VIII of subchapter B of chapter 1 is amended by striking the items relating to sections 244 and 247.

(B) Paragraph (5) of section 172(d) is amended to read as follows:

“(5) COMPUTATION OF DEDUCTION FOR DIVIDENDS

RECEIVED.—The deductions allowed by section 243 (relating to dividends received by corporations) and 245 (relating to dividends received from certain foreign corporations) shall be computed without regard to section 246(b) (relating to limitation on aggregate amount of deductions).”.

(C) Paragraph (1) of section 243(c) is amended to read as follows:

“(1) IN GENERAL.—In the case of any dividend received from a 20-percent owned corporation, subsection (a)(1) shall be applied by substituting ‘80 percent’ for ‘70 percent’.”.

(D) Section 243(d) is amended by striking paragraph (4).

(E) Section 246 is amended—

(i) by striking “, 244,” in subsection (a)(1),

(ii) in subsection (b)(1)—

(I) by striking “sections 243(a)(1), and 244(a),” the first place it appears and inserting “section 243(a)(1)”,

(II) by striking “244(a),” the second place it appears, and
(III) by striking “subsection (a) or (b) of section 245, and
247,” and inserting “and subsection (a) or (b) of section 245,”
and

(iii) by striking “, 244,” in subsection (c)(1).

(F) Section 246A is amended by striking “, 244,” both places it appears
in subsections (a) and (e).

(G) Sections 263(g)(2)(B)(iii), 277(a), 301(e)(2), 469(e)(4), 512(a)(3)(A),
subparagraphs (A), (C), and (D) of section 805(a)(4), 805(b)(5), 812(e)(2)(A),
815(c)(2)(A)(iii), 832(b)(5), 833(b)(3)(E), and 1059(b)(2)(B) of such Code are
each amended by striking “, 244,” each place it appears.

(H) Section 1244(c)(2)(C) is amended by striking “244,”.

(I) Section 805(a)(4)(B) is amended by striking “, 244(a),” each place it
appears.

(J) Section 810(c)(2)(B) is amended by striking “244 (relating to
dividends on certain preferred stock of public utilities),”.

(42) ORGANIZATION EXPENSES.—Section 248(c) is amended by striking
“beginning after December 31, 1953,” and by striking the last sentence.

(43) Bond repurchase premium.—Section 249(b)(1) is amended by striking “, in
the case of bonds or other evidences of indebtedness issued after February 28, 1913,”.

(44) AMOUNT OF GAIN WHERE LOSS PREVIOUSLY DISALLOWED.—
Section 267(d) is amended by striking “(or by reason of section 24(b) of the Internal
Revenue Code of 1939)” in paragraph (1), by striking “after December 31, 1953,” in
paragraph (2), by striking the second sentence, and by striking “or by reason of section
118 of the Internal Revenue Code of 1939” in the last sentence.

(45) ACQUISITIONS MADE TO EVADE OR AVOID INCOME TAX.

Paragraphs (1) and (2) of section 269(a) are each amended by striking “or acquired on or
after October 8, 1940,”.

(46) Meals and entertainment.—Paragraph (3) of section 274(n) is amended—

(A) by striking “(A) In general.—“

(B) by striking “substituting ‘the applicable percentage’ for” and inserting
“substituting ‘80 percent’ for”, and

(C) by striking subparagraph (B).

(47) INTEREST ON INDEBTEDNESS INCURRED BY CORPORATIONS TO
ACQUIRE STOCK OR ASSETS OF ANOTHER CORPORATION.—Section 279 is
amended—

(A) by striking “after December 31, 1967,” in subsection (a)(2),

(B) by striking “after October 9, 1969,” in subsection (b),

(C) by striking “after October 9, 1969, and” in subsection (d)(5), and

(D) by striking subsection (i).

(48) SPECIAL RULES RELATING TO CORPORATE PREFERENCE ITEMS.

Paragraph (4) of section 291(a) is amended by striking “In the case of taxable years
beginning after December 31, 1984, section” and inserting “Section”.

