

[COMMITTEE PRINT]

TAX REVISION ISSUES—1976
(H.R. 10612)

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DEADWOOD

PREPARED FOR THE USE OF THE
COMMITTEE ON FINANCE
BY THE STAFF OF THE
JOINT COMMITTEE ON INTERNAL REVENUE
TAXATION



APRIL 23, 1976

U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1976

69-528

JCS-16-76

INTRODUCTION

The provisions described in this pamphlet reflect a series of changes which have been developed over a number of years as an attempt to simplify the tax laws by removing from the Internal Revenue Code those provisions which are no longer used in computing current taxes or are little used and of minor importance. These provisions have been popularly referred to as the "deadwood bill."

The "deadwood" bill has been introduced as Amendment No. 1322, adding a title II to H.R. 7727. This amendment was approved by the Finance Committee on December 18, 1975, as a committee amendment to be offered on the floor of the Senate. In a slightly different form, these provisions also appear as title XIX of H.R. 10612.

The deadwood bill would repeal almost 150 sections of the Internal Revenue Code; it would amend about 850 other sections. These provisions also contain approximately 2,370 amendments to the Code (including the repealer provisions and changes where one section of the Code would be amended several times).

This deadwood bill would delete provisions in present law which deal only with past years, situations which were initially narrowly defined and are unlikely to recur, as well as provisions which have largely, if not entirely, outlived their usefulness. In addition, several amendments would eliminate sex discrimination in the Code.

These provisions would also make simplifying changes, such as substituting the term "ordinary income" for "gain from sale or exchange of property which is not a capital asset or property described in section 1231." The term "the excess of the net long-term capital gain for the taxable year over the net short-term capital loss for such year" is replaced by "net capital gain." In another simplifying change, all references to "the Secretary or his delegate" are amended to refer only to "the Secretary" (which term will include his delegates), except where an act or regulation is required to be done or issued by the Secretary of the Treasury personally, in which case the code will refer specifically to "the Secretary of the Treasury."

While these provisions are an attempt to simplify the code by deleting "deadwood," they do not attempt to achieve simplification through substantive changes in present law.

Following is a section-by-section explanation of the deadwood provisions.

**PART I—AMENDMENTS OF INTERNAL REVENUE
CODE GENERALLY**

SEC. 200 (AMENDMENT OF 1954 CODE)

This section of the bill eliminates the need for repeated references to the Internal Revenue Code of 1954 in this bill by providing that, when the bill refers to an amendment or repeal of a section or other provision, that is to be considered an amendment or repeal of a section or other provision of the Internal Revenue Code.

SEC. 201. AMENDMENTS TO SUBTITLE A; INCOME TAXES

Chapter 1. Normal Taxes and Surtaxes

Subchapter A. Determination of tax liability

Sec. 201(a)(1) (amends sec. 2 of the Code)—definitions and special rules

This amendment makes it easier to read a provision relating to the tax status of certain married individuals living apart.

Sec. 201(a)(2) (amends sec. 11 of the Code)—surtax on corporations

This amendment strikes out a reference to the surtax applicable to corporations for taxable years beginning before 1965.

Sec. 201(a)(3) (repeals sec. 35 of the Code)—partially tax-exempt interest received by individuals

This amendment repeals section 35 of the Code (relating to partially tax-exempt interest received by individuals), because there are no longer any outstanding Federal obligations producing interest which is partially tax-exempt under that section.

Section 242 of the Code, relating to such interest received by corporations, is repealed by section 201(a)(32) of the bill. Appropriate conforming amendments striking out references to Code sections 35 and 242 and to partially tax-exempt interest in other Code sections are also made by the bill.

Sec. 201(a)(4) (amends sec. 37 of Code)—retirement income credit

This amendment strikes out a provision allowing a credit for retirement income at a special percentage rate in the case of a taxable year beginning in 1964. If there is an individual whose 1964 tax year is open, the higher percentage for that year would be preserved to that person because the effective date of the deadwood amendments would not reach back retroactively to foreclose that person's right to that higher 1964 rate.

Sec. 201(a)(5) (amends sec. 39 of the Code)—credit for taxes paid on gasoline, special fuels, and lubricating oil

These amendments strike out a transitional rule for the years 1965, 1966, and 1967 and conform the last sentence in Code section 39 to an amendment made by section 206(a)(32)(B) of the bill.

Sec. 201(a)(6) (amends sec. 46 of the Code)—investment credit

Subparagraph (A) corrects a clerical error in the Employee Retirement Income Security Act of 1974 ("ERISA"). Subparagraphs (B) and (C) strike out special provisions which applied to an unused investment credit carryback to a taxable year beginning before 1962. Subparagraph (D) changes a citation to conform with current practice.

Sec. 201(a)(7) (amends sec. 48 of the Code)—definitions and special rules

These amendments change citations to conform with current practice.

Sec. 201(a)(8) (amends sec. 50A of the Code)—work incentive credit

This amendment corrects a clerical error in ERISA.

Sec. 201(a)(9) (repeals sec. 51 of the Code)—tax surcharge

This amendment repeals tax surcharge provisions applicable to 1968, 1969, and 1970.

Sec. 201(a)(10) (amends sec. 56 of the Code)—carryovers of minimum tax

This provision corrects a clerical error.

Sec. 201(a)(11) (amends sec. 57 of the Code)—tax preference of excess investment interest for tax years before January 1, 1972

These amendments eliminate the treatment of excess investment interest as a tax preference item for tax years beginning before January 1, 1972. These provisions are now obsolete. The provisions of section 163(d) of the Code replaced these provisions for subsequent tax years. Because the effective date of the amendments made by this title of the bill do not operate retroactively, the provisions of section 57 as in effect for tax years beginning before January 1, 1972, would continue to control in those taxable years.

Subchapter B. Computation of taxable income

Sec. 201(a)(12) (amends sec. 62 of the Code)—penalties for early withdrawal of funds from certain savings accounts

Section 62 contains two paragraphs numbered (11). In 1974, Public Law 93-483 added to section 62 a new paragraph (11) (allowing a deduction from gross income for interest "penalties" incurred upon early withdrawals from time savings accounts or deposits). A few months earlier, ERISA had also added a new paragraph (11) (pertaining to lump sum distributions from certain pension plans). Subparagraph (A) of the present bill redesignates the paragraph added by Public Law 93-483 as paragraph (12).

Subparagraph (B) corrects a clerical error in the paragraph redesignated as paragraph (12).

Sec. 201(a)(13) (adds secs. 64 and 65 to the Code)—definitions of ordinary income and ordinary loss

This paragraph adds two new sections to the Code. Both new sections are intended to replace the cumbersome and lengthy terminology of present law which describes certain gains from sales or exchanges

of property which do not qualify as capital gains. Many provisions of present law describe these gains (or losses) as: "gain (or loss) from the sale or exchange of property which is not a capital asset or property described in section 1231(b)."

For such language, the bill substitutes shorter terms: "ordinary income" and "ordinary loss".

"Ordinary income" is defined as including "any gain from the sale or exchange of property only if such property is neither a capital asset nor property described in section 1231(b)." "Ordinary loss" is defined as including "any loss from the sale or exchange of property only if such property is not a capital asset." Gains and losses described in present law as "deemed" or "considered" to be "gain (or loss) from the sale or exchange of property which is not a capital asset," etc., or gains and losses described with similar terms, are also to be treated as ordinary income or ordinary loss.

Sec. 201(a)(14) (amends sec. 72 of the Code)—annuities; certain proceeds of endowment and life insurance contracts

Subparagraph (A) strikes out an internal effective date (January 1, 1954) and a reference to prior laws no longer needed. Subparagraph (B) corrects a clerical error in ERISA.

Sec. 201(a)(15) (repeals sec. 76 of the Code)—mortgages made or obligations issued by joint-stock land banks

This amendment repeals an obsolete provision relating to the taxation of income (except interest) from joint-stock land bank mortgages or obligations. Joint-stock land banks have not been permitted to make new loans after May 12, 1933, and it is understood that there are no joint-stock land bank mortgages or obligations currently outstanding.

Sec. 201(a)(16) (amends sec. 83 of the Code)—property transferred in connection with performance of services

This amendment strikes out an internal effective date ("30 days after the date of the enactment of the Tax Reform Act of 1969") relating to a date by which a certain election could be made.

Sec. 201(a)(17) (amends sec. 101 of the Code)—certain death benefits

This amendment strikes out an internal effective date.

Sec. 201(a)(18) (amends sec. 103 of the Code)—interest on certain governmental obligations

These amendments strike out provisions relating to the tax-exempt status of interest on United States obligations, since there are no outstanding obligations of the United States or of any United States instrumentality which pay interest that is exempt from tax under this section. Also, the list of cross references in section 103(e) of the Code is updated.

Sec. 201(a)(19) (amends sec. 104 of the Code)—compensation for injuries or sickness

This amendment makes conforming changes in citations to other titles of the United States Code.

Sec. 201(a)(20) (amends sec. 115 of the Code)—income of States, municipalities, etc.

This amendment repeals subsections (b) and (c) relating to certain contracts entered into before September 8, 1916, and May 29, 1928 (relating to certain public utilities and certain bridge acquisitions, respectively), since it appears that no such contracts are still in effect.

Sec. 201(a)(21) (amends sec. 116 of the Code)—partial exclusion of dividends received by individuals

This amendment strikes out an internal effective date.

Sec. 201(a)(22) (amends sec. 124 of the Code)—cross references to other Acts.

This amendment updates a list of cross references to other Acts.

Sec. 201(a)(23) (amends sec. 143 of the Code)—determination of marital status

This amendment makes section 143 (relating to determination of marital status) applicable for purposes of part V (deductions for personal exemptions) of subchapter B, as well as for purposes of part IV (standard deduction) of that subchapter. As a result of this amendment, section 153 becomes redundant and is repealed by section 201(b)(7)(A)(i) of the bill.

Sec. 201(a)(24) (amends sec. 151 of the Code)—allowance of deductions for personal exemptions

This amendment replaces the definition of “educational institution” with a cross reference to a similar definition in section 170(b)(1)(A)(ii). This consolidates in one section the definition of an “educational organization.” The bill makes conforming amendments to 12 other Code sections to reflect this change. (Note that an educational organization described in clause (ii) of section 170(b)(1)(A) may be a private, for-profit school. However, even though such a school could satisfy the requirements of the dependency provisions (relating to full-time students), it could not be an eligible donee of deductible charitable contributions, because it could not satisfy the requirements of any of the paragraphs of subsection (c) of section 170.)

Sec. 201(a)(25) (amends sec. 152 of the Code)—definition of dependent

Subparagraph (A) deletes the “sick cousin rule,” which includes as dependents certain distant relatives receiving institutional care who previously had resided with the taxpayer. This provision was added to the Code to cover an unusual situation unlikely to recur.

Subparagraph (B) eliminates another provision allowing dependency deductions under two rarely used rules. Under one of these rules, a child residing in the Philippine Islands qualifies as a dependent if he was born to, or adopted by, the taxpayer in the Philippines before January 1, 1956, if the taxpayer was then a member of the U.S.

Armed Forces. Under the other rule, a resident of the Canal Zone or Panama may be claimed as a dependent although he is not a citizen or national of the United States.

Sec. 201 (a) (26) (amends sec. 164 of the Code)—deduction for taxes

These amendments strike out an effective date provision (sales after December 31, 1953) and an obsolete transitional rule, both of which relate to the apportionment of taxes on real property between seller and purchaser.

Sec. 201 (a) (27) (amends sec. 165 of the Code)—losses

These amendments strike out the provision that treats Cuban expropriation losses of individuals on personal-use assets as casualty losses, since this provision applies only to losses sustained before January 1, 1964.

Sec. 201 (a) (28) (amends sec. 167 of the Code)—depreciation

Subparagraph (A) substitutes "August 16, 1954," for "the date of enactment of this title" as the effective date of a provision.

Subparagraph (B) deletes transitional rules for a change in the method of depreciation with respect to section 1245 property (applicable to the first taxable year beginning after December 31, 1962).

Subparagraph (C) substitutes "October 16, 1962" for "the date of enactment of the Revenue Act of 1962" as the effective date of a provision.

Subparagraph (D) substitutes the exact date ("before June 29, 1970,") for "within 180 days after the date of enactment of this subparagraph," as the date by which an election must have been made under a provision.

Sec. 201 (a) (29) (amends sec. 170 of the Code)—charitable, etc., contributions and gifts

Subparagraph (A) strikes out the unlimited deduction for charitable contributions, which, by its own terms, expires for taxable years beginning after December 31, 1974.

Subparagraph (B) deletes a special percentage rate by which excess charitable contributions from a contribution year beginning before January 1, 1970, could be carried over to subsequent taxable years.

Subparagraphs (C) and (D) eliminate an unnecessary citation and bring up to date statutory citations in the cross references at the end of section 170.

Sec. 201 (a) (30) (amends sec. 172 of the Code)—net operating loss deduction

Subparagraph (A) deletes the special five year loss carryback permitted to American Motors Corporation in 1967 (sec. 172(b)(1)(E)), which has now expired by its own terms.

Subparagraph (B) strikes out an obsolete effective date provision (taxable years ending after December 31, 1953), relating to the definition of net operating loss.

Subparagraphs (C) and (E) delete obsolete transitional rules for 1953 and 1954, for 1957 and 1958, and for 1955 and 1956. Subparagraph (D) deletes a reference to the date of January 1, 1954, which is no longer necessary.

Sec. 201(a)(31) (amends sec. 174 and 175 of the Code)—research and experimental expenditures and soil and water conservation expenditures

These amendments delete “the date on which this title is enacted” and substitute the exact date, August 16, 1954.

Sec. 201(a)(32) (repeals sec. 242 of the Code)—partially tax-exempt interest received by corporations

Section 242 of the Code is repealed because there are no longer any outstanding Federal obligations that pay interest that is partially exempt from income tax under that section. (See the corresponding repeal of sec. 35 of the Code, by sec. 201(a)(3) of the bill.)

Sec. 201(a)(33) (amends sec. 243 of the Code)—dividends received by corporations

Subparagraph (A) adds a citation to the Investment Act of 1958.

Subparagraph (B) strikes out a parenthetical clause which applies only in certain cases in which the taxable year of a member corporation in an affiliated group began in 1963 and ended in 1964.

Sec. 201(a)(34) (amends sec. 247 of the Code)—dividends paid on certain preferred stock of public utilities

This provision revises section 247(b)(2) of the Code (defining preferred stock) to make it easier to read. The substance of the definition is unchanged.

Sec. 201(a)(35) (amends sec. 248 of the Code)—organizational expenditures

This amendment substitutes “August 16, 1954” for “the date of enactment of this title” as the effective date of this provision.

Sec. 201(a)(36) (amends sec. 265 of the Code)—expenses and interest relating to tax-exempt income

This amendment strikes out an obsolete reference to tax-exempt interest from obligations of the United States issued after September 24, 1917, and originally subscribed for by the taxpayer. No such obligations paying tax-exempt interest are outstanding.

Sec. 201(a)(37) (amends sec. 269 of the Code)—acquisitions made to evade or avoid income tax

This amendment repeals the presumption of a tax avoidance purpose in certain cases where the consideration paid for stock or assets of a corporation is disproportionate to the total of the adjusted basis of the assets of the acquired corporation plus the amount of tax benefits obtained through the acquisition (sec. 269(c)).

This presumption seems to be contrary to the purpose of the provision; i.e., usually tax avoidance motives would be more apt to be present where the value of “tax benefits” was paid for, than they would be where the “tax benefits” were not given weight. Moreover, under general tax litigation principles, the Commissioner’s determination of a tax avoidance motive is presumptively correct and the burden of proof is already on the taxpayer.

Sec. 201(a)(38) (amends sec. 275 of the Code)—nondeductible taxes

This amendment deletes the obsolete reference to corresponding provisions of prior, i.e., pre-1954 Code, laws in the provision denying a deduction for income tax withheld from wages.

Sec. 201(a)(39) (amends sec. 278 of the Code)—capital expenditures incurred in planting and developing citrus and almond groves

Under present law, expenses of planting, cultivating, maintaining, or developing a citrus or almond grove, and which are incurred during the first four years of the planting of the grove, must be capitalized (rather than deducted as paid on the cash method of accounting). Exceptions to this rule are provided (1) for a grove replanted after a casualty loss, and (2) for a grove planted or replanted before December 30, 1969, in the case of a citrus grove, or before December 30, 1970, in the case of an almond grove.

