Public Law 183 CHAPTER 521

October 20, 1951
[H. R. 4473]

AN ACT

To provide revenue, and for other purposes.

Revenue Act of 1951.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) SHORT TITLE.—This Act, divided into titles and sections according to the following table of contents, may be cited as the "Revenue Act of 1951":

TABLE OF CONTENTS

TABLE OF CONTENTS—Continued

TABLE OF CONTENTS—Continued

Post, p. 497.

TITLE III—MISCELLANEOUS INCOME TAX AMENDMENTS—Continued

TABLE OF CONTENTS—Continued

TABLE OF CONTENTS—Continued

TITLE IV—EXCISE TAXES—Continued

TABLE OF CONTENTS—Continued

TABLE OF CONTENTS—Continued

(b) ACT AMENDATORY OF INTERNAL REVENUE CODE.—Except as otherwise expressly provided, wherever in this Act an amendment or repeal is expressed in terms of an amendment to or repeal of a chapter, subchapter, title, supplement, section, subsection, subdivision, paragraph, subparagraph, or clause, the reference shall be considered to be made to a provision of the Internal Revenue Code.

(c) MEANING OF TERMS USED.—Except as otherwise expressly provided, terms used in this Act shall have the same meaning as when used in the Internal Revenue Code.

TITLE I—INCREASE IN INCOME TAX RATES

PART I—INDIVIDUAL INCOME TAXES

SEC. 101. INCREASE IN SURTAX FOR 1951, 1952, AND 1953.

(a) Rates of Surtax.—Section 12 (b) (relating to rates of surtax) is hereby amended to read as follows: 53 Stat. 5. 26 U. S. C. § 12 (b).

"(b) RATES OF SURTAX.—

"(1) CALENDAR YEAR 1951.—In the case of a taxable year beginning on January 1, 1951, and ending on December 31, 1951, there shall be levied, collected, and paid for such taxable year upon the surtax net income of every individual the surtax shown in the following table:

"If the surtax net income is:	The surtax shall be:
Not over $2,000	17.4% of the surtax net income.
Over $2,000 but not over $4,000	$348, plus 19.4% of excess over $2,000.
Over $4,000 but not over $6,000	$736, plus 24% of excess over $4,000.
Over $6,000 but not over $8,000	$1,216, plus 27% of excess over $6,000.
Over $8,000 but not over $10,000	$1,756, plus 32% of excess over $8,000.
Over $10,000 but not over $12,000	$2,396, plus 36% of excess over $10,000.
Over $12,000 but not over $14,000	$3,116, plus 40% of excess over $12,000.
Over $14,000 but not over $16,000	$3,916, plus 45% of excess over $14,000.
Over $16,000 but not over $18,000	$4,816, plus 48% of excess over $16,000.
Over $18,000 but not over $20,000	$5,776, plus 51% of excess over $18,000.
Over $20,000 but not over $22,000	$6,796, plus 54% of excess over $20,000.
Over $22,000 but not over $26,000	$7,876, plus 57% of excess over $22,000.
Over $26,000 but not over $32,000	$10,156, plus 60% of excess over $26,000.
Over $32,000 but not over $38,000	$13,756, plus 63% of excess over $32,000.
Over $38,000 but not over $44,000	$17,536, plus 66% of excess over $38,000.
Over $44,000 but not over $50,000	$21,496, plus 70% of excess over $44,000.
Over $50,000 but not over $60,000	$25,696, plus 72% of excess over $50,000.
Over $60,000 but not over $70,000	$32,896, plus 75% of excess over $60,000.
Over $70,000 but not over $80,000	$40,396, plus 79% of excess over $70,000.
Over $80,000 but not over $90,000	$48,296, plus 81% of excess over $80,000.
Over $90,000 but not over $100,000	$56,396, plus 84% of excess over $90,000.
Over $100,000 but not over $150,000	$64,796, plus 86% of excess over $100,000.
Over $150,000 but not over $200,000	$107,796, plus 87% of excess over $150,000.
Over $200,000	$151,296, plus 88% of excess over $200,000.