(49) Distributions of property.—Paragraph (3) of section 301(c) is amended to
read as follows:

“(3) Amounts in excess of basis.—That portion of the distribution which is not a

dividend, to the extent that it exceeds the adjusted basis of the stock, shall be treated as gain from the sale or exchange of property.”

(50) Bank holding companies.—Clause (iii) of section 304(b)(3)(D) is repealed.

(51) Effect on earnings and profits.—Subsection (d) of section 312 is amended by striking paragraph (2) and redesignating paragraph (3) as paragraph (2).

(52) Basis to corporations.—Section 362 is amended by striking “on or after June 22, 1954” in subsection (a) and by striking “, on or after June 22, 1954,” each place it appears in subsection (c).

(53) Individual retirement accounts.—Clause (i) of section 408(p)(2)(E) is amended to read as follows:

“(i) In general.—For purposes of subparagraph (A)(ii), the applicable amount is \$10,000.”

(54) TAX CREDIT EMPLOYEE STOCK OWNERSHIP PLANS.—Section 409 is amended by striking subsection (q).

(55) Catch-up contributions.—Subparagraph (B) of section 414(v)(2) is amended to read as follows:

“(B)(i) In the case of an applicable employer plan other than a plan described in section 401(k)(11) or 408(p), the applicable dollar amount is \$5,000.

“(ii) In the case of an applicable employer plan described in section 401(k)(11) or 408(p), the applicable dollar amount is \$2,500.”

(56) EMPLOYEE STOCK PURCHASE PLANS.—Section 423(a) is amended by striking “after December 31, 1963,”.

(57) Transition rules.—

(A) Paragraph (5) of section 430(c) is amended by striking subparagraph (B) and by striking “(A) In general.--”

(B) Paragraph (2) of section 430(h) is amended by striking subparagraph (G).

(C) Paragraph (3) of section 436(j) is amended by striking subparagraphs (B) and (C) and by striking “(A) In general.--”.

(D) Section 436 is amended by striking subsection (m).

(58) LIMITATION ON DEDUCTIONS FOR CERTAIN FARMING.—

(A) Section 464 is amended by striking “any farming syndicate (as defined in subsection (c))” both places it appears in subsections (a) and (b) and inserting “any taxpayer to whom subsection (d) applies”.

(B)(i) Subsection (c) of section 464 is hereby moved to the end of section 461 and redesignated as subsection (j).

(ii) Such subsection (j) is amended—

(I) by striking “For purposes of this section” in paragraph (1) and inserting “For purposes of subsection (i)(4)”, and

(II) by adding at the end the following new paragraphs:

“(3) FARMING.—For purposes of this subsection, the term ‘farming’ has the meaning given to such term by section 464(e).

“(4) LIMITED ENTREPRENEUR.—For purposes of this subsection, the term ‘limited entrepreneur’ means a person who—

“(A) has an interest in an enterprise other than as a limited partner, and

“(B) does not actively participate in the management of such enterprise.”

(iii) Paragraph (4) of section 461(i) is amended by striking “section 464(c)” and inserting “subsection (j)”.

(C) Section 464 is amended—

(i) by striking subsections (e) and (g) and redesignating subsections (d) and (f) as subsections (c) and (d), respectively, and

(ii) by adding at the end the following new subsection:

“(e) FARMING.—For purposes of this section, the term ‘farming’ means the cultivation of land or the raising or harvesting of any agricultural or horticultural commodity including the raising, shearing, feeding, caring for, training, and management of animals. For purposes of the preceding sentence, trees (other than trees bearing fruit or nuts) shall not be treated as an agricultural or horticultural commodity.”

(D) Subsection (d) of section 464 of such Code, as redesignated by subparagraph (C), is amended—

(i) by striking paragraph (1) and redesignating paragraphs (2), (3), and (4) as paragraphs (1), (2), and (3), respectively, and

(ii) by striking “SUBSECTIONS (a) AND (b) TO APPLY TO” in the subsection heading.