The amendment removes the second of these exceptions as no longer needed (since the four-year period has now expired in those cases).

Sec. 201(a)(40) (amends sec. 281 of the Code)—terminal railroad corporations

Subparagraph (A) inserts a citation to the Interstate Commerce Act.

Subparagraph (B) strikes a transitional provision applicable to taxable years ending before October 23, 1962.

Subchapter C. Corporate distributions and adjustments

Sec. 201(a)(41) (amends sec. 301 of the Code)—corporate distributions

This provision repeals section 301(e) of the Code, which relates to distributions out of certain earnings and profits by corporations which were classified as personal service corporations under the Revenue Acts of 1918 or 1921. It is not believed that there are any such corporations that have not already distributed the earnings and profits to which this section applies.

Sec. 201(a)(42) (amends sec. 311 of the Code)—taxability of corporation on distribution

Subparagraph (A) corrects a clerical error in subsection (d)(1) which occurred in 1969 when the two words "a gain" were erroneously printed as "again".

Subparagraph (B) strikes out one of the exceptions to the general rule of subsection (d)(1) requiring recognition of gain at the corporate level on a redemption distribution of appreciated property. The deleted exception relates to certain distributions required to be made before December 1, 1974.

Subparagraph (C) strikes out two unnecessary statutes-at-large citations.

Sec. 201(a)(43) (amends sec. 312 of the Code)—effect of distributions on earnings and profits

Subparagraph (A) makes two clerical corrections in replacing references to "this Code" with references to "this title."

Subparagraph (B) deletes a subsection providing rules for computing earnings and profits with respect to distributions by personal service corporations under the 1939 code. Since earnings and profits adjustments for a taxable year are based on the law applicable to that year, this amendment does not affect the current taxable year and future years.

Subparagraphs (C) and (D) strike out effective dates that do not apply to current taxable years.

Sec. 201(a)(44) (amends sec. 333 of the Code)—election as to recognition of gain in certain liquidations

This amendment strikes out an obsolete effective date provision (June 22, 1954) relating to adoption of a plan of liquidation of a corporation.

Sec. 201(a)(45) (amends sec. 334 of the Code)—basis of property received in liquidations

This amendment deletes an obsolete effective date provision (June 22, 1954) relating to adoption of a plan of corporate liquidation.

Sec. 201(a)(46) (amends sec. 337 of the Code)—gain or loss on sales or exchanges in connection with certain liquidations

These amendments delete obsolete effective date provisions (June 22, 1954, and January 1, 1958) relating to adoption of a plan of corporate liquidation.

Sec. 201(a)(47) (repeals sec. 342 of the Code)—liquidation of certain foreign personal holding companies

This amendment repeals the provision taxing, as short-term capital gain, gain on the liquidation of certain corporations that were foreign personal holding companies in 1937. The corporations affected by this provision were given a chance to liquidate at long-term capital gain rates for a period after this provision was enacted, and again in 1954 through 1956. Moreover, the rule does not apply to sales of stock, and long-term capital gain rates could be obtained by selling the stock rather than liquidating the corporation. It seems likely that the provision will rarely, if ever, be applied, and therefore is deleted as unimportant and rarely used.

Sec. 201(a)(48) (amends sec. 351 of the Code)—transfer to controlled corporations

These amendments strike out an obsolete effective date (June 30, 1967) and a transitional rule. They also make explicit the rule of present law that a transfer to an investment company (a so-called "swap fund") is not accorded tax-free exchange treatment under section 351.

Sec. 201(a)(49) (repeals sec. 363 of the Code)—effect on earnings and profits

This provision repeals an unnecessary cross reference provision relating to the effect on earnings and profits of corporate organizations and reorganizations.

Sec. 201(a)(50) (amends sec. 371 of the Code)—reorganization in certain receivership and bankruptcy proceedings

These amendments strike out unnecessary citation references and insert a citation to the U.S. Code.

Sec. 201(a)(51) (amends sec. 372 of the Code)—basis in connection with certain receivership and bankruptcy proceedings

This amendment strikes out an unnecessary citation reference to the Statutes at Large.

Sec. 201(a)(52) (repeals sec. 373 of the Code)—loss not recognized in certain railroad reorganizations

This provision repeals the provisions for nonrecognition of loss on transfers made before August 1, 1955, in certain railroad reorganizations, pursuant to a court order. The related basis provisions are moved to section 374(b) of the Code by section 201(b)(12)(B) of the bill.

Sec. 201(a)(53) (amends sec. 374 of the Code)—gain or loss not recognized in certain railroad reorganizations

This amendment revises a citation to the Bankruptcy Act to conform to current practice.

Sec. 201(a)(54) (amends sec. 381 of the Code)—carryovers in certain corporate acquisitions

This amendment deletes an obsolete provision dealing with the deduction by the acquiring corporation of contributions to a pension plan made by its wholly-owned subsidiary whose assets were acquired in a liquidation subject to the 1939 Code.

Sec. 201(a)(55) (repeals secs. 391 through 395 of the Code)—effective date of subchapter C

This section strikes out the effective date provisions of subchapter C of chapter 1 of subtitle A. These provisions are not needed for transactions occurring after the effective date of the repeal (i.e., taxable years beginning after December 31, 1975).

Subchapter D. Deferred compensation, etc.

Sec. 201(a)(56) (amends sec. 401 of the Code)—relating to requirements for qualification of certain retirement plans

Subparagraphs (A), (B), and (C) replace references to “the date of enactment of the Employee Retirement Income Security Act of 1974” or to “enactment of the Employee Retirement Income Security Act of 1974” with that date of enactment (September 2, 1974). Subparagraph (D) corrects an error in margination.

Sec. 201(a)(57) (amends sec. 402 of the Code)—taxability of beneficiary of employees’ trust

Subparagraph (A) replaces an obsolete citation and it replaces four references to “basic salary” by references to “basic pay”, in conforming Code provisions relating to Civil Service retirement laws to changes in those laws made by Public Law 89-554 in 1966.

Subparagraph (B) deletes from the Code subsection (d) of section 402, an obsolete provision pertaining to certain trust agreements made before October 21, 1942.

Subparagraph (C) amends section 402(e)(4)(A) to make clear the intent of Congress in enacting the Employee Retirement Income Security Act of 1974 that the distribution of an annuity contract is not in and of itself to be treated as a taxable lump sum distribution, although the value of the contract can affect the amount of tax imposed on account of distributions of other property. This amendment is made retroactive to the effective date of the lump sum distribution taxation provisions of the 1974 Act.

Sec. 201(a)(58) (amends sec. 403 of the Code)—rollover of employee annuities

This provision corrects an error in margination made in ERISA.

Sec. 201(a)(59) (amends sec. 404 of the Code)—certain deductions for contributions to a pension plan

This provision repeals section 404(d), which permits limited carryovers of certain pension plan contribution deductions from 1939 Code years to 1954 Code years if the carryover deductions would have been allowable if the 1939 Code provisions had remained in effect. It is believed that any such eligible carryovers have by now been used or lost.

Sec. 201(a)(60) (amends sec. 410 of the Code)—minimum participation standards

Subparagraph (A) is a clerical amendment to conform to current drafting style. Subparagraph (B) substitutes "September 2, 1974," for "the date of enactment of the Employee Retirement Income Security Act of 1974". Subparagraph (C) substitutes "September 1, 1974" for "the day before the date of the enactment of this section".

Sec. 201(a)(61) (amends sec. 411 of the Code)—minimum vesting standards

Subparagraph (A) makes a change in wording to conform to current drafting style. Subparagraph (B) in three places substitutes September 2, 1974, for references to the date of enactment of ERISA. Subparagraph (C) corrects a typographical error in a heading. Subparagraph (D) also twice substitutes September 2, 1974, for references to the date of enactment of ERISA. Subparagraph (E) substitutes "September 1, 1974" for a reference to the day before the date of enactment of ERISA.

Sec. 201(a)(62) (amends sec. 412 of the Code)—minimum funding standards

Subparagraph (A) substitutes "September 1, 1974" for a reference to the day before the date of enactment of ERISA. Subparagraph (B) substitutes "September 2, 1974" for a reference to the date of enactment of ERISA.

Sec. 201(a)(63) (amends sec. 414 of the Code)—definitions and special rules

This amendment substitutes "September 2, 1974" for a reference to the date of enactment of ERISA.

Sec. 201(a)(64) (amends sec. 415 of the Code)—limitations on benefits and contribution under qualified plans

These amendments correct clerical errors in ERISA.

Subchapter E. Accounting periods and methods of accounting

Sec. 201(a)(65) (amends sec. 453 of the Code)—installment method

Subparagraph (A) is a clerical amendment substituting a reference to the 1954 Code for an erroneous reference to the 1939 Code.

Subparagraph (B) corrects a grammatical error by striking the words "or section" which improperly appear in a list of Code sections.

Sec. 201(a)(66) (amends sec. 455 of the Code)—prepaid subscription income

This amendment strikes out an obsolete effective date provision (taxable years beginning after December 31, 1957) relating to an election to have section 455 of the Code apply to certain prepaid subscription income of the taxpayer.

Sec. 201(a)(67) (amends sec. 456 of the Code)—prepaid dues income of certain membership organizations

This amendment deletes an obsolete effective date provision (taxable years beginning after December 31, 1960) relating to an election to have section 456 of the Code apply to certain prepaid dues income of the taxpayer.

Sec. 201(a)(68) (amends sec. 461 of the Code)—general rule for taxable year of deduction

Subparagraph (A) deletes the obsolete transitional rule relating to deduction by an accrual basis taxpayer of real property taxes deductible under the Internal Revenue Code of 1939 or deductible for the taxpayer's first taxable year which began after December 31, 1953.

Subparagraph (B) deletes an obsolete effective date provision (taxable years beginning after December 31, 1953) relating to an election with respect to the deduction of real property taxes by a taxpayer using an accrual method of accounting.

Sec. 201(a)(69) (amends sec. 481 of the Code)—adjustments required by changes in method of accounting

These amendments delete special provisions which provide that certain adjustments attributable to pre-1954 Code years resulting from a change in method of accounting be taken into account over a 10-year period beginning with the year of change. These provisions do not apply with respect to changes in methods of accounting made in taxable years beginning after December 31, 1963, and are therefore obsolete.

Sec. 201(a)(70) (amends sec. 508 of the Code)—special rules for certain exempt organizations

Subparagraph (A) strikes provisions stating that the time for new organizations to give the required notice to the Secretary regarding section 501(c)(3) status and private foundation status shall not expire before the 90th day after the day on which regulations first prescribed under section 508 (a) and (b) become final. Those regulations became final on December 21, 1972.

Subparagraph (B) deletes a special rule for private foundations organized before January 1, 1970. This rule applies to taxable years beginning before January 1, 1972. Subparagraph (C) is a conforming amendment to the changes made by subparagraph (B).

Sec. 201(a)(71) (amends sec. 514 of the Code)—unrelated debt-financed income

Subparagraph (A) strikes out a transitional rule that applied to taxable years beginning before January 1, 1972.

Subparagraph (B) strikes out the lengthy definitions of “business lease” and “business lease indebtedness”. These definitions are needed only in connection with a rule of limited application set forth in section 514(b)(3)(C)(iii) and in the rule deleted by subparagraph (A). These definitions are replaced in subparagraph (C) with an appropriate reference to prior law.

Subparagraph (D) strikes the term “premises” from a definitional section because that term is no longer used in section 514.

Subchapter G. Corporations used to avoid income tax on shareholders

Sec. 201(a)(72) (amends sec. 534 of the Code)—burden of proof with respect to the accumulated earnings tax

These amendments delete the obsolete transitional rules providing for the retroactive application of the 1954 Code burden of proof requirement with respect to the accumulated earnings tax to proceedings involving 1939 Code years.

Sec. 201(a)(73) (amends sec. 535 of the Code)—accumulated taxable income

This amendment strikes out a reference to 1939 Code excess profits taxes that have been repealed.

Sec. 201(a)(74) (amends sec. 537 of the Code)—reasonable needs of the business

These amendments strike out an internal effective date provision (May 26, 1969) relating to the definition of excess business holdings redemption needs.

Sec. 201(a)(75) (amends sec. 542 of the Code)—definition of personal holding company

Subparagraph (A) strikes out a provision that prevents certain exempt organizations from being treated as individuals for purposes of the personal holding company definition. The provision applies only if the organization owned all of the corporation’s common stock and 80 percent of its other stock at all times on or after July 1, 1950. It is likely that these corporations have been liquidated since 1955, when this provision was enacted, because income from investments would be taxable if held in such a corporation but would be tax-free if held by the exempt organization directly.

Subparagraph (B) amends a provision limiting the ability of a consolidated group to compute its personal holding company tax on a consolidated basis. The amendment strikes out an exception for groups of railroad corporations that would be eligible to file a consolidated return under the provisions of the 1939 Code before its amendment in 1942. It appears that this exception is no longer needed, since it would apply only to a group of railroad corporations that files consolidated returns and meets the five-or-fewer-shareholders test.

Subparagraph (C) amends a cross reference to conform to the amendment of section 7701(a)(19) by the Tax Reform Act of 1969.

Subparagraph (D) adds a U.S. Code citation to conform to current practice.

Sec. 201(a)(76) (amends sec. 545 of the Code)—undistributed personal holding company income

Subparagraph (A) strikes out a reference to repealed 1939 excess profits taxes. It also eliminates a provision permitting a personal holding company that deducted taxes on the cash basis during 1939 Code years to continue to do so until it makes an irrevocable election to use the accrual basis. It seems unlikely that a significant number of companies have not elected to accelerate their deductions by using the accrual basis.

Subparagraph (B) strikes out a provision allowing the deduction of amounts used or set aside to retire indebtedness incurred before 1934. It seems likely that virtually all of this indebtedness has now been retired.

Subparagraph (C) strikes out "the date of enactment of this subsection" in section 545(c)(2)(A) and substitutes the exact date (February 26, 1964).

Sec. 201(a)(77) (amends sec. 547 of the Code)—deduction for deficiency dividends

This amendment deletes a 1954 Code effective date provision that is no longer needed.

Sec. 201(a)(78) (amends sec. 551 of the Code)—foreign personal holding companies

This clerical amendment inserts a word ("income") erroneously omitted from this section.

Sec. 201(a)(79) (amends sec. 556 of the Code)—undistributed foreign personal holding company income

This amendment deletes a reference to 1939 Code excess profits taxes that have been repealed.

Sec. 201(a)(80) (amends sec. 564 of the Code)—dividend carryover

This amendment strikes out a transitional provision relating to dividend carryovers from pre-1954 Code years for purposes of computing the dividends paid deduction of a personal holding company.

Subchapter H. Banking institutions

Sec. 201(a)(81) (repeals sec. 583 of the Code)—deductions of dividends paid on certain preferred stock

This amendment strikes out provisions relating to deductions of dividends paid on certain preferred stock by banks or trust companies. It appears that none of this stock is now outstanding and that these provisions are no longer needed.

Sec. 201(a)(82) (repeals sec. 592 of the Code)—deduction for repayment of certain loans

This paragraph repeals the provision allowing certain mutual savings banks to deduct certain repayments of pre-September 1, 1951, loans. All the loans described in the section have been repaid and therefore the provision is no longer applicable.

Sec. 201(a)(83) (amends sec. 593 of the Code)—reserves for losses on loans

Subparagraph (A) strikes out the applicable percentages to be used by mutual savings banks in computing the addition to reserves for bad debts under the percentage of taxable income method for years 1969 through 1975.

Subparagraph (B) deletes the obsolete portions of paragraphs (2) through (5) of section 593(c), which deal with the required allocation of the bad debts reserves of mutual savings banks on December 31, 1962.

Subparagraphs (C) and (D) strike out a transitional rule for a taxable year beginning in 1962 and ending in 1963 that deals with the treatment of bad debts reserves of mutual savings banks and make an internal conforming change.