"(2) TAXABLE YEARS BEGINNING AFTER OCTOBER 31, 1951, AND BEFORE JANUARY 1, 1954.—In the case of taxable years beginning after October 31, 1951, and before January 1, 1954, there shall be levied, collected, and paid for each taxable year upon the surtax net income of every individual (other than a head of a household to whom subsection (c) applies) the surtax shown in the following table:

Post, p. 480.

"If the surtax net income is:	The surtax shall be:
Not over $2,000	19.2% of the surtax net income.
Over $2,000 but not over $4,000	$384, plus 21.6% of excess over $2,000.
Over $4,000 but not over $6,000	$816, plus 26% of excess over $4,000.
Over $6,000 but not over $8,000	$1,336, plus 31% of excess over $6,000.
Over $8,000 but not over $10,000	$1,956, plus 35% of excess over $8,000.
Over $10,000 but not over $12,000	$2,656, plus 39% of excess over $10,000.
Over $12,000 but not over $14,000	$3,436, plus 45% of excess over $12,000.
Over $14,000 but not over $16,000	$4,336, plus 50% of excess over $14,000.
Over $16,000 but not over $18,000	$5,336, plus 53% of excess over $16,000.
Over $18,000 but not over $20,000	$6,396, plus 56% of excess over $18,000.
Over $20,000 but not over $22,000	$7,516, plus 59% of excess over $20,000.
Over $22,000 but not over $26,000	$8,696, plus 63% of excess over $22,000.
Over $26,000 but not over $32,000	$11,216, plus 64% of excess over $26,000.
Over $32,000 but not over $38,000	$15,056, plus 65% of excess over $32,000.
Over $38,000 but not over $44,000	$18,956, plus 69% of excess over $38,000.
Over $44,000 but not over $50,000	$23,096, plus 72% of excess over $44,000.
Over $50,000 but not over $60,000	$27,416, plus 74% of excess over $50,000.
Over $60,000 but not over $70,000	$34,816, plus 77% of excess over $60,000.
Over $70,000 but not over $80,000	$42,516, plus 80% of excess over $70,000.
Over $80,000 but not over $90,000	$50,516, plus 82% of excess over $80,000.
Over $90,000 but not over $100,000	$58,716, plus 85% of excess over $90,000.
Over $100,000 but not over $150,000	$67,216, plus 87% of excess over $100,000.
Over $150,000 but not over $200,000	$110,716, plus 88% of excess over $150,000.
Over $200,000	$154,716, plus 89% of excess over $200,000.

"(3) TAXABLE YEARS BEGINNING AFTER DECEMBER 31, 1953.—In the case of taxable years beginning after December 31, 1953, there shall be levied, collected, and paid for each taxable year upon the surtax net income of every individual (other than a head of a household to whom subsection (c) applies) the surtax shown in the following table:

"If the surtax net income is:	The surtax shall be:
Not over $2,000	17% of the surtax net income.
Over $2,000 but not over $4,000	$340, plus 19% of excess over $2,000.
Over $4,000 but not over $6,000	$720, plus 23% of excess over $4,000.
Over $6,000 but not over $8,000	$1,180, plus 27% of excess over $6,000.
Over $8,000 but not over $10,000	$1,720, plus 31% of excess over $8,000.
Over $10,000 but not over $12,000	$2,340, plus 35% of excess over $10,000.
Over $12,000 but not over $14,000	$3,040, plus 40% of excess over $12,000.

"If the surtax net income is:	The surtax shall be:
Over $14,000 but not over $16,000	$3,840, plus 44% of excess over $14,000.
Over $16,000 but not over $18,000	$4,720, plus 47% of excess over $16,000.
Over $18,000 but not over $20,000	$5,660, plus 50% of excess over $18,000.
Over $20,000 but not over $22,000	$6,660, plus 53% of excess over $20,000.
Over $22,000 but not over $26,000	$7,720, plus 56% of excess over $22,000.
Over $26,000 but not over $32,000	$9,960, plus 59% of excess over $26,000.
Over $32,000 but not over $38,000	$13,500, plus 62% of excess over $32,000.
Over $38,000 but not over $44,000	$17,220, plus 66% of excess over $38,000.
Over $44,000 but not over $50,000	$21,180, plus 69% of excess over $44,000.
Over $50,000 but not over $60,000	$25,320, plus 72% of excess over $50,000.
Over $60,000 but not over $70,000	$32,520, plus 75% of excess over $60,000.
Over $70,000 but not over $80,000	$40,020, plus 78% of excess over $70,000.
Over $80,000 but not over $90,000	$47,820, plus 81% of excess over $80,000.
Over $90,000 but not over $100,000	$55,920, plus 84% of excess over $90,000.
Over $100,000 but not over $150,000	$64,320, plus 86% of excess over $100,000.
Over $150,000 but not over $200,000	$107,320, plus 87% of excess over $150,000.
Over $200,000	$150,820, plus 88% of excess over $200,000."