(E) Subparagraph (A) of section 58(a)(2) is amended by striking “section 464(c)” and inserting “section 461(j)”.

(59) DEDUCTIONS LIMITED TO AMOUNT AT RISK.—Paragraph (3) of section 465(c) is amended by striking “In the case of taxable years beginning after December 31, 1978, this” and inserting “This”.

(60) PASSIVE ACTIVITY LOSSES AND CREDITS LIMITED.—

(A) Section 469 is amended by striking subsection (m).

(B) Subsection (b) of section 58 is amended by adding “and” at the end of paragraph (1), by striking paragraph (2), and by redesignating paragraph (3) as paragraph (2).

(61) ADJUSTMENTS REQUIRED BY CHANGES IN METHOD OF ACCOUNTING.—Section 481(b)(3) is amended by striking subparagraph (C).

(62) EXEMPTION FROM TAX ON CORPORATIONS, CERTAIN TRUSTS, ETC.—Section 501 is amended by striking subsection (s).

(63) REQUIREMENTS FOR EXEMPTION.—

(A) Section 503(a)(1) is amended to read as follows:

“(1) GENERAL RULE.—An organization described in paragraph (17) or (18) of section 501(c) or described in section 401(a) and referred to in section 4975(g)(2) or (3) shall not be exempt from taxation under section 501(a) if it has engaged in a prohibited transaction.”

(B) Paragraph (2) of section 503(a) is amended by striking “described in section 501(c)(17) or (18) or paragraph (a)(1)(B)” and inserting “described in paragraph (1)”.

(C) Subsection (c) of section 503 is amended by striking “described in section 501(c)(17) or (18) or subsection (a)(1)(B)” and inserting “described in subsection (a)(1)”.

(64) Accumulated taxable income.—Paragraph (1) of section 535(b) and paragraph (1) of section 545(b) are each amended by striking “section 531” and all that follows all that follows and inserting “or section 531 or the personal holding company tax imposed by section 541.”.

(65) Subsection (b) of section 614 is amended by striking paragraphs (3)(C) and (5) and by striking “whichever of the following years is later: The first taxable year beginning after December 31, 1963, or” in paragraph (4).

(66) AMOUNTS RECEIVED BY SURVIVING ANNUITANT UNDER JOINT AND SURVIVOR ANNUITY CONTRACT.—Subparagraph (A) of section 691(d)(1) is amended by striking “after December 31, 1953, and”.

(67) INCOME TAXES OF MEMBERS OF ARMED FORCES ON DEATH.—Section 692(a)(1) is amended by striking “after June 24, 1950”.

(68) Special rules for computing reserves.—Paragraph (7) of section 807(e)(1) is amended by striking subparagraph (B) and redesignating subparagraph (C) as subparagraph (B).

(69) Transitional rule for certain high surplus mutual life insurance companies.—Section 809 is amended by striking subsection (i).

(70) INSURANCE COMPANY TAXABLE INCOME.—

(A) Section 832(e) is amended by striking “of taxable years beginning after December 31, 1966,”.

(B) Section 832(e)(6) is amended by striking “In the case of any taxable year beginning after December 31, 1970, the” and inserting “The”.

(71) Capitalization of certain policy acquisition expenses.—Section 848 is amended by striking subsection (j).

(72) TAX ON NONRESIDENT ALIEN INDIVIDUALS.—Subparagraph (B) of section 871(a)(1) is amended to read as follows:

“(B) gains described in subsection (b) or (c) of section 631,”.

(73) Limitation on credit.—Paragraph (2) of section 904 is amended by striking subparagraph (J).

(74) Foreign earned income.—Subparagraph (D) of section 911(b)(2) is amended to read as follows:

“(D) Exclusion amount.—The exclusion amount for any calendar year is \$80,000.”

(75) Puerto Rico and possession tax credit.—

(A) Subpart C of part III of subchapter N of chapter 1 is amended by striking section 936 (and by striking the item relating to such section in the table of sections for such subpart).