Sec. 201(a)(84) (repeals sec. 601 of the Code)—special deduction for bank affiliates

This paragraph repeals a special deduction allowed bank affiliates in computing the accumulated earnings tax and the personal holding company tax. The deduction is for the amount of earnings and profits required to be invested in a reserve of readily marketable assets under the Banking Act of 1933. This requirement was eliminated in 1966, and there is now no requirement that such a reserve be maintained.

Subchapter I. Natural resources

Sec. 201(a)(85) (amends sec. 613A of the Code)—depletion for oil and natural gas from secondary or tertiary processes

Subparagraph (A) eliminates a reference to a subparagraph of the Code that was deleted by Public Law 94-12, the Tax Reduction Act of 1975 (sec. 613(b)(1)(A) of the Code). The present section 613(b)(1)(A) was, prior to that act, section 613(b)(1)(B).

Subparagraph (B) also corrects a clerical error in that act.

Sec. 201(a)(86) (amends sec. 614 of the Code)—definition of property

These amendments strike out complex and seldom used provisions relating to recapture of taxes saved by delaying an election to aggregate mineral properties from the date of first exploration to the date of development of the mine.

Sec. 201(a)(87) (repeals sec. 615 of the Code)—pre-1970 exploration expenditures

This amendment repeals section 615 of the Code, which provided a deduction for certain mineral exploration expenditures paid or incurred before January 1, 1970. Although a taxpayer could elect under section 615(b) to defer the deduction of such pre-1970 expenditures until the units of produced ores or minerals discovered by reason of such expenditures were sold, it is believed that no such elections are in effect.

Conforming amendments include the addition of a new subsection (i) to section 617 of the Code. This new subsection (i) preserves the rules (formerly set forth in section 615(g)(2)), which provide that amounts deducted under section 615 with respect to mineral property

by the transferor of such property will be subject to recapture by the transferee in certain circumstances under section 617.

Sec. 201(a)(88) Amends sec. 617 of the Code—deduction and recapture of certain mining exploration expenditures

This amendment strikes out a provision allowing the revocation without consent of an election if the revocation was made within 3 months after the month in which final regulations were published under section 617(a) of the Code. Such regulations were published on June 30, 1972, so this provision is no longer needed.

Sec. 201(a)(89) (repeals sec. 632 of the Code)—maximum tax on sales of certain oil or gas properties

This amendment strikes out a provision (sec. 632) which limits to 32 percent the tax on sales of oil or gas properties the principal value of which has been demonstrated by prospecting or discovery done by the taxpayer himself. To qualify, the taxpayer must be an individual, not a corporation.

This provision was enacted in 1918 to encourage oil and gas development and to lower the tax rate on such a sale in view of the years that might be consumed in discovery work prior to such a sale. This provision was deleted in 1934, but reinstated in 1936 to encourage individuals in competition with corporations and because Congress believed that the 1934 deletion had discouraged sales of such properties.

Before 1969 this section was probably seldom used because the 25-percent alternative capital gain rate was lower than the maximum tax rate under section 632. In the Tax Reform Act of 1969, Congress increased the maximum capital gain tax rate for individuals to 35 percent. Congress did not then intend to create a preference rate which is less than the general maximum capital gain rate.

Subchapter J. Estates, trusts, beneficiaries, and decedents

Sec. 201(a)(90) (repeals sec. 683 of the Code)—application of part I of estate and trust provisions

This provision repeals the obsolete effective date provisions for part I of subchapter J of chapter 1.

Sec. 201(a)(91) (amends sec. 691 of the Code)—income in respect of decedents

This amendment strikes out a reference to an obsolete effective date provision (sec. 683 of the Code) which is repealed by section 201(a)(90) of the bill.

Sec. 201(a)(92) (amends sec. 692 of the Code)—members of the Armed Forces dying during an induction period

This is a clerical amendment changing "on" to "of" in the heading of the section.

Subchapter K. Partners and partnerships

Sec. 201(a)(93) (amends sec. 751 of the Code)—properties to be treated as unrealized receivables.

This amendment eliminates a clerical error which retained an unnecessary word ("or") in a listing of Code sections.

Sec. 201(a)(94) (repeals sec. 771 of the Code)—effective date provision of subchapter K

This provision deletes the obsolete effective date provisions (generally, December 31, 1954) for subchapter K of chapter 1 (relating to partners and partnerships). The repeal of Code section 771(b)(1) (relating to adoption of taxable year) does not require any existing partner or partnership to change to a different taxable year or change his (or its) manner of reporting income. Thus, for example, if an existing partnership adopted a fiscal year beginning before April 2, 1954, and an individual who subsequently becomes a principal partner in that partnership adopts a taxable year that is different from that of the partnership, the repeal of section 771(b)(1) by the bill does not require either the principal partner or that partnership to change to the taxable year of the other.

Subchapter L. Insurance companies

Sec. 201(a)(95) (amends sec. 802 of the Code)—tax on life insurance companies

Subparagraph (A) deletes an obsolete effective date provision (taxable years beginning after December 31, 1957) relating to the imposition of tax on a life insurance company.

Subparagraph (B) deletes an obsolete effective date provision (taxable years beginning after December 31, 1961) relating to the alternative tax in the case of capital gains of a life insurance company.

Subparagraph (C) deletes an obsolete special rule for computing the tax for a taxable year of a life insurance company beginning in 1959 or 1960.

Sec. 201(a)(96) (amends sec. 804 of the Code)—taxable investment income

Subparagraph (A) strikes out a special rule which, in effect, provides for any adjustment necessary to prevent a life insurance company from being taxed on tax-exempt interest or dividends qualifying for a dividends received deduction. This special rule is surplusage because the basic life insurance company tax provisions have been held to prevent the imposition of tax on these items.

Subparagraph (B) strikes out an internal effective date provision (taxable years beginning after December 31, 1958) relating to the computation of life insurance company gross investment income.

Sec. 201(a)(97) (amends sec. 805 of the Code)—policy and other contract liability requirements

Subparagraph (A) strikes out an obsolete provision pertaining to the earnings rate of life insurance companies for taxable years beginning before January 1, 1958.

Subparagraph (B) strikes out a parenthetical clause which provides that the adjusted basis of certain assets which a life insurance company must take into account in computing its taxable income is determined without regard to the fair market value of the assets on December 31, 1958. This clause was surplusage when enacted and continues to be surplusage since the adjusted basis of these assets is not affected by their fair market value on December 31, 1958.

Subparagraph (C) strikes out transitional rules, relating to the amount taken into account as pension plan reserves, for taxable years beginning after December 31, 1957, and before January 1, 1961.

Sec. 201(a)(98) (amends sec. 809 of the Code)—gain and loss from operations

Subparagraph (A) strikes out a special rule which, in effect, provides for any adjustments necessary to prevent a life insurance company from being taxed on tax-exempt interest or dividends qualifying for a dividends received deduction. This special rule is surplusage because the basic life insurance company tax provisions have been held to prevent the imposition of tax on these items.

Subparagraphs (B) and (C) strike out obsolete provisions relating to certain deductions for distributions made during the period 1958 through 1962.

Sec. 201(a)(99) (amends sec. 812 of the Code)—operations loss deduction

This amendment strikes out obsolete transitional rules relating to years before 1958 to which operating losses of a life insurance company could be carried. An obsolete internal effective date (taxable years beginning after December 31, 1958) is also deleted.

Sec. 201(a)(100) (amends sec. 817 of the Code)—rules relating to certain gains and losses

These amendments strike out special rules relating to capital losses of life insurance companies incurred in taxable years beginning before January 1, 1959, and reinsurance transactions of life insurance companies occurring in 1958.

Sec. 201(a)(101) (amends sec. 818 of the Code)—accounting provisions

This amendment deletes transitional rules applicable to changes in a life insurance company's method of accounting from its taxable year 1957 to its taxable year 1958.

Sec. 201(a)(102) (amends sec. 819 of the Code)—foreign life insurance companies

Subparagraph (A) strikes out a transitional rule for taxable years beginning before January 1, 1959.

Subparagraphs (B) and (C) make internal conforming amendments.

Sec. 201(a)(103) (amends sec. 820 of the Code)—optional treatment of certain reinsurance policies

These amendments delete an obsolete provision relating to a life insurance company's treatment of a reimbursement of Federal income tax for a taxable year beginning before 1958.

Sec. 201(a)(104) (amends sec. 821 of the Code)—tax on mutual insurance companies

Subparagraphs (A) and (B) strike out obsolete internal effective dates (taxable years beginning after December 31, 1963) relating to the imposition of tax.

Subparagraph (C) strikes out an obsolete transitional rule for taxable years beginning after December 31, 1962, and before January 1, 1968 relating to underwriting losses of mutual insurance companies.

Sec. 201(a)(105) (amends sec. 822 of the Code)—determination of taxable investment income

Subparagraph (A) strikes out an obsolete reference to tax-exempt income from obligations of the United States issued after September 24, 1917, and originally subscribed for by the taxpayer. No such obligations that pay tax-exempt interest are outstanding.

Subparagraph (B) strikes out an obsolete internal effective date (taxable years beginning after December 31, 1962) relating to accrual of discount on bonds.

Sec. 201(a)(106) (amends sec. 825 of the Code)—unused loss deductions

These amendments strike out an obsolete transitional date (taxable years beginning before January 1, 1963) relating to taxable years to which or from which certain unused losses may be carried.

Sec. 201(a)(107) (amends sec. 831 of the Code)—tax on certain insurance companies

This amendment makes a clerical change, changing the word "or" to "on".

Sec. 201(a)(108) (amends sec. 832 of the Code)—insurance company taxable income

These amendments conform the name of the National Association of Insurance Commissioners by substituting "Association" for "Convention."

Subchapter M. Regulated investment companies and real estate investment trusts

Sec. 201(a)(109) (amends sec. 851 of the Code)—definition of regulated investment company

Subparagraph (A) makes a clerical change to conform a citation to other citations in the Code.

Subparagraph (B) strike out an absolute effective date (taxable years beginning after December 31, 1941) relating to the time for making an election to be a regulated investment company.

Sec. 201(a)(110) (amends sec. 852 of the Code)—taxation of regulated investment companies and their shareholders

Subparagraph (A) strikes out a special rule, relating to the deduction for dividends paid, that applies only to taxable years beginning before January 1, 1975.

Subparagraph (B) deletes a transitional rule relating to an adjustment of the basis of the shares of a shareholder of a regulated investment company based upon a percentage of the amount of undistributed capital gains includible in the shareholder's income. The amendment deletes provisions relating to taxable years beginning before January 1, 1971. A special rule is provided so that the amendment made by subparagraph (B) shall not be considered to affect the amount of any increase in the basis of stock under the provisions of section 853(b)(3)

(B)(iii) of the Code which is based upon amounts subject to tax under section 1201 of the Code in taxable years beginning before January 1, 1975.

Subparagraph (C) adds a citation reference to the United States Code.

Sec. 201(a)(111) (amends sec. 856 of the Code)—definition of real estate investment trust

Subparagraph (A) strikes out an obsolete internal effective date (taxable years beginning after December 31, 1960) relating to an election to be a real estate investment trust.

Subparagraph (B) inserts a citation reference to the United States Code.

Sec. 201(a)(112) (amends sec. 857 of the Code)—taxation of real estate investment trusts and their beneficiaries

This amendment strikes out a special rule, relating to the determination of the deduction for dividends paid, for taxable years beginning before January 1, 1975.

Subchapter N. Tax based on income from sources within or without the United States

Sec. 201(a)(113) (amends sec. 864 of the Code)—definitions

These amendments and conforming amendments change the terms "sale" and "sold" to "sale or exchange" and "sold or exchanged", respectively each place they appear in part I of subchapter N of chapter 1 of the Code. Definitions of the term "sale" as including "exchange" and "sold" as including "exchanged" are then eliminated from section 864.

Sec. 201(a)(114) (amends sec. 904 of the Code)—limitation on foreign tax credit

Subparagraph (A) strikes out an obsolete clause limiting the election of the overall limitation to the foreign tax credit to taxable years beginning after 1960 and permitting taxpayers who had elected the overall limitation to revoke that election for their first taxable year beginning after December 31, 1969.

Subparagraph (B) strikes out the reference to the right to revoke the election for the first taxable year beginning after December 31, 1969, provided in subparagraph (A).

Subparagraph (C) strikes out provisions limiting carrybacks to years beginning after 1957 in cases of payments of foreign taxes in excess of the applicable foreign tax credit limitation.

Subparagraph (D) deletes obsolete 1962 transitional rules for carrybacks and carryforwards of foreign tax payments in excess of the applicable foreign tax credit limitation.

Sec. 201(a)(115) (amends sec. 905 of the Code)—proof of foreign tax credits

This amendment deletes a special foreign tax credit rule relating to the treatment of taxes imposed by the United Kingdom with respect to scientific and industrial royalties. The treatment of these taxes is dealt with in the United States—United Kingdom income tax convention and accordingly the special Code provision is no longer necessary.

Sec. 201(a)(116) (amends sec. 911 of the Code)—taxation of non-cash remuneration from sources without the United States

This amendment strikes out obsolete rules dealing with certain non-cash remuneration received in taxable years ending in 1963, 1964, or 1965.

Sec. 201(a)(117) (amends sec. 921 of the Code)—Western Hemisphere Trade Corporations

This amendment strikes out an obsolete provision relating to the determination of whether corporations met certain requirements of the 1939 Code in taxable years beginning before January 1, 1954.

Sec. 201(a)(118) (amends sec. 931 of the Code)—income from sources within United States possessions

These amendments strike out an obsolete provision relating to citizens who were captured by the Japanese in the Philippine Islands during World War II.

Sec. 201(a)(119) (amends sec. 934 of the Code)—tax liability incurred to the Virgin Islands

This amendment strikes out a provision indicating that amounts received within the United States cannot be excluded from income by Virgin Island law pursuant to section 934. This was originally intended as a source of payment rule, but, as a result of misinterpretations, it no longer serves any purpose in tax law.

Sec. 201(a)(120) (amends sec. 951 of the Code)—amounts included in gross income of United States shareholders

This amendment strikes out an obsolete effective date provision (taxable years beginning after December 31, 1962) for this section.

Sec. 201(a)(121) (repeals sec. 972 of the Code)—consolidation of group of export corporations

This paragraph repeals the provision which allows the consolidation of export trade corporations for purposes of the exception from subpart F treatment (relating to certain income of controlled foreign corporations) which is provided for certain export-related income of these corporations. This provision has been little used in the past and is not currently being used.

Sec. 201(a)(122) (amends sec. 981 of the Code)—election as to treatment of income subject to foreign community property laws

These amendments strike out an obsolete effective date provision (taxable years beginning after December 31, 1966) and delete special rules relating to elections with respect to certain foreign community income in taxable years beginning before January 1, 1967.

Subchapter O. Gain or loss on disposition of property

Sec. 201(a)(123) (amends sec. 1001 of the Code)—determination of amount of and recognition of gain and loss

This amendment transfers to section 1001(c) of the Code the rules relating to recognition of gain or loss now in section 1002 of the Code. A conforming amendment repeals section 1002.

Sec. 201(a)(124) (amends sec. 1015 of the Code)—basis of property acquired by gifts and transfers in trust

These amendments substitute "September 2, 1958" for the references to "the date of the amendment of the Technical Amendments Act of 1958" as the effective date of section 1015(d).

Sec. 201(a)(125) (amends sec. 1016 of the Code)—adjustments to basis

This amendment deletes from the Code section 1016(a)(19), which requires adjustments in the basis of section 38 property in tax years beginning before 1965. To the extent future transactions involve property as to which taxpayers failed to make these pre-1965 basis adjustments, the repeal of section 1016(a)(19) does not prevent their doing so retroactively, at least for prospective application, since the law governing adjustment of basis is the law of the period during which the adjustment was required to be made. See, e.g., Treas. Regs. § 1.1016-3(f).

Sec. 201(a)(126) (amends sec. 1018 of the Code)—adjustment of capital structure before September 22, 1938

This amendment strikes out an unnecessary citation.

Sec. 201(a)(127) (repeals sec. 1020 of the Code)—election in respect of depreciation allowed before 1952

This amendment repeals an obsolete provision relating to an election to adjust the basis of property with respect to depreciation before 1952. No election could be made or revoked under this section after December 31, 1954. The adjustment under section 1016 of the Code to the basis of the property which was the subject of the election is not affected by prospective repeal of section 1020.