(b) Limitation On Tax.—Section 12 (f) (relating to limitation on tax) is hereby amended to read as follows: 53 Stat. 7. 26 U. S. C. § 12 (f).

"(f) LIMITATION ON TAX.—

"(1) CALENDAR YEAR 1951.—In the case of a taxable year beginning on January 1, 1951, and ending December 31, 1951, the combined normal tax and surtax shall in no event exceed 87.2 per centum of the net income for the taxable year.

"(2) TAXABLE YEARS BEGINNING AFTER OCTOBER 31, 1951, AND BEFORE JANUARY 1, 1954.—In the case of taxable years beginning after October 31, 1951, and before January 1, 1954, the combined normal tax and surtax shall in no event exceed 88 per centum of the net income of the taxable year.

"(3) TAXABLE YEARS BEGINNING AFTER DECEMBER 31, 1953.—In the case of taxable years beginning after December 31, 1953, the combined normal tax and surtax shall in no event exceed 87 per centum of the net income for the taxable year."

SEC. 102. INDIVIDUALS WITH ADJUSTED GROSS INCOME OF LESS THAN $5,000.

Section 400 (relating to optional tax on individuals with adjusted gross incomes of less than $5,000) is hereby amended by striking out the tables contained therein and inserting in lieu thereof the following: 55 Stat. 689; 64 Stat. 911. 26 U. S. C. § 400.