(B) (i) Section 27 is amended to read as follows:

“Section 27.—Taxes of foreign countries and possessions of the United States.—The amount of taxes imposed by foreign countries and possessions of the United States shall be allowed as a credit against the tax imposed by this chapter to the extent provided in section 901.”

(ii) The item in the table of sections for subpart B of part IV of subchapter A of chapter 1 relating to section 27 is amended by striking “; possessions tax credit”.

(C) Paragraph (2) of section 45C(d) is amended--

(1) by striking subparagraph (B), and

(2) by striking “(A) in general.—”.

(D) Paragraph (1) of section 55(c) is amended by striking “the foreign tax credit allowable under section 27(a), the section 936 credit allowable under section 27(b), and the Puerto Rico economic activity credit allowable under section 30A” and inserting “and the foreign tax credit allowable under section 27(a).”

(E) Subparagraph (C) of section 56(g)(4) is amended by repealing clause (iii) and by redesignating clauses (iv), (v), and (vi) as clauses (iii), (iv), and (v) respectively.

(F) Section 59 is amended by repealing subsection (b).

(G) Subparagraph (G) of section 168(g)(4) is amended by striking “(other than a corporation which has an election in effect under section 936)”.

(H) Subparagraph (B) of section 243(b)(1) is amended to read as follows:

“if such dividend is distributed out of the earnings and profits of a taxable year of the distributing corporation which ends after December 31, 1963.”

(I) Section 246 is amended by striking subsection (e).

(J) Clause (i) of section 338(h)(6)(B) is amended by striking “or a corporation to which an election under section 936 applies,”.

(K) Paragraph (2) of section 861(a)(2) is amended—

(1) by striking subparagraph (A) and by redesignating subparagraphs (B), (C), and (D) as subparagraphs (A), (B), and (C), respectively, and

(2) by striking “subparagraph (B)” each place it appears and inserting “subparagraph (A)”.

(L) Paragraph (5) of section 864(d) is amended—

(1) by striking subparagraph (B), and

(2) by striking “(A) Certain exceptions.—”.

(M) Paragraph (3) of section 865(j) is amended by striking “933, and 936” and inserting “and 933”.

(N) Paragraph (2) of section 901(g) is amended by striking “936” and inserting “936 (as in effect on the day before its repeal)”.

(O) Subsection (b) of section 904 is amended by striking paragraph (4).

(P) Paragraph (4) of section 1202(e) is amended by striking subparagraph (B) and redesignating subparagraphs (C) and (D) and subparagraphs (B) and (C), respectively.

(Q) Paragraph (2) of section 1361(b) is amended by inserting “or” at the end of subparagraph (B), by striking subparagraph (C), and by redesignating subparagraph (D) as subparagraph (C).

(R) Subsection (b) of section 1504 is amended by striking paragraph (4).

(S) Subparagraph (B) of section 6091(b)(2) is amended by striking clause (ii) and redesignating clauses (iii) and (iv) as clauses (ii) and (iii) respectively.

(T) Subparagraph (D) of section 6654(d)(2) is amended by striking “936(h) or” and by striking “and section 936 income” in the heading.

(U) Paragraph (4) of section 6655(e)(4) is amended by striking “936(h) or” and by striking “and section 936 income” in the heading.

(V) (i) Subsection (d) of section 367 is amended by adding at the end the following new paragraph:

“(4) Intangible property.—For purposes of this subsection, the term ‘intangible property’ means any—

“(A) patent, invention, formula, process, design, pattern, or know-how;

“(B) copyright, literary, musical, or artistic composition,
“(C) trademark, trade name, or brand name,
“(D) franchise, license, or contract,
“(E) method, program, system, procedure, campaign, survey, study, forecast,
estimat, customer list, or technical date, or
“(F) any similar item,

which has substantial value independent of the services of any individual.”

(ii) Clause (iv) of section 367(a)(3)(B) is amended by striking “section 936(h)(3)(B)” and inserting “subsection (d)(4)”.

(iii) Sections 482 and 1298(e)(2)(A) are each amended by striking “section 936(h)(4)(B)” and inserting “section 367(d)(4)”.