Sec. 201(a)(128) (repeals sec. 1022 of the Code)—basis of certain foreign personal holding company stock

Section 1022 of the Code is repealed because it is an unimportant and seldom used provision. This provision was added to the Code for one case (in which it was not used). Section 1022 applies only with respect to the basis of stock or securities of a corporation which was a foreign personal holding company for its most recent taxable year ending before the death of a decedent dying after December 31, 1963, from whom such stock or securities are acquired. Although it is unlikely that this provision has ever been used, a special effective date is provided so that the repeal applies only with respect to stock or securities acquired from a decedent dying after the date of the enactment of this bill.

Sec. 201(a)(129) (amends sec. 1023 of the Code)—cross references

This amendment strikes out an obsolete reference to the Defense Production Act of 1950.

Sec. 201(a)(130) (amends sec. 1033 of the Code)—involuntary conversions

Subparagraph (A) strikes out an obsolete provision applicable to the conversion of property into money where the disposition of the converted property occurred before 1951.

Subparagraphs (B) and (D) conform sections 1033 (a) (2) and (c) to the change made by subparagraph (A). Subparagraph (B) also makes a clerical change to include as new subparagraphs necessary definitions of "control" and "disposition of converted property" that would otherwise be deleted by the amendment made by subparagraph (A).

Subparagraph (C) strikes out an obsolete special rule relating to certain conversions of property before January 1, 1954.

Subparagraph (E) strikes out an obsolete effective date provision (December 31, 1957) relating to the disposition of certain property.

Sec. 201(a)(131) (amends sec. 1034 of the Code)—sale or exchange of residence

Subparagraphs (A) and (B) strike out obsolete internal effective dates (December 31, 1954) relating to the sale of a residence.

Subparagraph (C) strikes out an obsolete reference to the Internal Revenue Code of 1939.

Subparagraph (D) strikes out obsolete transitional rules for the years 1951 through 1957.

Subparagraph (E) strikes out an internal effective date (December 31, 1950) which is no longer needed.

Sec. 201(a)(132) (amends sec. 1037 of the Code)—certain exchanges of United States obligations

This amendment corrects an erroneous cross reference.

Sec. 201(a)(133) (amends sec. 1051 of the Code)—property acquired during affiliation

This amendment strikes out the sentences in section 1051 that provide that the basis of property acquired or held during a consolidated return year is to be determined under the consolidated return regulations. This provision is unnecessary because adequate authority for providing basis rules in the consolidated return regulations is provided under section 1502 and its predecessors.

SEC. 201(a)(134) (amends sec. 1081 of the Code)—distributions required by the Securities and Exchange Commission

These amendments strike out a special rule for distributions of stock and rights to acquire stock before January 1, 1958, in pursuance of an order of the Securities and Exchange Commission.

Subparagraph (B) also conforms a citation to current practice.

Sec. 201(a)(135) (amends sec. 1083 of the Code)—containing definitions of terms

These amendments eliminate unnecessary citations.

Sec. 201(a)(136) (repeals sec. 1111 of the Code)—distribution of stock pursuant to order enforcing the antitrust laws

This amendment and conforming amendments repeal special provisions relating to the income tax treatment of certain recipients of General Motors stock distributed pursuant to a court order in the DuPont anti-trust case (*United States v. E. I. duPont de Nemours and Company, et al.*, 353 U.S. 586 (1957) and 365 U.S. 806 (1961)). Section 1111 of the Code provides special rules for individual shareholders and shareholders not entitled to the corporate dividends received deduction

who receive such stock. Technical amendments relating to the addition of section 1111 were added to sections 301, 312, 535, 543, 545, 553, 556, and 561 of the Code. The distributions which are the subject of these provisions have been completed and the rights of persons who received such distributions are preserved. Accordingly, the bill repeals section 1111 of the Code and related provisions.

The repeal of these provisions is not retroactive. Nor do these repeals alter the determination, for purposes of future years, of the basis of stock with respect to which the distributions were made.

Subchapter P. Capital gains

Sec. 201(a)(137) (amends sec. 1201 of the Code)—alternative tax on capital gains

Subparagraph (A) makes clerical amendments to eliminate references to "net section 1201 gain" in taking advantage of the new definition of "net capital gain" (sec. 201(a)(138)(B) of the bill). This subparagraph also deletes transitional rules for computing the capital gains tax for corporations before 1975. (The effective date rule of the bill will preserve rights and liabilities with respect to pre-1975 years so long as they are open under the statute of limitations.)

Subparagraph (B) also eliminates references to "net section 1201 gain" made obsolete by the new definition of "net capital gain." In addition, obsolete transitional rules for computing an individual's alternative capital gains tax in 1970 and 1971 are deleted.

Subparagraph (C) eliminates other transitional rules for noncorporate taxpayers with respect to years prior to 1975. That elimination, and a transfer to section 1201(b) of the rule limiting to 25 percent the alternative tax on the first \$50,000 of net capital gain permits subsection (d) to be deleted.

Sec. 201(a)(138) (amends sec. 1222 of the Code)—terms relating to capital gains and losses

Subparagraph (A) defines a new term, "capital gain net income," which replaces the former term, "net capital gain." The new term, like the former term, refers to the excess of the gains from sales or exchanges of capital assets over the losses from such sales or exchanges (sec. 1222(9)).

Subparagraph (B) sets forth a new definition of "net capital gain". The term replaces the existing term, "net section 1201 gain," in section 1222(11). The new and former terms refer to the excess of the net long-term capital gain for the taxable year over the net short-term capital loss for such year. These definitions make it possible to use these terms throughout the Code instead of the longer phrases.

Sec. 201(a)(139) (amends sec. 1233 of the Code)—gains and losses from short sales

This amendment substitutes "August 16, 1954" for "the date of enactment of this title" as the effective date of section 1233(c).

Sec. 201(a)(140) (amends sec. 1237 of the Code)—real property subdivided for sale

This amendment strikes out an obsolete effective date (December 31, 1953).

Sec. 201(a)(141) (amends sec. 1239 of the Code)—gain from sale of property between certain persons

This amendment strikes out an obsolete effective date (May 3, 1951) relating to the sale or exchange of property between spouses or between an individual and a controlled corporation.

Sec. 201(a)(142) (repeals sec. 1240 of the Code)—taxability to employee of certain termination payments

This amendment repeals the so-called Louis B. Mayer provisions. This provision permits capital gain treatment of a lump sum settlement of rights in an employment contract. Since the provision contains narrow restrictions, including the requirement that the rights be created before August 16, 1954, it is believed that it has no applicability today.

Sec. 201(a)(143) (amends sec. 1245 of the Code)—gain from dispositions of certain depreciable property

This amendment deletes surplus language added through a clerical error by Public Law 94-81.

Sec. 201(a)(144) (amends sec. 1246 of the Code)—gain on foreign investment company stock

This amendment strikes out an obsolete effective date (December 31, 1962).

Subchapter Q. Readjustment of tax between years and special limitations

Sec. 201(a)(145) (amends sec. 1311 of the Code)—mitigation of effect of limitations

These amendments conform section 1311 to the new name of the Tax Court.

Sec. 201(a)(146) (repeals sec. 1315 of the Code)—effective date

This provision repeals the obsolete effective date provision (November 15, 1954) for part II of subchapter Q of chapter 1. An obsolete transitional rule relating to the application of the Internal Revenue Code of 1939 to certain determinations made before November 15, 1954, is also deleted.

Sec. 201(a)(147) (repeals sec. 1321 of the Code)—involuntary liquidation of LIFO inventories

This paragraph repeals an obsolete provision relating to involuntary liquidations of LIFO inventories. The provision applies only to inventories liquidated in taxable years ending after June 30, 1950, and before January 1, 1955, and only if the inventory was replaced in a taxable year ending before January 1, 1956.

Sec. 201(a)(148) (repeals sections 1331 through 1337 of the Code)—war loss recoveries

This provision repeals the provisions dealing with World War II war loss recoveries effective with respect to recoveries in taxable years beginning after December 31, 1975. The basis of property recovered during prior taxable years will not be affected by the repeal. Future recoveries, which appear unlikely, would be covered by the general

tax benefit rule, which accords similar (though not identical) treatment.

Sec. 201(a)(149) (amends sec. 1341 of the Code)—restoration of amount held under claim of right

This amendment strikes out provisions relating to certain retroactive payments by a subcontractor to a prime contractor, or by a subcontractor to a higher tier subcontractor. These provisions are expressly limited to payments made under a subcontract entered into before January 1, 1958, and it is believed that no such contracts are still outstanding.

Sec. 201(a)(150) (repeals sec. 1342 of the Code)—computation of tax on certain amounts recovered as a result of a patent infringement suit

This paragraph repeals special provisions relating to amounts taken into gross income because of the reversal of a lower court decision in a patent infringement suit. Because of the narrow circumstances in which this provision applies (e.g., the lower court decision must be reversed on the ground that such decision was induced by fraud or undue influence), this provision is rarely used.

Sec. 201(a)(151) (repeals sec. 1345 of the Code)—recovery of unconstitutional Federal taxes

This provision repeals special provisions, no longer needed, relating to the treatment of a recovery during the taxable year of a tax imposed by the United States which has been held unconstitutional.

Sec. 201(a)(152) (amends sec. 1348 of the Code)—maximum tax rate on earned income

Paragraphs (1) and (2) of section 1348(a) are amended to correct a technical error by replacing references to "the lowest amount of taxable income on which the rate of tax under section 1 exceeds 50 percent" with references to "the highest amount of taxable income on which the rate of tax is not more than 50 percent." In addition, subparagraph (B) strikes out obsolete transitional rules that relate to taxable years beginning in 1971.

Subchapter S. Election of certain small business corporations as to taxable income

Sec. 201(a)(153) (amends sec. 1372 of the Code)—election by small business corporation

Under the minimum tax provisions of the Tax Reform Act of 1969, an electing small business corporation is subject to tax on certain capital gains. The amendment made by subparagraph A conforms section 1372 to these provisions by inserting a reference to the tax imposed by section 56 of the Code.

Subparagraph (B) strikes out a transitional rule, relating to the time for making an election by a small business corporation, that applies to a taxable year beginning in 1958.

Subparagraph (C) strikes out a special rule that allowed certain shareholders who owned stock that was community property to file a consent prior to May 15, 1961, to an election by a small business corporation.

Sec. 201(a)(154) (amends sec. 1374 of the Code)—net operating losses of electing small business corporations

These amendments repeal an obsolete rule relating to carrybacks to years before 1958 of the net operating loss of an electing small business corporation, by striking out section 1374(d). A rule of current application now in section 1374(d)(1) is transferred to section 1374(b).

Sec. 201(a)(155) (amends sec. 1375 of the Code)—special rules applicable to distributions of electing small business corporations

Subparagraph (A) provides a new heading for subsection 1375(b) to reflect the fact that individuals no longer receive a dividends received credit.

Subparagraph (B) strikes out a reference to a subsection of section 1375 that was eliminated in 1966 by Public Law 89-389.

Sec. 201(a)(156) (amends sec. 1378 of the Code)—tax imposed on certain capital gains of electing small business corporations

This amendment strikes out a provision relating to the determination of the tax with respect to certain capital gains of an electing small business corporation for certain taxable years beginning before January 1, 1975.

Subchapter T. Cooperatives and their patrons

Sec. 201(a)(157) (amends sec. 1388 of the Code)—patronage dividends

Subparagraph (A) strikes out "the date of the enactment of the Revenue Act of 1962" and substitutes the exact date, "October 16, 1962".

Subparagraph (B) strikes out "the date of the enactment of this subsection" and substitutes the exact date, "November 13, 1966".

Chapter 2. Tax on Self-Employment Income

Sec. 201(a)(158) (amends sec. 1401 of the Code)—self-employment taxes

Subparagraph (A) deletes obsolete rules providing rates of self-employment tax (for old age, survivors, and disability insurance) for taxable years that began before 1973. Similarly, subparagraph (B) strikes out obsolete rules providing rates of self-employment tax for hospital insurance for taxable years that began prior to 1975. (However, the current rate of hospital insurance self-employment tax for years beginning in 1974 and ending in 1975 would be preserved through the operation of the effective date of this title of the bill.)

Sec. 201(a)(159) (amends sec. 1402 of the Code)—definitions relating to the tax on self-employment income

Subparagraph (A) deletes provisions relating to the determination of self-employment income for taxable years beginning before January 1, 1975, that are no longer needed.

Subparagraph (B) deletes an obsolete provision relating to the treatment of certain remuneration erroneously reported as net earnings from self-employment for taxable years ending after 1954 and before 1962.

Subparagraph (C) strikes out a special rule which allowed a request for an exemption from the tax on self-employment income for a taxable year ending before December 31, 1967, to be filed on or before December 31, 1968. The general rule provides that such request must be filed by the due date of the return for the first taxable year in which the individual has self-employment income.

Chapter 3. Withholding of Tax on Nonresident Aliens and Foreign Corporations and Tax-Free Covenants

Sec. 201(a)(160) (repeals sec. 1465 of the Code)—definition of withholding agent

This section repeals section 1465, which defines "withholding agent", since that term is defined in section 7701(a)(16).

Chapter 4. Rules Applicable to Recovery of Excessive Profits on Government Contracts

Sec. 201(a)(161) (amends sec. 1481 of the Code)—mitigation of effect of renegotiation of government contracts

These amendments update section 1481 by deleting obsolete references to the Sixth Supplemental National Defense Appropriation Act and to the Renegotiation Act of 1948.

Chapter 6. Consolidated Returns

Sec. 201(a)(162) (amends sec. 1551 of the Code)—disallowance of surtax exemption and accumulated earnings credit

This amendment corrects an erroneous cross reference.

Sec. 201(a)(163) (amends sec. 1552 of the Code)—earnings and profits of members of an affiliated group

This amendment deletes the effective date for this provision ("taxable years beginning after December 31, 1953, and ending after the date of enactment of this title").

Sec. 201(b)—conforming and clerical amendments

Section 201(b) of the bill makes a series of clerical and conforming amendments required by the amendments and repeals made by subsection 201(a) of the bill.

Sec. 201(c)—amendments to provisions referring to Territories

This subsection of the bill strikes out references to "Territories" in Code sections 37, 105, 117, 162, 273, 581, 801, 861, 1014, and 1221. The United States no longer has any Territories.

In general, these amendments are not intended to affect rights existing under present law that were conferred because of Code provisions regarding Territories.

Sec. 201(d)—effective date

This subsection of the bill provides that unless otherwise expressly provided, the amendments made by section 201 of the bill shall apply with respect to taxable years beginning after December 31, 1975.

SEC. 202. AMENDMENTS OF SUBTITLE B; ESTATE AND GIFT TAXES

Chapter 11. Estate Tax

Sec. 202(a)(1) (amends sec. 2001 of the Code)—rate of the estate tax

This amendment strikes out an internal effective date (relating to decedents dying after August 16, 1954, the date of enactment of the Internal Revenue Code of 1954) which is no longer needed.

Sec. 202(a)(2) (amends sec. 2012 of the Code)—credit for gift tax

These amendments provide headings for several subsections and paragraphs in this section and also substitute a comma for a dash in conforming to generally accepted drafting style.

Sec. 202(a)(3) (amends sec. 2013 of the Code)—credit for tax on prior transfers

These amendments strike out obsolete references to prior laws.

Sec. 202(a)(4) (amends sec. 2038 of the Code)—revocable transfers

This amendment strikes out a provision of limited application which is no longer needed. (The provision relates to a decedent who has been under a mental disability for a continuous period since September, 1947, and has been unable to relinquish certain powers to alter or revoke an interest in property transferred by him.)

Sec. 202(a)(5) (amends sec. 2055 of the Code)—transfers for public, charitable, and religious use

Subparagraph (A) strikes out a provision of limited application which is no longer needed. This provision deals with highly unique circumstances involving a bequest in trust, the income from which is payable for life to the decedent's surviving spouse (who must be over 80 years old at the decedent's death) if such surviving spouse has a power of appointment over the corpus of such trust exercisable by will in favor of, among others, certain charitable, religious, scientific, literary, or educational organizations. No part of the corpus of such trust may be distributed to a beneficiary during the life of such surviving spouse and the surviving spouse must execute an affidavit within 6 months after the decedent's death specifying the organizations in favor of whom the power will be exercised (and the amount or proportion each is to receive). If the power of appointment is exercised in accordance with such affidavit, then the bequest in trust, reduced by the value of the life estate, shall, to the extent the power is exercised in favor of such organizations, be deemed a transfer to those organizations by the decedent.