"Table I

"Taxable year beginning January 1, 1951, and ending December 31, 1951

If adjusted gross income is—		And the number of exemptions is—				If adjusted gross income is—		And the number of exemptions is—								
									2		3					
At least	But less than	1	2	3	4 or more	At least	But less than	1	And taxpayer is single or married filing separately	And a joint return is filed	And taxpayer is single or married filing separately	And a joint return is filed	4	5	6	7	8 or more
		The tax shall be—						The tax shall be—								
$0	$675	$0	$0	$0	$0	$2,325	$2,350	$307	$184	$184	$62	$62	$0	$0	$0	$0	$0
675	700	4	0	0	0	2,350	2,375	311	189	189	67	67	0	0	0	0	0
700	725	8	0	0	0	2,375	2,400	316	194	194	71	71	0	0	0	0	0
725	750	13	0	0	0	2,400	2,425	321	198	198	76	76	0	0	0	0	0
750	775	18	0	0	0	2,425	2,450	325	203	203	80	80	0	0	0	0	0
775	800	22	0	0	0	2,450	2,475	330	207	207	85	85	0	0	0	0	0
800	825	27	0	0	0	2,475	2,500	334	212	212	90	90	0	0	0	0	0
825	850	31	0	0	0	2,500	2,525	339	216	216	94	94	0	0	0	0	0
850	875	36	0	0	0	2,525	2,550	343	221	221	99	99	0	0	0	0	0
875	900	41	0	0	0	2,550	2,575	348	226	226	103	103	0	0	0	0	0
900	925	45	0	0	0	2,575	2,600	353	230	230	108	108	0	0	0	0	0
925	950	50	0	0	0	2,600	2,625	357	235	235	112	112	0	0	0	0	0
950	975	54	0	0	0	2,625	2,650	362	239	239	117	117	0	0	0	0	0
975	1,000	59	0	0	0	2,650	2,675	366	244	244	122	122	0	0	0	0	0
1,000	1,025	63	0	0	0	2,675	2,700	371	249	249	126	126	4	0	0	0	0
1,025	1,050	68	0	0	0	2,700	2,725	376	253	253	131	131	8	0	0	0	0
1,050	1,075	73	0	0	0	2,725	2,750	380	258	258	135	135	13	0	0	0	0
1,075	1,100	77	0	0	0	2,750	2,775	385	262	262	140	140	18	0	0	0	0
1,100	1,125	82	0	0	0	2,775	2,800	389	267	267	145	145	22	0	0	0	0
1,125	1,150	86	0	0	0	2,800	2,825	394	272	272	149	149	27	0	0	0	0
1,150	1,175	91	0	0	0	2,825	2,850	399	276	276	154	154	31	0	0	0	0
1,175	1,200	96	0	0	0	2,850	2,875	403	281	281	158	158	36	0	0	0	0
1,200	1,225	100	0	0	0	2,875	2,900	408	285	285	163	163	41	0	0	0	0
1,225	1,250	105	0	0	0	2,900	2,925	413	290	290	168	168	45	0	0	0	0
1,250	1,275	109	0	0	0	2,925	2,950	418	295	295	172	172	50	0	0	0	0
1,275	1,300	114	0	0	0	2,950	2,975	423	299	299	177	177	54	0	0	0	0
1,300	1,325	119	0	0	0	2,975	3,000	428	304	304	181	181	59	0	0	0	0
1,325	1,350	123	1	0	0	3,000	3,050	435	311	311	188	188	66	0	0	0	0
1,350	1,375	128	5	0	0	3,050	3,100	446	320	320	197	197	75	0	0	0	0
1,375	1,400	132	10	0	0	3,100	3,150	456	329	329	207	207	84	0	0	0	0
1,400	1,425	137	15	0	0	3,150	3,200	466	338	338	216	216	93	0	0	0	0
1,425	1,450	142	19	0	0	3,200	3,250	476	347	347	225	225	103	0	0	0	0
1,450	1,475	146	24	0	0	3,250	3,300	486	356	356	234	234	112	0	0	0	0
1,475	1,500	151	28	0	0	3,300	3,350	496	366	366	243	243	121	0	0	0	0
1,500	1,525	155	33	0	0	3,350	3,400	506	375	375	252	252	130	8	0	0	0
1,525	1,550	160	37	0	0	3,400	3,450	516	384	384	262	262	139	17	0	0	0
1,550	1,575	164	42	0	0	3,450	3,500	526	393	393	271	271	148	26	0	0	0
1,575	1,600	169	47	0	0	3,500	3,550	536	402	402	280	280	158	35	0	0	0
1,600	1,625	174	51	0	0	3,550	3,600	546	412	412	289	289	167	44	0	0	0
1,625	1,650	178	56	0	0	3,600	3,650	556	422	421	298	298	176	54	0	0	0
1,650	1,675	183	60	0	0	3,650	3,700	566	432	430	308	308	185	63	0	0	0
1,675	1,700	187	65	0	0	3,700	3,750	577	442	439	317	317	194	72	0	0	0
1,700	1,725	192	70	0	0	3,750	3,800	587	452	448	326	326	203	81	0	0	0
1,725	1,750	197	74	0	0	3,800	3,850	597	462	457	335	335	213	90	0	0	0
1,750	1,775	201	79	0	0	3,850	3,900	607	472	467	344	344	222	99	0	0	0
1,775	1,800	206	83	0	0	3,900	3,950	617	482	476	353	353	231	109	0	0	0
1,800	1,825	210	88	0	0	3,950	4,000	627	493	485	363	363	240	118	0	0	0
1,825	1,850	215	93	0	0	4,000	4,050	637	503	494	372	372	249	127	5	0	0
1,850	1,875	220	97	0	0	4,050	4,100	647	513	503	381	381	259	136	14	0	0
1,875	1,900	224	102	0	0	4,100	4,150	657	523	513	390	390	268	145	23	0	0
1,900	1,925	229	106	0	0	4,150	4,200	667	533	522	399	399	277	155	32	0	0
1,925	1,950	233	111	0	0	4,200	4,250	677	543	531	409	409	286	164	41	0	0
1,950	1,975	238	116	0	0	4,250	4,300	687	553	540	419	418	295	173	50	0	0
1,975	2,000	243	120	0	0	4,300	4,350	698	563	549	429	427	304	182	60	0	0
2,000	2,025	247	125	2	0	4,350	4,400	708	573	558	439	436	314	191	69	0	0
2,025	2,050	252	129	7	0	4,400	4,450	718	583	568	449	445	323	200	78	0	0
2,050	2,075	256	134	11	0	4,450	4,500	728	593	577	459	454	332	210	87	0	0
2,075	2,100	261	138	16	0	4,500	4,550	738	603	586	469	464	341	219	96	0	0
2,100	2,125	265	143	21	0	4,550	4,600	748	614	595	479	473	350	228	106	0	0
2,125	2,150	270	148	25	0	4,600	4,650	758	624	604	489	482	360	237	115	0	0
2,150	2,175	275	152	30	0	4,650	4,700	768	634	614	499	491	369	246	124	2	0
2,175	2,200	279	157	34	0	4,700	4,750	778	644	623	509	500	378	256	133	11	0
2,200	2,225	284	161	39	0	4,750	4,800	788	654	632	519	509	387	265	142	20	0
2,225	2,250	288	166	44	0	4,800	4,850	798	664	641	530	519	396	274	151	29	0
2,250	2,275	293	171	48	0	4,850	4,900	808	674	650	540	528	405	283	161	38	0
2,275	2,300	298	175	53	0	4,900	4,950	818	684	659	550	537	415	292	170	47	0
2,300	2,325	302	180	57	0	4,950	5,000	829	694	669	560	546	424	301	179	57	0