(76) Basis of property acquired from decedent—Section 1014 is amended—

(A) by striking “or section 811(j) of the Internal Revenue Code of 1939 where the decedent died after October 21, 1942” in subsection (a)(2),
and

(B) by striking paragraphs (7) and (8) of subsection (b).

(77) Adjusted Basis.--Section 1016(a) is amended by striking paragraph (12).

(78) Property on which lessee has made improvements.—Section 1019 is amended by striking the last sentence.

(79) PROPERTY ON WHICH LESSEE HAS MADE IMPROVEMENTS.—
Section 1019 is amended by striking the last sentence.

(80) INVOLUNTARY CONVERSION.—Section 1033 is amended by striking subsection (j) and by redesignating subsection (k) as subsection (j).

(81) PROPERTY ACQUIRED DURING AFFILIATION.—Section 1051 is hereby repealed, and the table of sections for part IV of subchapter O of chapter 1 is amended by striking the item relating to section 1051.

(82) Capital gains and losses.—Section 1221 is amended by striking the last sentence.

(83) HOLDING PERIOD OF PROPERTY.—

(A) Paragraph (1) of section 1223 is amended by striking “after March 1, 1954,”.

(B) Paragraph (4) of section 1223 is amended by striking “(or under so much of section 1052(c) as refers to section 113(a)(23) of the Internal Revenue Code of 1939)”.

(C) Paragraphs (6) and (8) of section 1223 are repealed.

(84) PROPERTY USED IN THE TRADE OR BUSINESS AND
INVOLUNTARY CONVERSIONS.—Subparagraph (A) of section 1231(c)(2) is amended by striking “beginning after December 31, 1981”.

(85) SALE OR EXCHANGE OF PATENTS.—Section 1235 is amended—

(A) by striking subsection (c) and by redesignating subsections (d) and (e) as subsections (c) and (d), respectively, and

(B) by striking “subsection (d)” in subsection (b) and inserting “subsection (c)”.

(86) DEALERS IN SECURITIES.—Subsection (b) of section 1236 is amended by striking “after November 19, 1951,”.

(87) SALE OF PATENTS.—Subsection (a) of section 1249 is amended by striking “after December 31, 1962,”.

(88) GAIN FROM DISPOSITION OF FARMLAND.—Subsection (a) of section 1252 is amended—

(A) by striking “after December 31, 1969,” the first place it appears,

(B) by amending paragraph (1)(A) to read as follows:

“(A) the applicable percentage of the deductions allowed under section 175 (relating to soil and water conservation expenditures) with respect to the farmland, or”, and

(C) by amending (a)(2) by striking “sections 175” and all that follows and inserting “section 175.”.

(89) TREATMENT OF AMOUNTS RECEIVED ON RETIREMENT OR SALE OR EXCHANGE OF DEBT INSTRUMENTS.—Subsection (c) of section 1271 is amended to read as follows:

“(c) SPECIAL RULE FOR CERTAIN OBLIGATIONS WITH RESPECT TO WHICH ORIGINAL ISSUE DISCOUNT NOT CURRENTLY INCLUDIBLE.—

“(1) IN GENERAL.—On the sale or exchange of debt instruments issued by a government or political subdivision thereof after December 31, 1954, and before July 2, 1982, or by a corporation after December 31, 1954, and on or before May 27, 1969, any gain realized which does not exceed—

“(A) an amount equal to the original issue discount, or

“(B) if at the time of original issue there was no intention to call the debt instrument before maturity, an amount which bears the same ratio to the original issue discount as the number of complete months that the debt instrument was held by the taxpayer bears to the number of complete months from the date of original issue to the date of maturity, shall be considered as ordinary income.

“(2) SUBSECTION (a)(2)(A) NOT TO APPLY.—Subsection (a)(2)(A) shall not apply to any debt instrument referred to in subparagraph (A) of this paragraph.

“(3) CROSS REFERENCE.—“**For current inclusion of original issue discount, see section 1272.**”.