Subparagraph (B) strikes out several cross references that are no longer applicable and updates the remaining cross references.

Sec. 202(a)(6) (amends sec. 2101 of the Code)—property held by alien property custodian

This amendment strikes out an unnecessary citation.

Sec. 202(a)(7) (amends sec. 2106 of the Code)—taxable estate

Subparagraph (A) strikes out several cross references which are no longer necessary.

Subparagraph (B) strikes out a provision that excludes from the taxable estate obligations issued by the United States before March 1, 1941, if held by a decedent who was not engaged in business in the United States at the time of his death. It is believed that no obligations issued by the United States before March 1, 1941, are still outstanding.

Sec. 202(a)(8) (amends sec. 2107 and sec. 2108 of the Code)—estate tax on expatriates and application of pre-1967 estate tax provisions

These amendments substitute “November 13, 1966” for “the date of enactment of this section” as the effective date of these provisions.

Sec. 202(a)(9) (repeals sec. 2202 of the Code)—missionaries in foreign service

The bill repeals section 2202 of the Code, which provides that missionaries dying in missionary service will be presumed to die as United States residents, even if they intended to remain permanently in foreign service. This provision is now unnecessary since the Foreign Investors Tax Act of 1966 increased the estate tax exemption of non-residents from \$2,000 to \$30,000.

Sec. 202(a)(10) (amends sec. 2204 of the Code)—discharge of fiduciary from personal liability

This amendment corrects a typographical error in the Excise, Estate, and Gift Tax Adjustment Act of 1970.

Chapter 12. Gift Tax

Sec. 202(a)(11) (amends sec. 2501 of the Code)—imposition of gift tax

This amendment strikes out an internal effective date (the first calendar quarter of 1971) which is no longer needed.

Sec. 202(a)(12) (amends sec. 2522 of the Code)—cross references

This amendment strikes out a list of cross references which also appears in section 2055(f) of the Code and inserts in lieu of such list a reference to section 2055(f).

Sec. 202(a)(13) (amends secs. 2011, 2016, 2053, 2055, 2056, 2106, 2522, and 2523 of the Code)—Territories

These sections are each amended by striking out references to Territories because there are no longer any United States Territories. Hawaii, admitted to Statehood in 1958, was the last Territory. There are United States territories (in which instances the word “territory” is begun with a small letter “t”), of which American Samoa is an example. In contrast to Territories, territories are unincorporated.

Sec. 202(b)—conforming amendments

This subsection of the bill makes conforming amendments to the table of sections for subchapter C of chapter 11, and to sections 6503(e) and 6167(h)(2) of the Code to reflect the repeal of section 2202 and the amendment of section 2055 of the Code.

Sec. 202(c)—effective dates

This subsection provides that the amendments made by paragraphs (1) through (9), and paragraphs (13) (A), (B), and (C) of subsection (a), as well as by subsection (b), shall apply in the case of

estates of decedents dying after the date of enactment of the bill, and the amendment made by paragraph (10) of subsection (a) shall apply in the case of estates of decedents dying after December 31, 1975. The amendments made by paragraphs (11), (12), and (13) (D) and (E) of subsection (a) shall apply to gifts made after December 31, 1975.

SEC. 203. AMENDMENTS OF SUBTITLE C; EMPLOYMENT TAXES

Chapter 21. Federal Insurance Contributions Act

Sec. 203(a)(1) (amends secs. 3101 and 3111 of the Code)—rates of tax on employees and employers

Subparagraph (A) strikes out the employment tax rates for employees and employers for calendar years before 1975. These rates are not effective for calendar years after 1974.

Subparagraph (B) strikes out the pre-1975 tax rates on employers and employees for hospital insurance for the same reason.

Sec. 203(a)(2) (repeals sec. 3113 of the Code)—application of social security tax to District of Columbia Credit Unions

This amendment repeals a provision relating to credit unions that were chartered under the Act of June 23, 1932. No credit unions are now chartered under that Act. District of Columbia Credit Unions are now Federal Credit Unions and as such are subject to section 3121 (b) (6) (B) (ii) of the Code.

Sec. 203(a)(3) (amends sec. 3121 of the Code)—employment tax definitions

Subparagraph (A) strikes out a reference to the Internal Revenue Code of 1939 that is no longer needed, and also eliminates an obsolete internal effective date provision ("service performed after 1954,").

Subparagraphs (B) and (D) eliminate unnecessary citations.

Subparagraph (C) changes the term "Secretary of the Treasury" to "Secretary of Transportation" in a provision pertaining to the Coast Guard. The Coast Guard is now within the Department of Transportation.

Subparagraph (E) deletes provisions allowing certain exempt organizations which filed certificates before 1966 or between 1955 and August 28, 1958 (relating to social security coverage for their employees), to amend the certificate to advance its effective date, or to request that the effective date be advanced, if the amendment was made before 1967, or if the request was made before 1960, respectively.

Subparagraphs (F) and (G) strike out obsolete effective dates (January 1, 1955, and December 1956) relating to agreements entered into by domestic corporations with respect to certain social security coverage for employees of foreign subsidiaries and to service performed as a member of the uniformed services, respectively.

Sec. 203(a)(4) (amends sec. 3122 of the Code)—Federal service

These amendments change references to the "Secretary of the Treasury" to the "Secretary of Transportation" in provisions relating to the Coast Guard, since the Coast Guard is now part of the Department of Transportation.

Sec. 203(a)(5) (amends sec. 3125 of the Code)—returns in the case of certain governmental employees

This is a clerical amendment changing "Commissioners of the District of Columbia" to "Mayor of the District of Columbia" in order to conform to the District of Columbia Self Government and Governmental Reorganization Act.

Chapter 22. Railroad Retirement Tax Act

Sec. 203(a)(6) (amends sec. 3201 of the Code)—rate of tax on railroad employees

These amendments strike out an effective date (September 30, 1973) relating to the imposition of taxes with respect to services performed after that date, and delete references to the Internal Revenue Code of 1954 which are not needed.

Sec. 203(a)(7) (amends sec. 3202 of the Code)—deductions of tax from compensation

Subparagraph (A) strikes out an internal effective date (September 30, 1973), relating to the performance of services by employees after that date and also deletes references to the Internal Revenue Code of 1954 which are not needed.

Subparagraph (B) makes a clarifying change in language with respect to indemnification of an employee.

Sec. 203(a)(8) (amends sec. 3211 of the Code)—rate of tax on employee representatives

These amendments correct a grammatical error, delete references to the Internal Revenue Code of 1954 which are not needed, and strike out an obsolete effective date (September 30, 1973).

Sec. 203(a)(9) (amends sec. 3221 of the Code)—rate of tax on employers

Subparagraphs (A) and (B) strike out an internal effective date (September 30, 1973), relating to the imposition of taxes with respect to services performed after that date, and also delete references to the Internal Revenue Code of 1954, which are no longer needed.

Subparagraph (C) deletes references to rates of tax applicable for services rendered before April 1, 1970.

Sec. 203(a)(10) (amends sec. 3231 of the Code)—definitions

This amendment deletes unnecessary Statutes at Large citations.

Chapter 23. Federal Unemployment Tax Act

Sec. 203(a)(11) (amends sec. 3301 of the Code)—Federal unemployment tax rate

These amendments strike out an internal effective date (calendar year 1970) and the tax rate with respect to wages paid during calendar year 1973, which are no longer needed.

Sec. 203(a)(12) (amends sec. 3302 of the Code)—credits against tax

Subparagraphs (A) and (B) strike out references to special transitional rules relating to the 10-month period ending October 31, 1972, which are deleted by sections 203(a)(14)(B) and 203(a)(13) of the bill.

Subparagraph (C) (i) strikes out a transitional provision relating to a limitation on credits against the unemployment tax if a State has not yet repaid an advance under certain prior laws. This provision is no longer applicable since all the States have repaid the advances made under those laws.

Subparagraph (C) (ii) strikes out an internal effective date (the date of enactment of the Employment Security Act of 1960) which is no longer needed. Subparagraphs (C) (iii), (C) (iv), (C) (v), and (C) (vi) are in the nature of amendments conforming to the amendment made by subparagraph (C) (i).

Subparagraph (D) strikes out a cross reference to a 1958 statute (the Temporary Unemployment Compensation Act of 1958) which is no longer applicable.

Sec. 203(a) (13) (amends sec. 3303 of the Code)—conditions of additional credit allowance

This amendment deletes a transitional rule (from provisions relating to a finding by the Secretary of Labor with respect to certain State unemployment funds) for the 10-month period ending October 31, 1972.

Sec. 203(a) (14) (amends sec. 3304 of the Code)—approval of State laws

Subparagraph (A) deletes an unnecessary citation. Subparagraph (B) eliminates a transitional rule regarding the 10-month period ending October 31, 1972.

Sec. 203(a) (15) (amends sec. 3305 of the Code)—applicability of State law

Subparagraphs (A) and (B) strike out an obsolete effective date (July 1, 1953) which relates to service performed on or after that date.

Subparagraph (C) strikes out an obsolete effective date (December 31, 1971), relating to taxes imposed with respect to taxable years after that date.

Sec. 203(a) (16) (amends sec. 3306 of the Code)—definitions

Subparagraphs (A), (B), and (C) strike out unnecessary citation references and insert a reference to the United States Code.

Subparagraph (D) strikes out an obsolete effective date (July 1, 1953) relating to services performed on or after such date.

Chapter 24. Collection of Income Tax at Source on Wages

Sec. 203(a) (17) (amends sec. 3402 of the Code)—income tax collected at the source

This paragraph is a clerical amendment to correct an erroneous cross reference.

Sec. 203(b)—conforming amendment

This amendment conforms the table of sections for subchapter (B) of chapter 21 to the repeal of section 3113.

Sec. 203(c)—amendments to provisions relating to Territories

This amendment strikes out references to Territories in sections 3401 and 3404 of the Code because there are no more Territories of the United States.

Sec. 203(d)—effective date

The amendments made by section 203 of the bill are to apply with respect to wages paid after December 31, 1975, except that the amendments made to chapter 22 of the Code are to apply with respect to compensation paid for services rendered after December 31, 1975.

SEC. 204. AMENDMENTS OF SUBTITLE D; MISCELLANEOUS TAXES**Chapter 31. Retailers Excise Taxes***Sec. 204(a)(1) (amends chapter 31 of the Code)—retailers excise taxes*

Subparagraph (A) changes the title of chapter 31 from "Retailers Excise Taxes" to "Special Fuels" and strikes out obsolete tables of subchapters and sections since the whole chapter, as revised, will now have only one section.

Subparagraph (B) incorporates into section 4041 (g) (relating to exemptions from fuel taxes) the existing provisions for exemptions from fuel taxes for State and local governments, sales for export or shipment to possessions, and nonprofit educational organizations now found in sections 4055, 4056, and 4057 of the Code. Code sections 4055, 4056, and 4057 are repealed by subparagraph (D) of this subsection of the bill.

Subparagraph (C) amends section 4041 of the Code by adding a new subsection (i) which incorporates the provisions of existing Code section 4054 (relating to sales by the United States). Section 4054 is repealed by subparagraph (D) of this subsection of the bill.

Subparagraph (D) repeals Code section 4042 (a cross reference), 4054, 4055, 4056, 4057 (the substance of which has been incorporated in Code sections 4041 (i) and 4041 (g) (2), (3), and (4), respectively), and 4058 (a cross reference).

Chapter 32. Manufacturers Excise Taxes*Sec. 204(a)(2) (amends sec. 4216 of the Code)—definition of price*

This paragraph is a clerical amendment redesignating subsections (e), (f), and (g) as subsections (d), (e), and (f), respectively. The previous subsection (d) was repealed in 1958.

Sec. 204(a)(3) (amends sec. 4217 of the Code)—leases

This amendment strikes out a transitional rule for leases entered into before January 1, 1959, that are treated as sales subject to manufacturers excise taxes.

Sec. 204(a)(4) (repeals sec. 4226 of the Code)—floor stocks taxes

This provision repeals floor stock tax provisions relating to specified items held in dealers' stocks on various past dates, the most recent of which are tires and tubes held by manufacturers' retail outlets on October 1, 1966.

Sec. 204(a)(5) (amends sec. 4227 of the Code)—cross references

This amendment deletes two unnecessary cross references.

Chapter 33. Facilities and Services

Sec. 204(a)(6) (amends sec. 4253 of the Code)—exemptions from the tax on communications services

This amendment transfers to section 4253 of the Code (relating to exemptions) provisions for exemptions for communications services provided by section 4292 of the Code for State and local Governments and by section 4294 for nonprofit educational organizations. Sections 4292 and 4294 are repealed by sections 204(a)(9) and (10) of the bill.

Sec. 204(a)(7) (amends sec. 4261 of the Code)—tax on transportation of persons by air

This amendment strikes out references to an obsolete internal effective date (June 30, 1970).

Sec. 204(a)(8) (amends sec. 4271 of the Code)—tax on transportation of property by air

This amendment also strikes out a reference to the obsolete internal effective date of June 30, 1970.

Sec. 204(a)(9) (repeals sec. 4292 of the Code)—exemption for State and local governments from the communications services tax

This amendment repeals the provisions relating to exemption of State and local governments from the tax on communications services. These provisions are transferred to section 4253 of the Code by section 204(a)(6) of this bill. Section 4253 is devoted to exemptions from the communications services tax.

Sec. 204(a)(10) (repeals sec. 4294 of the Code)—exemption for nonprofit educational organizations

This amendment deletes the provisions conferring exemption from the tax on communications services to nonprofit educational organizations. These provisions are transferred by subsection 204(a)(6) to section 4253 of the Code, which is devoted to exemptions from this tax.

Sec. 204(a)(11) (repeals sec. 4295 of the Code)—cross reference

This amendment repeals an unnecessary cross reference.

Chapter 34. Documentary Stamp Taxes

Sec. 204(a)(12) (amends chapter 34 of the Code)—documentary stamp taxes

This amendment changes the title of chapter 34 of the Code from "Documentary Stamp Taxes" to "Policies Issued by Foreign Insurers", strikes out obsolete tables of subchapters and sections, and revises the remaining provisions.

Section 4371 of the Code is amended to conform to the fact that the tax imposed by that section is now paid by return and not by stamp. Section 4372 is amended to include the pertinent provisions of present section 4382(a)(1) and to make internal conforming amendments.

New Code section 4373 corresponds to the present section 4373, except for the deletion of an obsolete reference to Territories.

New Code section 4374 corresponds to present Code section 4384 except that it is changed to reflect payment by return rather than by stamp.

Present Code sections 4374, 4375, 4382, and 4383 are repealed to reflect the change from stamps to returns and to reflect the repeal in 1965 of other documentary stamp taxes.

Present Code sections 4361, 4362, and 4363, relating to a tax on conveyances which expired on January 1, 1968, are repealed.

Chapter 36. Certain Other Excise Taxes

Sec. 204(a)(13) (amends sec. 4493 of the Code)—certain persons engaged in foreign air commerce

These amendments strike out an internal effective date (July 1, 1970) relating to an election to pay a tentative tax with respect to taxable civil aircraft. They also strike out a transitional rule for a year beginning on July 1, 1970.

Chapter 37. Sugar. Coconut and Palm Oil

Sec. 204(a)(14) (amends chapter 37 of the Code)—tax on sugar, coconut and palm oil

This amendment changes the title of chapter 37 from "Sugar, Coconut and Palm Oil" to "Sugar" to reflect the repeal in 1962 of taxes on coconut and palm oil. Obsolete tables of subchapters are also deleted.

Chapter 38. Import Taxes

Sec. 204(a)(15) (repeals secs. 4591 through 4597 of the Code)—import taxes on oleomargarine

This provision strikes out provisions relating to taxes on imported oleomargarine. Requirements as to wholesomeness and purity are enforced by the Food and Drug Administration outside the requirements of the Internal Revenue Code. No taxes are collected under these provisions and at present they serve no internal revenue purpose. Since the other subchapters of this chapter were repealed in 1962, the entire chapter is now repealed.