"Table II

"Taxable years beginning after October 31, 1951, and before January 1, 1954

If adjusted gross income is—		And the number of exemptions is—				If adjusted gross income is—		And the number of exemptions is—										
								1		2			3					
At least	But less than	1	2	3	4 or more	At least	But less than	And taxpayer is single or married filing separately	And taxpayer is head of household	And taxpayer is single or married filing separately	And taxpayer is head of household	And a joint return is filed	And taxpayer is single or married filing separately	And taxpayer is head of household	And a joint return is filed	4	5	6	7	8 or more
		The tax shall be—						The tax shall be—										
$0	$675	$0	$0	$0	$0	$2,325	$2,350	$334	$334	$201	$201	$201	$67	$67	$67	$0	$0	$0	$0	$0
675	700	4	0	0	0	2,350	2,375	339	339	206	206	206	72	72	72	0	0	0	0	0
700	725	9	0	0	0	2,375	2,400	344	344	211	211	211	77	77	77	0	0	0	0	0
725	750	14	0	0	0	2,400	2,425	349	349	216	216	216	82	82	82	0	0	0	0	0
750	775	19	0	0	0	2,425	2,450	354	354	221	221	221	87	87	87	0	0	0	0	0
775	800	24	0	0	0	2,450	2,475	359	359	226	226	226	92	92	92	0	0	0	0	0
800	825	29	0	0	0	2,475	2,500	364	364	231	231	231	97	97	97	0	0	0	0	0
825	850	34	0	0	0	2,500	2,525	369	369	236	236	236	102	102	102	0	0	0	0	0
850	875	39	0	0	0	2,525	2,550	374	374	241	241	241	107	107	107	0	0	0	0	0
875	900	44	0	0	0	2,550	2,575	379	379	246	246	246	112	112	112	0	0	0	0	0
900	925	49	0	0	0	2,575	2,600	384	384	251	251	251	117	117	117	0	0	0	0	0
925	950	54	0	0	0	2,600	2,625	389	389	256	256	256	122	122	122	0	0	0	0	0
950	975	59	0	0	0	2,625	2,650	394	394	261	261	261	127	127	127	0	0	0	0	0
975	1,000	64	0	0	0	2,650	2,675	399	399	266	266	266	132	132	132	0	0	0	0	0
1,000	1,025	69	0	0	0	2,675	2,700	404	404	271	271	271	137	137	137	4	0	0	0	0
1,025	1,050	74	0	0	0	2,700	2,725	409	409	276	276	276	142	142	142	9	0	0	0	0
1,050	1,075	79	0	0	0	2,725	2,750	414	414	281	281	281	147	147	147	14	0	0	0	0
1,075	1,100	84	0	0	0	2,750	2,775	419	419	286	286	286	152	152	152	19	0	0	0	0
1,100	1,125	89	0	0	0	2,775	2,800	424	424	291	291	291	157	157	157	24	0	0	0	0
1,125	1,150	94	0	0	0	2,800	2,825	429	429	296	296	296	162	162	162	29	0	0	0	0
1,150	1,175	99	0	0	0	2,825	2,850	434	434	301	301	301	167	167	167	34	0	0	0	0
1,175	1,200	104	0	0	0	2,850	2,875	439	439	306	306	306	172	172	172	39	0	0	0	0
1,200	1,225	109	0	0	0	2,875	2,900	444	444	311	311	311	177	177	177	44	0	0	0	0
1,225	1,250	114	0	0	0	2,900	2,925	449	449	316	316	316	182	182	182	49	0	0	0	0
1,250	1,275	119	0	0	0	2,925	2,950	455	454	321	321	321	187	187	187	54	0	0	0	0
1,275	1,300	124	0	0	0	2,950	2,975	460	459	326	326	326	192	192	192	59	0	0	0	0
1,300	1,325	129	0	0	0	2,975	3,000	466	465	331	331	331	197	197	197	64	0	0	0	0
1,325	1,350	134	1	0	0	3,000	3,050	474	473	338	338	338	205	205	205	72	0	0	0	0
1,350	1,375	139	6	0	0	3,050	3,100	485	483	348	348	348	215	215	215	82	0	0	0	0
1,375	1,400	144	11	0	0	3,100	3,150	496	494	358	358	358	225	225	225	92	0	0	0	0
1,400	1,425	149	16	0	0	3,150	3,200	507	504	368	368	368	235	235	235	102	0	0	0	0