(90) AMOUNT AND METHOD OF ADJUSTMENT.—Section 1314 is amended by striking subsection (d) and by redesignating subsection (e) as subsection (d).

(91) ELECTION; REVOCATION; TERMINATION.—Clause (iii) of section 1362(d)(3) is amended by striking “unless” and all that follows and inserting “unless the corporation was an S corporation for such taxable year.”.

(92) OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE.—Subsection (a) of section 1401 is amended by striking “the following percent” and all that follows and inserting “12.4 percent of the amount of the self-employment income for such taxable year.”.

(93) HOSPITAL INSURANCE.—Paragraph (1) of section 1401(b) is amended by striking

“the following percent” and all that follows and inserting “2.9 percent of the amount of the self-employment income for such taxable year.”.

(94) MINISTERS, MEMBERS OF RELIGIOUS ORDERS, AND CHRISTIAN SCIENCE PRACTITIONERS.—Paragraph (3) of section 1402(e) is amended by striking “whichever of the following dates is later: (A)” and by striking “; or (B)” and all that follows and inserting a period.

(95) WITHHOLDING OF TAX ON NONRESIDENT ALIENS.—The first sentence of subsection (b) of section 1441 and the first sentence of paragraph (5) of section 1441(c) are each amended by striking “gains subject to tax” and all that follows through “October 4, 1966” and inserting “and gains subject to tax under section 871(a)(1)(D)”.

(96) AFFILIATED GROUP DEFINED.—Subparagraph (A) of section 1504(a)(3) is amended by striking “for a taxable year which includes any period after December 31, 1984” in clause (i) and by striking “in a taxable year beginning after December 31, 1984” in clause (ii).

(97) DISALLOWANCE OF THE BENEFITS OF THE GRADUATED CORPORATE RATES AND ACCUMULATED EARNINGS CREDIT.—

(A) Subsection (a) of section 1551 is amended—

(i) by striking paragraph (1) and by redesignating paragraphs (2) and (3) as paragraphs (1) and (2), respectively, and

(ii) by striking “after June 12, 1963,” each place it appears.

(B) Section 1551(b) is amended—

(i) by striking “or (2)” in paragraph (1), and

(ii) by striking “(a)(3)” in paragraph (2) and inserting “(a)(2)”.

(98) Credit for state death taxes.—

(A) Part II of subchapter A of chapter 11 is amended by striking section 2011 (and by striking the item relating to such section in the table of sections for such subpart).

(B) Subchapter A of chapter 13 is amended by striking section 2604 (and by striking the item relating to such section in the table of sections for such subpart).

(99) Gross estate.—Subsection (c) of section 2031 is amended by striking paragraph (3) and by amending paragraph (1)(B) to read as follows:

“(B) \$500,000.”.

(100) (A) Part IV of subchapter A of chapter 11 is amended by striking section 2057 (and by striking the item relating to such section in the table of sections for such subpart).

(B) Paragraph (10) of section 2031(c) is amended by inserting “(as in effect before its repeal)” immediately before the period at the end thereof.

(101) Property within the United States.—Subsection (c) of section 2104 is amended by striking “With respect to estates of decedents dying after December 31, 1969, deposits” and inserting “Deposits”.

(102) Tax on employees.—Subsection (a) of section 3101 is amended by striking “the following percentages” and all that follows and inserting “6.2 percent of the wages (as defined in section 3121(a)) received by him with respect to employment (as defined in section 3121(b)).”

(103) Tax on employers.—

(A) Subsection (a) of section 3111 is amended by striking “the following percentages” and all that follows and inserting “6.2 percent of the wages (as defined in section 3121(a)) paid by him with respect to employment (as defined in section 3121(b)).”

(B) Subsection (b) of section 3111 is amended by striking “the following percentages” and all that follows and inserting “1.45 percent of the wages (as defined in section 3121(a)) paid by him with respect to employment (as defined in section 3121(b)).”

(C) Section 3111 is amended by striking subsection (d) and redesignating subsection (e) as subsection (d).