Chapter 39. Regulatory Taxes

Sec. 204(a)(16) (repeals secs. 4801 through 4806 of the Code)—tax on white phosphorus matches

This provision repeals provisions relating to taxes on white phosphorus matches. Any act taxable under these provisions is illegal under other provisions of Federal law and these provisions are not needed for effective enforcement. No tax is collected under these provisions.

Sec. 204(a)(17) (repeals secs. 4811 through 4826 of the Code)—tax on adulterated butter

This amendment strikes out the tax on adulterated butter and related provisions. Requirements as to wholesomeness and purity of butter are enforced by the Food and Drug Administration outside the provisions of the Code. No taxes are collected as to adulterated butter.

This tax dates from the 1890's, when it served the dual function of restricting trade in this item and insuring purity (e.g., restricting the use of rancid butter). At present, the tax and related provisions serve no internal revenue purpose. Appropriate regulation of commerce can be accomplished in other provisions of law.

Sec. 204(a) (18) (repeals secs. 4881 through 4886 of the Code)—tax on circulation other than of national banks

This paragraph repeals provisions relating to circulation of other than national banks. The Comptroller of the Currency has stated that any act taxable under these provisions is also illegal under other provisions of Federal law and that these provisions are not needed for effective enforcement. No tax is collected under these provisions.

Chapter 40. General Provisions Relating to Occupational Taxes

Sec. 204(a) (19) (amends sec. 4901 of the Code)—payment of occupational taxes

This amendment strikes out an obsolete provision relating to payment of certain occupational taxes by stamp, since all taxes to which this provision applies are paid by return.

Sec. 204(a) (20) (amends sec. 4905 of the Code)—liability for occupational taxes in case of death or change in location

Section 4905 of the Code allows the wife (but not husband) of a decedent who paid a certain occupational tax before his death to carry on the same trade or business for the residue of the term for which the tax was paid without liability for additional tax. This amendment substitutes "spouse" for "wife" in this provision so that a widower will have the same privilege as a widow.

Chapter 41. Interest Equalization Tax

Sec. 204(a) (21) (repeals secs. 4911 through 4931 of the Code)—interest equalization tax

This paragraph repeals provisions relating to the interest equalization tax, since this tax does not apply to acquisitions of stock and debt obligations made after June 30, 1974. A special effective date is provided so that the repeal of chapter 41 (Code section 4911 through 4931) is to apply only with respect to acquisitions of stock and debt obligations made after June 30, 1974 (or to loans and commitments made after that date). Thus the rights and obligations of persons with respect to acquisitions of stock and debt obligations prior to July 1, 1974, are preserved.

Chapter 42. Private Foundations

Sec. 204(a) (22) (amends sec. 4942 of the Code)—taxes on failure to distribute income

These amendments strike out a rule relating to the determination of minimum investment return with respect to private foundations that is applicable only to taxable years beginning in 1970 and delete a related internal effective date (taxable years beginning after 1970) which is no longer needed.

Chapter 43. Qualified Pension, Etc., Plans

Sec. 204(a)(23) (amends sec. 4973 of the Code)—tax on excess contributions to certain retirement plans

Subparagraph (A) corrects an error in margination. Subparagraph (B) corrects an erroneous reference. Both these errors were clerical errors in ERISA.

Sec. 204(b)—conforming amendments

This subsection of the bill makes various conforming amendments to the amendments and repeals made by subsection (a). These amendments include repeal of several Code sections that relate to violations of laws and other offenses concerning oleomargarine or adulterated butter (Code sections 7234 and 7265), white phosphorus matches (Code sections 7239, 7267, 7274, and 7328), and adulterated butter and process or renovated butter (Code sections 7235 and 7264). Amendments conforming to the repeal of chapter 41 of the Code (relating to interest equalization taxes) include the repeal of Code sections 263(a)(3) and (d) (relating to the deduction of interest equalization taxes), 6011(d), 6076, 6651(e), 6680 (which relate to the filing requirements for interest equalization tax returns), 6611(h) (relating to interest on overpayments of interest equalization tax), 6681, 7241 (relating to false or fraudulent equalization tax certificates), and 6689 (relating to failure by certain foreign issuers and obligors to comply with United States investment equalization tax requirements).

The amendments conforming to the repeal of chapter 41 have various effective date provisions to assure that rights and liabilities (both civil and criminal) of taxpayers or other persons with respect to acquisitions of stock or indebtedness before July 1, 1974 (or certain actions with respect to such acquisitions), are not affected. Thus, for example, if a taxpayer is required to file an interest equalization tax return with respect to an acquisition of stock prior to July 1, 1974, and has failed to file such return, the repeal of section 6011(d) of the Code by this bill will not affect the requirement that such a return be filed.

Sec. 204(c)—amendments to provisions referring to Territories

Subsection (c) amends Code sections 4102 and 4482(c)(1) by striking out references to Territories because the United States has no more Territories.

Sec. 204(d)—effective date

Subsection (d) provides that the amendments made by section 204 (except as otherwise provided) shall take effect on the first day of the first month which begins more than 90 days after the date of enactment of the bill.

SEC. 205. AMENDMENTS OF SUBTITLE E; ALCOHOL, TOBACCO, AND CERTAIN OTHER EXCISE TAXES

Chapter 51. Distilled Spirits, Wines, and Beer

Subchapter A. Gallonage taxes

Sec. 205(a)(1) (amends sec. 5005 of the Code)—persons liable for tax on distilled spirits

This amendment strikes out provisions relating to an internal effective date (July 1, 1959) which are no longer needed.

Sec. 205(a)(2) (amends sec. 5008 of the Code)—abatement, etc., of tax on distilled spirits in instances of loss or destruction

Present law provides relief (under sec. 5008) from the distilled spirits tax of section 5001 for voluntary destruction of the spirits on bonded premises or before the spirits are removed from the bottling premises. In instances of spirits already removed from bonded premises, tax relief is provided, under certain defined circumstances, for accidental destruction within the distilled spirits plant. Finally, tax relief is provided if spirits that have been withdrawn from bond (with tax determination or payment) are thereafter returned to the bonded premises for certain purposes specified in section 5215.

Because of a technical error, this relief is now provided only for the tax imposed on domestic distilled spirits under section 5001 or other provisions of Chapter 51 of the Code. Puerto Rico and Virgin Island spirits are taxed separately (under sec. 7652). A technical correction is included in the bill to give the same type of tax relief to Puerto Rican or Virgin Island spirits as is now given for domestic spirits.

This amendment also strikes out an obsolete internal effective date (July 1, 1959).

Sec. 205(a)(3) (amend sec. 5009 of the Code)—drawback of tax

This amendment deletes a redundant citation.

Sec. 205(a)(4) (amends sec. 5025 of the Code)—exemption from rectification tax

This amendment permits stabilization (without payment of rectification tax) preparatory to export, thereby giving distilled spirits to be exported the same treatment, in this instance, as is given to distilled spirits preparatory to bottling.

Sec. 205(a)(5) (amends sec. 5054 of the Code)—stamps and other devices as evidence of payment of tax on beer

This amendment strikes out a beer stamp provision that has never been implemented and for which there is no intention of implementation.

Sec. 205(a)(6) (amends sec. 5061 of the Code)—method of collecting tax

Subparagraph (A) strikes out a stamp tax requirement that is now obsolete in that the taxes to which it applies are now all paid by return.

Subparagraph (B) strikes out authority to use stamps, coupons, tickets, or tax-stamp machines as alternative methods of collecting alcohol taxes since those methods neither have been implemented nor are to be implemented. The amendment also provides that taxes on illegal items are to be due and payable immediately at the time given in the provisions imposing the taxes, or (if no specific time is provided) when the event referred to in the provision occurs, and that these taxes are to be assessed and collected in accordance with the rules regarding taxes payable by return but for which no return has been filed.

Subparagraph (C) strikes out a provision no longer needed because it applies only to the unusual methods of collection stricken from the statute by subparagraph (B). In its place is substituted a provision

making it clear that the gallonage taxes on distilled spirits, rectification, wines, and beer are generally imposed in addition to import duties. This conforms to the Tariff Schedules.

Sec. 205(a)(7) (amends sec. 5113 of the Code)—sales to limited retail dealers

This amendment conforms to section 205(a)(10) of the bill (amending section 5122(c) of the Code), which permits a limited retail dealer to deal in distilled spirits, as well as in wine and beer.

Sec. 205(a)(8) (amends sec. 5117 of the Code)—prohibited purchases by dealers

This amendment provides that a limited retail dealer may now purchase distilled spirits from a retail dealer in liquors. This is another change in the nature of an amendment conforming to section 105(a)(10) of the bill.

Sec. 205(a)(9) (amends sec. 5121 of the Code)—imposition and rate of tax on retail dealers

This paragraph provides that a limited retail dealer in distilled spirits is to pay a special (occupational) tax of \$4.50 per calendar month. This amendment is necessitated by the broadening of the definition of "limited retail dealer" in section 105(a)(10) of the bill to include limited retail dealers in distilled spirits.

Sec. 205(a)(10) (amends sec. 5122 of the Code)—definition of limited retail dealer

This provision expands the definition of a limited retail dealer to include a limited retail dealer in distilled spirits, as well as in wine and beer.

Sec. 205(a)(11) (amends sec. 5131 of the Code)—drawback of tax in event of nonbeverage uses

Section 5131 of the code permits drawback of distilled spirits tax if the spirits are put to cited nonbeverage uses. Section 5131 requires the spirits thus used, to be eligible for the drawback, to have been produced in a domestic registered distillery or industrial alcohol plant and withdrawn from bond, or to be spirits withdrawn from the bonded premises of a distilled spirits plant. Domestic distilled spirits used for the cited nonbeverage purposes must necessarily have been produced in a domestic registered distillery or industrial alcohol plant. Spirits so used may also have been imported or brought into the United States, but, if so, they need first have been transferred to the bonded premises of a distilled spirits plant before withdrawal for the nonbeverage uses. This amendment deletes the unnecessary requirement that spirits "imported" or "brought into" the United States must first be transferred to the bonded premises of a distilled spirits plant.

Sec. 205(a)(12) (amends sec. 5142 of the Code)—payment of taxes

This amendment replaces existing provisions that occupational taxes be paid by stamp with a requirement that they be paid by return. These taxes are now, in fact, being paid by return, as is required by Treasury regulations. This amendment also makes it clear that the tax on stills and condensers imposed by section 5101 is to be paid by return.

Subchapter B. Qualification requirements for distilled spirits plants

Sec. 205(a)(13) (amends sec. 5171 of the Code)—permits for distilled spirits plants

This amendment eliminates a transitional rule relating to the time in which qualified distillers, bonded warehousemen, rectifiers, and bottlers of distilled spirits doing business as such on June 30, 1959, could obtain the required permit to continue in business. In addition, a redundant citation is deleted.

Sec. 205(a)(14) (amends sec. 5174 of the Code)—withdrawal bonds

This paragraph allows a proprietor of bottling premises to withdraw distilled spirits which have been bottled in bond to his bottling premises under his withdrawal bond. The change would permit greater convenience in handling of bottled in bond cased goods and allow the same tax payment procedures applicable to spirits bottled and cased on bottling premises to be applied to bottled in bond cased goods.

Subchapter C. Operation of distilled spirits plants

Sec. 205(a)(15) (amends sec. 5232 of the Code)—transfer of distilled spirits from outside the United States

Under section 5314 of the Code, distilled spirits brought into the United States from Puerto Rico or the Virgin Islands are not treated as "imported," but rather as "brought into" the United States.

The first sentence of section 5232 of the Code permits spirits imported or brought into the United States in bulk containers to be withdrawn from customs custody and transferred to the bonded premises of a distilled spirits plant without payment of the internal revenue tax. The second sentence then transfers the liability for eventual payment of the tax from the "importer" to the operator of the distilled spirits plant. In order to coordinate the two sentences, this amendment amplifies the second sentence to extend relief from tax liability to persons who have brought such spirits into the United States.

Sec. 205(a)(16) (amends sec. 5233 of the Code)—relating to bottling requirements

This amendment eliminates a redundant citation.

Sec. 205(a)(17) (amends sec. 5234 of the Code)—consolidation for further storage in bond

This amendment conforms the time limit within which distilled spirits in bond storage may be mingled with the time limit in section 5006(a)(2) for storing distilled spirits in bond. The latter limit was raised from eight years to twenty years in 1958.

Subchapter E. General provisions relating to distilled spirits

Sec. 205(a)(18) (amends sec. 5314 of the Code)—application of certain provisions to Puerto Rico

This provision corrects an erroneous cross reference.

Sec. 205(a)(19) (repeals sec. 5315 of the Code)—status of certain distilled spirits on July 1, 1959

This paragraph repeals a July 1, 1959, transitional provision.

Subchapter F. Bonded and taxpaid wine premises

Sec. 205(a)(20) (amends sec. 5368 of the Code)—gauging and marking wine

Subparagraph (A) eliminates a reference to stamps in the heading of section 5368 since stamps are not used to identify wines and the use of stamps is not contemplated.

Subparagraph (B) removes a reference to stamps in section 5368 (b) and in the heading of that subsection.

Sec. 205(a)(21) (amends sec. 5392 of the Code)—definitions relating to taxation of wine.

This amendment strikes out a citation that is redundant and unnecessary.

Subchapter J. Penalties, seizures, and forfeitures relating to liquors

Sec. 205(a)(22) (amends sec. 5601 of the Code)—presumptions relating to criminal penalties

This amendment strikes out paragraphs (1), (3), and (4) of present section 5601(b)—presumptions which either have been specifically declared unconstitutional or which the Internal Revenue Service believes to be unconstitutional.

Sec. 205(a)(23) (amends sec. 5685 of the Code)—penalties for possession of certain devices

This paragraph conforms cross references and a definition to changes in chapter 53 made by the Gun Control Act of 1968.

Chapter 52. Cigars, Cigarettes, and Cigarette Papers and Tubes

Sec. 205(a)(24) (amends sec. 5701 of the Code)—rate of tax on imported tobacco products

This amendment conforms the tax on imported tobacco products and cigarette tubes and papers to Tariff Schedule item 804, 19 U.S.C. 1202, which provides, for articles previously exported from the United States, a customs duty “in lieu of any other duty or tax”.

Sec. 205(a)(25) (amends sec. 5703 of the Code)—liability for tobacco tax and method of payment

Subparagraph (A) conforms provisions relating to tobacco tax to administrative practice and to related provisions regarding wines and distilled spirits.

Subparagraph (B) strikes out a traditional rule allowing tobacco taxes to continue to be paid by stamp until regulations provide for payment on the basis of return. Those regulations have been issued, and so the transitional rule no longer applies.

Subparagraph (C) eliminates section 5703(c), relating to the use of stamps to evidence payment of the tobacco tax. These stamp provisions have never been implemented, and there is no intention to implement them.

Sec. 205(a)(26) (amends sec. 5704 of the Code)—tobacco products, etc., brought into or returned to the United States

This amendment relaxes an unneeded restriction by permitting proprietors of export warehouses to import, under bond, tobacco products

and cigarette papers and tubes directly, rather than through a tobacco products manufacturers, as is required by present law.

Sec. 205(a)(27) (amends sec. 5712 of the Code)—tobacco business permits

This paragraph deletes an obsolete transitional rule allowing persons lawfully in business as a tobacco products manufacturer or as a tobacco export warehouse proprietor to remain in business after enactment of the Excise Tax Technical Changes Act of 1958 until he has had a reasonable opportunity to obtain the tobacco permit required by that Act.

Sec. 205(a)(28) (amends sec. 5723 of the Code)—packaging tobacco prior to removal

This amendment strikes out a requirement that a tobacco products manufacturer or a tobacco export warehouse proprietor must affix to his package of tobacco products, etc., prior to removal, such stamps as regulations may prescribe. The use of stamps to evidence payment of the tobacco tax is being eliminated by the repeal of section 5703(c) of the Code by section 205(a)(25)(C) of the bill. Conforming changes are made to the headings of section 5723 and 5723(b).