1,425	1,450	154	21	0	0	3,200	3,250	518	515	378	378	378	245	245	245	112	0	0	0	0
1,450	1,475	159	26	0	0	3,250	3,300	529	525	388	388	388	255	255	255	122	0	0	0	0
1,475	1,500	164	31	0	0	3,300	3,350	541	536	398	398	398	265	265	265	132	0	0	0	0
1,500	1,525	169	36	0	0	3,350	3,400	552	546	408	408	408	275	275	275	142	8	0	0	0
1,525	1,550	174	41	0	0	3,400	3,450	563	557	418	418	418	285	285	285	152	18	0	0	0
1,550	1,575	179	46	0	0	3,450	3,500	574	567	428	428	428	295	295	295	162	28	0	0	0
1,575	1,600	184	51	0	0	3,500	3,550	585	578	438	438	438	305	305	305	171	38	0	0	0
1,600	1,625	189	56	0	0	3,550	3,600	596	588	448	448	448	315	315	315	181	48	0	0	0
1,625	1,650	194	61	0	0	3,600	3,650	607	599	459	459	458	325	325	325	191	58	0	0	0
1,650	1,675	199	66	0	0	3,650	3,700	618	610	470	469	468	335	335	335	201	68	0	0	0
1,675	1,700	204	71	0	0	3,700	3,750	629	620	482	480	478	345	345	345	211	78	0	0	0
1,700	1,725	209	76	0	0	3,750	3,800	640	631	493	490	488	355	355	355	221	88	0	0	0
1,725	1,750	214	81	0	0	3,800	3,850	651	641	504	501	498	365	365	365	231	98	0	0	0
1,750	1,775	219	86	0	0	3,850	3,900	662	652	515	511	508	375	375	375	241	108	0	0	0
1,775	1,800	224	91	0	0	3,900	3,950	673	662	526	522	518	385	385	385	251	118	0	0	0
1,800	1,825	229	96	0	0	3,950	4,000	684	673	537	532	528	395	395	395	261	128	0	0	0
1,825	1,850	234	101	0	0	4,000	4,050	696	683	548	543	538	405	405	405	271	138	5	0	0
1,850	1,875	239	106	0	0	4,050	4,100	707	694	559	553	548	415	415	415	281	148	15	0	0
1,875	1,900	244	111	0	0	4,100	4,150	718	704	570	564	558	425	425	425	291	158	25	0	0
1,900	1,925	249	116	0	0	4,150	4,200	729	715	581	574	568	435	435	435	301	168	35	0	0
1,925	1,950	254	121	0	0	4,200	4,250	740	725	592	585	578	445	445	445	311	178	45	0	0
1,950	1,975	259	126	0	0	4,250	4,300	751	736	603	596	588	456	455	455	321	188	55	0	0
1,975	2,000	264	131	0	0	4,300	4,350	762	746	614	606	598	467	466	465	331	198	65	0	0
2,000	2,025	269	136	2	0	4,350	4,400	773	757	625	617	608	478	476	475	341	208	75	0	0
2,025	2,050	274	141	7	0	4,400	4,450	784	768	636	627	618	489	487	485	351	218	85	0	0
2,050	2,075	279	146	12	0	4,450	4,500	795	778	648	638	628	500	497	495	361	228	95	0	0
2,075	2,100	284	151	17	0	4,500	4,550	806	789	659	648	638	511	508	504	371	238	105	0	0
2,100	2,125	289	156	22	0	4,550	4,600	817	799	670	659	648	522	518	514	381	248	115	0	0
2,125	2,150	294	161	27	0	4,600	4,650	828	810	681	669	658	533	529	524	391	258	125	0	0
2,150	2,175	299	166	32	0	4,650	4,700	839	820	692	680	668	544	539	534	401	268	135	2	0
2,175	2,200	304	171	37	0	4,700	4,750	851	831	703	690	678	555	550	544	411	278	145	12	0
2,200	2,225	309	176	42	0	4,750	4,800	862	841	714	701	688	566	560	554	421	288	155	22	0
2,225	2,250	314	181	47	0	4,800	4,850	873	852	725	711	698	577	571	564	431	298	165	32	0
2,250	2,275	319	186	52	0	4,850	4,900	884	862	736	722	708	589	581	574	441	308	175	42	0
2,275	2,300	324	191	57	0	4,900	4,950	895	873	747	732	718	600	592	584	451	318	185	52	0
2,300	2,325	329	196	62	0	4,950	5,000	906	883	758	743	728	611	603	594	461	328	195	62	0