(104) Tax on employees.—Subsection (b) of section 3201 is amended to read as follows:

“(b) Tier 2 tax.—In addition to other taxes, there is hereby imposed on the income of each employee a tax equal to the percentage determined under section 3241 for any calendar year of the compensation received during such calendar year by such employee for services rendered by such employee.”

(105) Rate of tax.—Subsection (b) of section 3211 is amended to read as follows:

“(b) Tier 2 tax.—In addition to other taxes, there is hereby imposed on the income of each employee representative a tax equal to the percentage determined under section 3241 for any calendar year of the compensation received during such calendar year by such employee representative for services rendered by such employee representative.”

(106) Tax on employers.—

(A) Subsection (b) of section 3221 is amended to read as follows:

“(b) Tier 2 tax.—In addition to other taxes, there is hereby imposed on the income of each employer a tax equal to the percentage determined under section 3241 for any calendar year of the compensation paid during such calendar year by such employer for services rendered for such employer.”

(B) Section 3221 is amended by striking subsection (d) and redesignating subsection (e) as subsection (d).

(107) Employee.—Subsection (b) of section 3231 is amended by is amended by striking “; except” and all that follows and inserting a period.

(108) DEFINITION OF WAGES.—

(A) Section 3121(b) is amended by striking paragraph (17).

(B) Section 210(a) of the Social Security Act is amended by striking paragraph (17).

(109) CREDITS AGAINST TAX.—

(A) Paragraph (4) of section 3302(f) is amended—

(i) by striking “subsection—” and all that follows through “(A) IN GENERAL.—The” and inserting “subsection, the,

(ii) by striking subparagraph (B),

(iii) by redesignating clauses (i) and(ii) as subparagraphs (A) and (B), respectively, and

(iv) by moving the text of such subparagraphs (as so redesignated) 2 ems to the left.

(B) Paragraph (5) of section 3302(f) is amended by striking subparagraph

(D) and by redesignating subparagraph (E) as subparagraph (D).

(110) DOMESTIC SERVICE EMPLOYMENT TAXES.—Section 3510(b) is amended by striking paragraph (4).

(111) **Luxury Passenger Automobiles.**—Chapter 31 is amended by striking subchapter A (and by striking the item relating to such subchapter in the table of sections for such chapter).

(112) **TAX ON FUEL USED IN COMMERCIAL TRANSPORTATION ON INLAND WATERWAYS.**—Section 4042(b)(2)(A) is amended to read as follows:

“(A) The Inland Waterways Trust Fund financing rate is 20 cents per gallon.”.

(113) **TRANSPORTATION BY AIR.**—Section 4261(e) is amended—

(A) in paragraph (1) by striking subparagraph (C), and

(B) by striking paragraph (5).

(114) **TAXES ON FAILURE TO DISTRIBUTE INCOME.**—

(A) Paragraph (2) of section 4942(f) is amended by striking the semicolon at the end of subparagraph (B) and inserting “, and”, by striking “; and” at the end of subparagraph (C) and inserting a period, and by striking subparagraph (D).

(B) Subsection (g) of section 4942 is amended—

(i) by striking “For all taxable years beginning on or after January 1, 1975, subject” in paragraph (2)(A) and inserting “Subject”, and

(ii) by striking paragraph (4).

(C) Section 4942(i)(2) is amended by striking “beginning after December 31, 1969, and”.

(115) **TAXES ON TAXABLE EXPENDITURES.**—Section 4945(f) is amended by striking“(excluding therefrom any preceding taxable year which begins before January 1, 1970)”.

(116) **Definitions and special rules.**—Section 4682 is amended by striking subsection (h).

(117) **RETURNS.**—Subsection (a) of section 6039D is amended by striking “beginning after December 31, 1984,”.

(118) **INFORMATION RETURNS.**—Subsection (c) of section 6060 is amended by striking “year” and all that follows and inserting “year.”.