Sec. 205(b)—conforming and clerical amendments

This subsection provides various conforming amendments to reflect the amendments and repeals made in the alcohol, tobacco, etc., excise tax provisions (subtitle E).

Sec. 205(c)—amendments to provisions referring to Territories

This subsection strikes out a number of references to "Territories" in the alcohol, tobacco, etc., tax provisions for the reason that there are no longer any "Territories" of the United States. Hawaii, which ceased to be a Territory in 1958, was the last. The United States does have a number of territories" (spelled with a beginning small letter "t"), but they have never been affected by these provisions. Deletion of these references does not terminate the rights, duties, powers, and liabilities that arose before the effective date of this bill.

Sec. 205(d)—effective date

This subsection provides that the effective date of the amendments and repeals made to subtitle E is to be the first day of the first month beginning more than 90 days after enactment of this bill.

SEC. 206. AMENDMENTS OF SUBTITLE F; PROCEDURE AND ADMINISTRATION

Chapter 61. Information and Returns

Sec. 206(a)(1) (amends sec. 6013 of the Code)—joint returns

These amendments are clerical, such as the one which uses the new name of the United States Tax Court.

Sec. 206(a)(2) (amends sec. 6015 of the Code)—estimated tax

This amendment strikes out an obsolete effective date provision (December 31, 1954) for this section.

Sec. 206(a)(3) (amends sec. 6037 of the Code)—returns of subchapter S corporations

This amendment corrects an error in a cross reference.

Sec. 206(a)(4) (amends sec. 6046 of the Code)—information as to organization of foreign corporations

This amendment eliminates special rules (relating to information returns with respect to foreign corporations) applicable to the first six months of 1963.

Sec. 206(a)(5) (amends sec. 6051 of the Code)—receipts for employees

This is a clerical amendment striking out a misplaced word.

Sec. 206(a)(6) (amends sec. 6065 of the Code)—verification of returns

This amendment eliminates the authority to require certain returns, statements, and other documents to be verified by oaths, rather than under the penalty of perjury. This authority is not now used and is not expected to be used.

Sec. 206(a)(7) (amends sec. 6103 of the Code)—publicity of tax returns

This amendment strikes out a reference to coconut and palm oil taxes which were repealed in 1962. A special effective date provision is provided so that returns made or required to be made prior to that effective date will remain open to public inspection pursuant to section 6103.

Sec. 206(a)(8) (repeals sec. 6105 of the Code)—compilation of data for certain excess profits cases

This amendment strikes out a provision for the compilation and publication of data with respect to excess profits tax cases under section 722 of the 1939 Code.

Sec. 206(a)(9) (amends sec. 6110 of the Code)—cross references

This amendment strikes out cross references to a provision relating to cotton futures (see section 252 of the bill) and to provisions relating to narcotics which were repealed by the Comprehensive Drug Abuse Prevention and Control Act of 1970.

Chapter 62. Time and Place for Paying Tax

Sec. 206(a)(10) (amends sec. 6152 of the Code)—installment payments by corporations

This amendment strikes out a rule for taxable years ending before December 31, 1954, which allowed a corporation to pay taxes imposed by chapter 1 in four installments.

Sec. 206(a)(11) (amends sec. 6154 of the Code)—installment payments of estimated income tax by corporations

These amendments strike out various transitional rules applicable to installments of estimated tax for taxable years beginning in 1968, 1969, 1970, 1971, 1972, 1973, and 1974.

Sec. 206(a)(12) (amends sec. 6157 of the Code)—payment of Federal unemployment tax quarterly or on other basis

These amendments strike out special rules relating to the computation of Federal unemployment tax for calendar quarters or other periods in 1970 and 1971.

Sec. 206(a)(13) (repeals sec. 6162 of the Code)—extension of time for payment of tax on the liquidation of certain personal holding companies

This amendment repeals a section dealing with an extension of time for the payment of tax on gain on the liquidation before 1957 of certain personal holding companies.

Sec. 206(a)(14) (amends sec. 6166 of the Code)—extension of time for payment of estate tax

These amendments eliminate a 1958 effective date provision and strike out section 6166(i)(4), a special provision relating to taxable years ending before 1960.

Chapter 63. Assessment

Sec. 206(a)(15) (amends sec. 6205 of the Code)—relating to the District of Columbia as an employer

This is a clerical amendment changing "Commissioner" of the District of Columbia" to "Mayor of the District of Columbia" in order to reflect the enactment of the District of Columbia Self Government and Governmental Reorganization Act.

Sec. 206(a)(16) (amends sec. 6027 of the Code)—cross references

The amendment strikes out a cross reference to provisions repealed in 1962.

Sec. 206(a)(17) (amends sec. 6213 of the Code)—restrictions applicable to deficiencies; petitions to the Tax Court

This amendment conforms the provision to the definition of "United States", used in a geographical sense, that appears in section 7701(a)(9) of the Code.

Sec. 206(a)(18) (amends sec. 6215 of the Code)—assessment of deficiency found by Tax Court

This amendment strikes out an unnecessary citation.

Chapter 64. Collection

Sec. 206(a)(19) (amends sec. 6302 of the Code)—collection of certain excise taxes

This is a clerical amendment to strike out references to certain obsolete provisions relating to taxes on coconut and palm oil (repealed in 1962) and on narcotics (repealed in 1970).

Sec. 206(a)(20) (repeals sec. 6304 of the Code)—collection under the Tariff Act of 1930

This amendment repeals a cross reference to provisions repealed in 1962.

Sec. 206(a)(21) (amends sec. 6313 of the Code)—fractional parts of a cent

This amendment deletes a reference to taxes payable by stamp from the rules pertaining to rounding off fractional parts of a cent in the payment of taxes, since no tax now collected by stamp will be due in fractions of a cent.

Sec. 206(a)(22) (amends sec. 6326 of the Code)—cross references for sections relating to lien for taxes

This provision conforms to current drafting style in striking out unnecessary Statutes at Large citations in paragraphs 2, 3, 4, and 5.

Sec. 206(a)(23) (amends sec. 6365 of the Code)—definitions and special rules

This amendment changes the term "Commissioner of the District of Columbia" to "Mayor of the District of Columbia" to reflect the provisions of the District of Columbia Self Government and Governmental Reorganization Act.

Chapter 65. Abatements, Credits, and Refunds

Sec. 206(a)(24) (amends sec. 6412 of the Code)—floor stocks refunds

This is a clerical amendment which rennumbers two paragraphs.

Sec. 206(a)(25) (amends sec. 6413 of the Code)—special rules applicable to employment taxes

Subparagraphs (A) and (C) are clerical amendments substituting "Mayor" for "Commissioners" of the District of Columbia to reflect enactment of the District of Columbia Self Government and Governmental Reorganization Act.

Subparagraph (B) is a clerical amendment to reflect an increase in the social security wage base ceiling and to strike out certain rules applicable to special refunds or credits of certain employment taxes deducted from wages received in calendar years prior to 1975. A special effective date is provided so that refunds or credits with respect to wages paid in calendar years before 1976 will not be affected.

Subparagraph (D) strikes out an obsolete internal effective date (1967).

Sec. 206(a)(26) (amends sec. 6416 of the Code)—refund or credit of taxes on special fuels

Subparagraph (A) is a clerical correction redesignating two subparagraphs in section 6416(a)(3).

Subparagraph (B) deletes provisions relating to credits or refunds of overpayments of taxes imposed on taxable sales or uses under section 4041 of the Code, but ultimately used or resold for exempt purposes (such as a use on a farm for farming purposes). These deleted provisions relate only to uses or resales prior to July 1, 1970. Exempt uses or resales after June 30, 1970, are covered by section 6427 of the Code.

Section 6416 of the Code allows a credit to be taken "on any subsequent return" for a number of overpayments, including those described in the deleted provisions of section 6416. It is possible, there-

fore, that claims for overpayments on account of sales and uses prior to July 1, 1970, may still be open, and, accordingly, the bill provides a special effective date for the deletions made in subparagraph (B) to preserve any such claims that may still be open.

Sec. 206(a)(27) (repeal of sec. 6417 of the Code)—coconut and palm oil

This amendment strikes out a section of the Code relating to the former tax on coconut and palm oil that was repealed in 1962.

Sec. 206(a)(28) (amends sec. 6420 of the Code)—gasoline used on farms

Subparagraph (A) deletes obsolete provisions concerning claims for refund with respect to gasoline used before July 1, 1965.

Subparagraph (B) corrects a typographical error.

Subparagraphs (C) and (D) strike out obsolete effective date provisions (December 1, 1955, and June 30, 1965).

Sec. 206(a)(29) (amends sec. 6421 of the Code)—gasoline used for nonhighway purposes or by local transit systems

Subparagraph (A) strikes out an obsolete internal effective date (June 30, 1970).

Subparagraph (B) deletes obsolete provisions relating to claims for refund with respect to gasoline used before July 1, 1965.

Subparagraphs (C) and (D) strike out obsolete internal effective dates (June 30, 1956, and June 30, 1965).

Sec. 206(a)(30) (amends sec. 6422 of the Code)—cross references relating to credits and refunds

This amendment deletes unnecessary citations to the Statutes at Large.

Sec. 206(a)(31) (amends sec. 6423 of the Code)—credit or refund of alcohol and tobacco taxes

These amendments delete obsolete internal effective dates (April 30, 1958, April 30, 1959, and June 15, 1957) relating to claims for credit or refund and suits filed with respect to alcohol and tobacco taxes.

Sec. 206(a)(32) (amends sec. 6424 of the Code)—lubricating oil not used in highway motor vehicles

These amendments strike out a transitional rule for taxable years beginning in 1965 and an obsolete internal effective date (December 31, 1965) relating to the use of certain lubricating oil.

Sec. 206(a)(33) (amends sec. 6427 of the Code)—fuels not used for taxable purposes

These amendments strike out an obsolete effective date (June 30, 1970) relating to repayment or credit of the tax on use of certain fuels.

A special effective date for this provision ("fuel used or resold after June 30, 1970") is provided because credits and refunds for fuels used or resold prior to June 1, 1970, are governed by section 6416(b) of the Code.

Chapter 66. Limitations

Sec. 206(a)(34) (amends sec. 6504 of the Code)—cross references

Subparagraph (A) is a clerical amendment to combine several cross references into one paragraph. Subparagraph (B) rennumbers the

paragraphs of section 6504 of the Code in conformance with the amendment made by subparagraph (A) and the deletion of paragraphs (1), (6), and (7) by paragraphs (35) (C), (36) (C), and (38) (B) of section 201(b) of the bill.

Sec. 206(a)(35) (amends sec. 6511 of the Code)—limitations on credit or refund

These amendments strike out obsolete internal effective date provisions (September 1, 1959, and December 31, 1965) relating to certain claims for credit or refund.

Chapter 67. Interest

Sec. 206(a)(36) (amends sec. 6601 of the Code)—interest on underpayments

This amendment strikes out an obsolete reference to a provision of the 1939 Code relating to interest on estimated tax payments.

Chapter 68. Additions to the Tax, Additional Amounts, and Assessable Penalties

Sec. 206(a)(37) (amends sec. 6654 of the Code)—payment of estimated income tax

This amendment strikes out an internal effective date (December 31, 1954) that is no longer needed.

Chapter 69. General Provisions Relating to Stamps

Sec. 206(a)(38) (amends sec. 6802 of the Code)—supply and distribution of stamps

This paragraph is a clerical amendment substituting a period for a semicolon.

Sec. 206(a)(39) (amends sec. 6803 of the Code)—accounting and safeguarding of stamps

These amendments redesignate subsections (b) (1) and (2) as subsections (a) and (b) (the previous subsection (a) having been repealed in 1972) and strike out an obsolete cross reference.

Chapter 70. Jeopardy, Bankruptcy, and Receiverships

Sec. 206(a)(40) (amends sec. 6863 of the Code)—stay of collection of jeopardy assessments

This amendment strikes out an obsolete internal effective date (January 1, 1955) relating to a stay of sale of seized property pending a Tax Court decision.

Chapter 72. Licensing and Registration

Sec. 206(a)(41) (amends sec. 7012 of the Code)—cross references

This amendment strikes out a cross reference to the tax on white phosphorus matches (which is repealed by section 204(a)(16) of the bill), corrects an erroneous cross reference, and renumbers the remaining subsections.

Chapter 73. Bonds

Sec. 206(a)(42) (amends sec. 7103 of the Code)—cross references

This amendment strikes out cross references to taxes on oleomargarine, adulterated butter, filled cheese, opium for smoking, and white phosphorus matches repealed by sections 204(a)(15), (16), and (17) of the bill and by legislation enacted in 1962, 1970, and 1974.

Chapter 75. Crimes, Other Offenses, and Forfeitures

Sec. 206(a)(43) (amends sec. 7271 of the Code)—penalties for offenses relating to stamps

This amendment strikes out an obsolete provision relating to payment of certain taxes by stamp.

Sec. 206(a)(44) (amends sec. 7272 of the Code)—penalty for failure to register

This amendment strikes out cross references to narcotics provisions which were repealed by the Comprehensive Drug Abuse Prevention and Control Act of 1970.

Sec. 206(a)(45) (amends sec. 7326 of the Code)—disposal of forfeited or abandoned property

These amendments correct an erroneous cross reference and redesignate subsection (c) as subsection (b), the previous subsection (b) having been repealed by the Comprehensive Drug Abuse Prevention and Control Act of 1970.

Chapter 76. Judicial Proceedings

Sec. 206(a)(46) (amends sec. 7422 of the Code)—civil actions for refund

These amendments strike out an obsolete internal effective date (June 15, 1942), relating to the effect of certain suits and Tax Court petitions filed after that date.

Sec. 206(a)(47) (amends sec. 7427 of the Code)—cross references relating to proceedings by taxpayers

Unnecessary Statutes at Large citations are struck out in this amendment.

Sec. 206(a)(48) (amends sec. 7448 of the Code)—annuities to widows and dependent children of Tax Court judges

These amendments eliminate a distinction in present law between male and female judges of the Tax Court, in respect of annuities to surviving family members of Tax Court judges. As now worded, section 7448 refers only to a widow (defined as a surviving wife) of a Tax Court judge, and similarly to a mother of issue of a judge's marriage. However, it appears that there is no continuing intent to deny equal protection to the surviving spouses of all Tax Court judges regardless of sex.

The bill eliminates any distinction based on sex and replaces the terms "widow", "widower", "surviving wife", "mother", "her", and "she" with the terms "surviving spouse", "parent", and "such spouse", as appropriate.

Sec. 206(a)(49) (amends sec. 7471 of the Code)—employees of Tax Court

These amendments delete unnecessary Statutes at Large citations from subsections (a) and (b) of section 7471.

Sec. 206(a)(50) (amends sec. 7476 of the Code)—declaratory judgments

This amendment makes a clerical correction in placing the material in subsection (a) that follows paragraph (2)(B) at the flush left margin. This is done to make it clear that that material refers to all of subsection (a), and not merely to subsection (a)(2).

Chapter 77. Miscellaneous Provisions

Sec. 206(a)(51) (amends sec. 7502 of the Code)—timely mailing treated as timely filing

This paragraph is a clerical amendment changing a reference (relating to postmarks) from the “United States Post Office” to the “United States Postal Service” to reflect the enactment of the Postal Reorganization Act.

Sec. 206(a)(52) (amends sec. 7507 of the Code)—exemption for insolvent banks

These amendments strike out an obsolete date (May 28, 1938) relating to assessment of certain taxes owed by insolvent banks.

Sec. 206(a)(53) (amends sec. 7508 of the Code)—time for performing certain acts postponed by reason of war

These are clerical amendments changing the heading of section 7508 to refer to “service in a combat zone” and using the defined term “United States” (sec. 7701(a)(9) of the Code) to replace “States of the Union and the District of Columbia”.

Sec. 206(a)(54) (amends sec. 7509 of the Code)—expenditures by the Post Office Department

Subparagraphs (A), (B), and (C) are clerical amendments to use the term “United States Postal Service” in lieu of “United States Post Office” to reflect the enactment of the Postal Reorganization Act.

Subparagraph (D) eliminates a cross reference to a previously repealed subsection.

Chapter 78. Discovery of Liability and Enforcement of Title

Sec. 206(a)(55) (amends sec. 7621 of the Code)—internal revenue districts

This amendment eliminates the term “Territory” since there are no longer any Territories.