(119) **Collection.**--Section 6302 is amended—

(1) by striking “imposed by” and all that follows through “with respect to” in subsection (e)(2) and inserting in lieu thereof “imposed by sections 4251, 4261, or 4271 with respect to”,

(2) by striking the last sentence of subsection (f)(1), and

(3) by striking paragraph (2) of subsection (h) and by redesignating paragraphs (3) and (4) of such subsection as paragraphs (2) and (3) respectively.

(120) **ABATEMENTS.**—Section 6404(f) is amended by striking paragraph (3).

(121) **FAILURE BY CORPORATION TO PAY ESTIMATED INCOME TAX.**—Clause (i) of section 6655(g)(4)(A) is amended by striking “(or the corresponding provisions of prior law)”.

(122) **Fuel Mixtures.**--(A) Subparagraph (A) of section 6426(b)(2) is amended by striking “applicable amount is” and all that follows and inserting in lieu thereof “applicable amount is 45 cents”.

(B) Subparagraph (C) of section 6426(b)(2) is amended by striking “(A)(ii)” and inserting “(A)”.

(123) 2008 Recovery rebate for individuals—

(A) Subchapter B of chapter 65 is amended by striking section 6428 (and by striking the item relating to such section in the table of sections for such subchapter).

(B) Paragraph (4) of section 6211(b)(4) is amended by striking “, 6428”.

(124) Advance payment of portion of increased child credit for 2003.-- Subchapter B of chapter 65 is amended by striking section 6429 (and by striking the item relating to such section in the table of sections for such subchapter).

(125) RETIREMENT.—Section 7447(i)(3)(B)(ii) is amended by striking “at 4 percent per annum to December 31, 1947, and at 3 percent per annum thereafter”, and inserting “at 3 percent per annum”.

(126) ANNUITIES TO SURVIVING SPOUSES AND DEPENDENT CHILDREN OF JUDGES.—

(A) Paragraph (2) of section 7448(a) is amended by striking “or under section 1106 of the Internal Revenue Code of 1939” and by striking “or pursuant to section 1106(d) of the Internal Revenue Code of 1939”.

(B) Subsection (g) of section 7448 is amended by striking “or other than pursuant to section 1106 of the Internal Revenue Code of 1939”.

(C) Subsections (g), (j)(1), and (j)(2) of section 7448 are each amended by striking “at 4 percent per annum to December 31, 1947, and at 3 percent per annum thereafter” and inserting “at 3 percent per annum”.

(127) MERCHANT MARINE CAPITAL CONSTRUCTION FUNDS.— Paragraph (4) of section 7518(g) is amended by striking “any nonqualified withdrawal” and all that follows through “shall be determined” and inserting “any nonqualified withdrawal shall be determined”.

(128) VALUATION TABLES.—

(A) Subsection (c) of section 7520 is amended by striking paragraph (2) and by redesignating paragraph (3) as paragraph (2).

(B) Paragraph (2) of section 7520(c) of such Code, as so redesignated, is amended—

(i) by striking “Not later than December 31, 1989, the” and inserting “The”, and

(ii) by striking “thereafter” in the last sentence thereof.

(129) DEFINITION OF EMPLOYEE.—Section 7701(a)(20) is amended by striking “chapter 21” and all that follows and inserting “chapter 21.”.

(b) EFFECTIVE DATE.--

(1) GENERAL RULE.—Except as otherwise provided in paragraph (2) of this paragraph, the amendments made by this subtitle shall take effect on the date of enactment of this Act.

(2) SAVINGS PROVISION.—If—

(A) any provision amended or repealed by the amendments made by this subtitle applied to—

(i) any transaction occurring before the date of the enactment of this Act,

(ii) any property acquired before such date of enactment, or
(iii) any item of income, loss, deduction, or credit taken into
account before such date of enactment, and

(B) the treatment of such transaction, property, or item under such
provision would (without regard to the amendments or repeals made by this
subtitle) affect the liability for tax for periods ending after date of enactment,
nothing in the amendments or repeals made by this subtitle shall be construed to
affect the treatment of such transaction, property, or item for purposes of
determining liability for tax for periods ending after such date of enactment.