Sec. 206(a)(56) (repeals sec. 7641 of the Code)—supervision of operations of certain manufacturers

This provision repeals subchapter C of chapter 78, which contains administrative provisions relating to the taxes on filled cheese, oleomargarine, process or renovated butter, and white phosphorus matches. The taxes on these items are repealed by other provisions of the bill or have been repealed by prior law.

Sec. 206(a)(57) (amends sec. 7652 of the Code)—shipments to the United States

Subparagraph (A) deletes an obsolete effective date (June 30, 1954) relating to the disposition of taxes collected on certain articles produced in the Virgin Islands and transported to the United States.

Subparagraphs (B), (C), and (D) strike out obsolete provisions relating to payments to the Virgin Islands of taxes collected in 1955 and 1956.

Sec. 206.(a)(58) (amends sec. 7653 of the Code)—shipments from the United States.

This amendment deletes a citation to the Statutes at Large.

Chapter 79. Definitions

Sec. 206(a)(59) (amends sec. 7701 of the Code)—definitions

Subparagraph (A) defines the term "Secretary" to mean the Secretary of the Treasury or his delegate. (The term "Secretary" is currently defined as the "Secretary of the Treasury".) Subparagraph (A) also provides that the term "Secretary of the Treasury" means the Secretary of the Treasury, personally, not including any delegate.

Subparagraph (B) redefines the term "or his delegate" for purposes of the Internal Revenue Code. This term may include, for example, the Commissioner of Internal Revenue.

To make use of these new terms, subparagraph (A) of subsection (b) (14) of section 206 of the bill amends the Internal Revenue Code by striking out "Secretary or his delegate" each place it appears and inserting in lieu thereof "Secretary". Paragraphs (B), (C), and (N) of subsection (b) (14) strike out "Secretary" and insert in lieu thereof "Secretary of the Treasury" in 26 provisions of the Code which currently use the term "Secretary" without reference to any of his delegates.

Subparagraphs (D), (I), (J), (L), and (M) of subsection (b) (14) change certain derivations of the term "Secretary or his delegate" (such as "Secretary nor his delegate") to "Secretary".

Subparagraphs (E), (F), and (H) of subsection (b) (14) change the term "Secretary" to "Secretary of Labor" in the following sections of the Code: 3304(c), 3310(d) (2), and 3310(e).

Subparagraph (G) of subsection (b) (14) amends sections 3221(a) and 3221(c) of the Code by striking out the words "of the Treasury" following the word "Secretary" so that the notification of certain actions by employers or by the Railroad Retirement Board required by such sections does not have to be made to the Secretary of the Treasury personally.

Subparagraph (K) of subsection (b) (4) substitutes "to the Secretary of the Treasury (or to such person as the Secretary of the Treasury)" for "to the Secretary or to such person as the Secretary".

Chapter 80. General Rules

Sec. 206(a)(60) (amends sec. 7803 of the Code)—other personnel

This paragraph is a clerical amendment redesignating subsection (d) as subsection (c), the previous subsection (c) having been repealed.

Sec. 206(a)(61) (amends sec. 7809 of the Code)—deposit of collections

This amendment deletes cross references to provisions repealed by the Comprehensive Drug Abuse Prevention and Control Act of 1970.

Sec. 206(b)—conforming and clerical amendments

This subsection of the bill makes clerical and conforming amendments to several sections and tables of sections of the Code to reflect the repeal of Code sections 6105, 6162, 6304, 6417, and 7641 and the amendment of Code sections 6111, 6154, 6416, 6420, 6424, 7448, 7508, 7509, and 7701 by section 206(a) of the bill.

Sec. 206(c)—amendments to sections referring to Territories

This subsection amends sections 6871(a), 7622(b), and 7701(a)(4) of the Code by striking out references to Territories since there are no longer any United States Territories.

Sec. 206(d)—effective date

Section 206(d) provides that, except as otherwise expressly provided, the amendments made by section 206 are to take effect on the first day of the first month which begins more than 90 days after the date of enactment of the bill, except that any amendment, when relating to a tax imposed by chapter 1 or chapter 2 of the Code is to apply with respect to taxable years beginning after December 31, 1975.

SEC. 207. AMENDMENTS OF SUBTITLE G; THE JOINT COMMITTEE ON INTERNAL REVENUE TAXATION

Paragraph (1) of subsection (a) substitutes the name "Joint Committee on Taxation" for "Joint Committee on Internal Revenue Taxation" in section 8001. This change is made in the interest of brevity and does not change the functions of the Joint Committee. The duties of the Joint Committee are set forth in section 8022 of the Internal Revenue Code and relate only to internal revenue taxes and to the Internal Revenue Service (or any other agency to the extent it is charged with administration of those taxes).

Paragraph (2) amends section 8004 to refer to the compensation of "the Chief of Staff" instead of "a clerk," thus conforming this provision to the present language of section 8023(b).

Paragraph (3) of subsection (a) strikes out an outdated limitation on the cost of stenographic services incurred by the Joint Committee.

Paragraph (4) is a clerical amendment to make more readable section 8023(c), dealing with the inapplicability of reorganization plans to the Joint Committee.

Paragraph (5) is a general provision that all references in any other statute, or in any rule, regulation, or order to the Joint Committee on Internal Revenue Taxation are to be considered to be made to the Joint Committee on Taxation.

Subsection (b) provides conforming amendments for appropriate changes in references to the Joint Committee on Internal Revenue Taxation in sections 6103(d)(2) and 6405(a) of the Code. Subsection (b) also makes conforming amendments to the heading of subtitle G and to the table of subtitles.

Subsection (c) provides that the amendments made by this section of the bill are to take effect on the first day of the first month which begins more than 90 days after enactment.

PART II—AMENDMENTS OF CODE PROVISIONS WITH LIMITED CURRENT APPLICATION, REPEALS AND SAVINGS PROVISIONS

Sec. 251. Provisions of subtitle A

Sec. 251(a) (explanation of references to sections)

This subsection eliminates the need of repeated references to the Internal Revenue Code of 1954 in this section by providing that, when this section of the bill refers to an amendment or repeal of a section or other provision, that is to be considered an amendment or repeal of a section or other provision of the Internal Revenue Code.

Sec. 251(b)(1) (amends sec. 72 of the Code)—certain joint and survivor annuities

Subparagraph (A) of this paragraph removes from the Code a special provision for joint and survivor annuities where the first annuitant died in 1951, 1952, or 1953. Subparagraph (B), however, provides that the deleted provision is to continue to apply in cases of annuity contracts under which distributions were made in taxable years beginning before January 1, 1976, and to which the deleted provision was applicable.

Sec. 251(b)(2) (amends sec. 108 of the Code)—railroad corporations' discharge of indebtedness

This provision strikes out a special rule of very limited current applicability relating to an exclusion from the income of railroad corporations for income arising from the discharge, cancellation, or modification of indebtedness pursuant to a receivership proceeding or reorganization proceeding under section 77 of the Bankruptcy Act which was commenced before January 1, 1960. The special rule continues to apply, however, to any existing railroad corporation receivership or reorganization proceeding commenced before 1960.

Sec. 251(b)(3) (amends sec. 164 of the Code)—payments for municipal-type services in Atomic Energy Communities

This paragraph strikes out a provision that authorizes deduction of certain amounts paid to the Atomic Energy Commission (or its successors, currently the Nuclear Regulatory Commission) for municipal-type services in atomic energy communities. However, the committee understands that payments are still being made for such services in Los Alamos, New Mexico. For this reason, the provision is to have continued application to amounts paid or accrued in a community in which the Commission's successor provided municipal-type services on December 31, 1975.

Sec. 251(b)(4) (repeals sec. 168 of the Code)—60-month amortization of emergency facilities

This paragraph repeals the provision allowing five-year amortization of emergency facilities. The provision is largely obsolete since certification of an emergency facility is required if the rapid amortiza-

tion is to be allowed, but the existing provision does not permit certification after 1959.

Some additional language in the bill's provision is necessitated by a conforming amendment to section 642(f) of the Code.

Sec. 251(b)(5) (amends sec. 171 of the Code)—amortizable bond premium for certain bonds acquired after January 22, 1954, and before January 1, 1958

This provision strikes from the Code a special rule relating to the amortizable bond premium of taxable bonds (for which an election is made under section 171(c) of the Code) issued after January 22, 1951, with a call date not more than three years after the issue date, if acquired by the taxpayer after January 22, 1954, and before January 1, 1958.

Although stricken from the Code, this special rule is retained in the public laws for all such bonds.

Sec. 251(b)(6) (amends sec. 333 of the Code)—liquidations of certain corporations affected by the Revenue Act of 1964

This paragraph deletes a provision allowing stockholders to elect the application of certain nonrecognition of gain rules in cases of liquidation distributions of corporations that were not personal holding companies in one of the two taxable years ending before February 26, 1964 (the date of enactment of the Revenue Act of 1964) but which would in that year have been personal holding companies under the new, stricter provisions of that Act.

Shareholders of such corporations may still claim the benefit of nonrecognition of gain rules applicable to liquidations after 1966 if their corporations meet certain tests and requirements set out in the existing section 333(g)(2). Therefore, the bill retains those particular provisions in the public laws, although they are deleted from the Code.

Sec. 251(b)(7) (amends sec. 453 of the Code)—certain installment sales prior to 1954

This paragraph strikes from the Code references to the tax treatment of payments on installment sales of realty and casual installment sales of personalty concluded before 1954. The special rule applicable to those sales made before 1954 is retained in the public laws, however, for the continued use of taxpayers now eligible to use this rule because their sales were covered by section 44(b) of the Internal Revenue Code of 1939. (Before 1954, installment sales tax treatment for sales of this class could be obtained only if there was a payment or payments of a total not exceeding 30 percent of the selling price in the taxable year of the sale. After 1953, it was not required that there be any payment in the year of sale.)

Sec. 251(b)(8) (amends sec. 512 of the Code)—exclusions from unrelated business taxable income

This paragraph deletes a provision of the Code (sec. 512(b)(13)) excluding from the definition of unrelated business taxable income certain income received by exempt trusts created by the wills of individuals who died between August 16, 1954, and January 1, 1957, if that income is received by those trusts as limited partners (as defined). Also deleted is an exclusion of income used by a labor, agricultural, or hor-

gricultural organization to establish, maintain, or operate a retirement home, hospital, or similar facility, if the income is derived from agricultural pursuits on grounds contiguous to the facility and if the income does not provide more than 75 percent of the cost of operating or maintaining the facility.

For both cases, a savings provision is retained in the public laws to continue to allow these exclusions.

Sec. 251(b)(9) (amends sec. 545 of the Code)—deductions allowable in computing personal holding company income

This provision strikes from the Code a paragraph (sec. 545(b)(9)) which permits the deduction from personal holding company income (upon which a special 70-percent tax rate is imposed) of the amount of any properly filed lien in favor of the United States to which the taxpayer is subject at the end of the taxable year. This provision appears to have rare, if any, usage now. It was enacted in 1951 for the benefit of a personal holding company which is no longer in existence.

The paragraph to be deleted also requires the sum of the amounts deducted to be recaptured by their inclusion in the taxable income of the taxpayer for the year the lien is satisfied or released, and it permits the taxpayer's shareholders to compute the income tax on dividends attributable to amounts so included in income as though they were received ratably over the period the lien was in effect. These latter provisions are retained in the public laws for application to recaptures, on account of liens satisfied or released in taxable years beginning on or after January 1, 1976, of deductions taken in taxable years beginning before that date.

Sec. 251(b)(10) (amends sec. 691 of the Code)—installment obligations received from a decedent

This paragraph deletes the provision allowing taxpayers to elect to report, on a pro rata basis, installment payments on certain obligations transferred from a decedent (in taxable years to which the 1939 Code applied) without the necessity of maintaining a bond with the Internal Revenue Service to guarantee the proper reporting of the installment payments, as had been necessary with respect to returns required to be filed before September 3, 1964.

It is believed either that none of these obligations are still outstanding, or, if any are, that the taxpayers have already exercised the election. This amendment preserves the rights of any taxpayers still reporting such installment payments who will have made the election with respect to taxable years beginning before January 1, 1976.

Sec. 251(b)(11) (amends sec. 817 of the Code)—life insurance company gains on transactions occurring prior to January 1, 1959

This paragraph deletes from the Code section 817(d), which excludes from taxation gains realized by life insurance companies in cases of gains from, or considered under the life insurance company tax provisions as from, the sale or other disposition of a capital asset (or of property which, except for section 817(d), would constitute section 1231 assets) before 1959. Before 1959, such gains were usually not subject to tax in the case of life insurance companies.

It is unlikely that this provision has any current applicability since taxpayers are not likely to be currently receiving gains from pre-1959

dispositions, except in the limited area of installment sales. In those cases, the number of transactions to which the provision might apply may be expected to decrease each year. For these reasons, the provision is removed from the Code, but retained in the public laws.

Sec. 251(b)(12) (repeals sec. 1347 of the Code)—claims filed against the United States before January 1, 1958

This paragraph deletes from the Code a provision limiting to 33 percent of the amount paid (without taking into account the interest paid), the tax payable on payments by the United States on claims unpaid for 15 years and involving the acquisition of property. The provision applied only if the claim was filed before January 1, 1958.

It is believed that no claim of the type described in section 1347 is still outstanding. If any does exist, however, it will remain subject to the same tax treatment by virtue of the inclusion in the public laws of the provision deleted from the Code.

Several conforming changes necessitated by the deletion of section 1347 are also made.

Sec. 251(b)(13) (repeals sec. 1471 of the Code)—recovery of excessive profits on Government contracts subject to the Vinson-Trammell Act

This paragraph deletes from the Code a provision relating to a few possible situations of excessive profits on Government contracts not covered by the Renegotiation Act. In addition, the provision would be fully operative if the Renegotiation Act should ever be allowed to expire. Since this provision does not involve taxation as such, but instead provides for collection of certain excessive profits as taxes are collected, it is removed from the Code but retained in the public laws.

Sec. 251(b)(14) (amends sec. 1481 of the Code)—renegotiated excessive defense contract profits of taxable years governed by the Internal Revenue Code of 1939

This paragraph deletes from the Code a provision (section 1481(d)) regarding the readjustment of taxes for taxable years governed by the Internal Revenue Code of 1939 if excessive defense contract profits taxed in those years are recaptured by the Government pursuant to the Renegotiation Act of 1951, as amended.

It is believed that no years governed by the Internal Revenue Code of 1939 (in general, taxable years beginning before January 1, 1954) are now in court or in the renegotiation process. However, it appears that some excessive profits renegotiated for years subject to the 1939 Code are still being collected. In addition, defense contractors and subcontractors who failed to file reports of renegotiable profits for those years could be required to file such reports (although this is considered an unlikely possibility). For these reasons, the provision deleted from the Code is retained in the public laws.

Sec. 251(b)—conforming and clerical amendments

This subsection provides conforming and clerical amendments necessitated by the repeals made by section 251(a) of the bill.

Sec. 251(c)—effective date

Subsection (c) provides that the amendments made by section 251 (a) and (b) of the bill, except as otherwise expressly provided, are to apply to taxable years beginning after December 31, 1975.

SEC. 252. PROVISIONS OF SUBCHAPTER D OF CHAPTER 39; COTTON FUTURES

This section repeals provisions (sections 4851 through 4877 of the Code) taxing cotton futures contracts. These provisions impose prohibitory taxes upon cotton futures contracts which do not meet the requirements set forth in these provisions and in related Department of Agriculture regulations. No tax is collected under these provisions, which provide the necessary authority to regulate the cotton futures market. (See legislative findings in title 7 of the United States Code at section 5, 6a (first sentence), and 2101 (second and third sentences).) The bill reenacts these provisions (providing appropriate penalties), which results in transferring the law on this subject out of the Internal Revenue Code. The material in this section has been reviewed by the Department of Agriculture, the New York Cotton Exchange, and the staff of the Committee on Agriculture of the House of Representatives.

A number of conforming and clerical amendments to the Code are necessitated by the repeal of sections 4851 through 4877 and are made by subsection (n). The provisions of this section of the bill are to take effect on the 90th day after the date of enactment.

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