"Table III

"Taxable years beginning after December 31, 1953

If adjusted gross income is—		And the number of exemptions is—				If adjusted gross income is—		And the number of exemptions is—										
								1		2			3					
At least	But less than	1	2	3	4 or more	At least	But less than	And taxpayer is single or married filing separately	And taxpayer is head of household	And taxpayer is single or married filing separately	And taxpayer is head of household	And a joint return is filed	And taxpayer is single or married filing separately	And taxpayer is head of household	And a joint return is filed	4	5	6	7	8 or more
		The tax shall be—						The tax shall be—										
$0	$675	$0	$0	$0	$0	$2,325	$2,350	$301	$301	$181	$181	$181	$61	$61	$61	$0	$0	$0	$0	$0
675	700	4	0	0	0	2,350	2,375	305	305	185	185	185	65	65	65	0	0	0	0	0
700	725	8	0	0	0	2,375	2,400	310	310	190	190	190	70	70	70	0	0	0	0	0
725	750	13	0	0	0	2,400	2,425	314	314	194	194	194	74	74	74	0	0	0	0	0
750	775	17	0	0	0	2,425	2,450	319	319	199	199	199	79	79	79	0	0	0	0	0
775	800	22	0	0	0	2,450	2,475	323	323	203	203	203	83	83	83	0	0	0	0	0
800	825	26	0	0	0	2,475	2,500	328	328	208	208	208	88	88	88	0	0	0	0	0
825	850	31	0	0	0	2,500	2,525	332	332	212	212	212	92	92	92	0	0	0	0	0
850	875	35	0	0	0	2,525	2,550	337	337	217	217	217	97	97	97	0	0	0	0	0
875	900	40	0	0	0	2,550	2,575	341	341	221	221	221	101	101	101	0	0	0	0	0
900	925	44	0	0	0	2,575	2,600	346	346	226	226	226	106	106	106	0	0	0	0	0
925	950	49	0	0	0	2,600	2,625	350	350	230	230	230	110	110	110	0	0	0	0	0
950	975	53	0	0	0	2,625	2,650	355	355	235	235	235	115	115	115	0	0	0	0	0
975	1,000	58	0	0	0	2,650	2,675	359	359	239	239	239	119	119	119	0	0	0	0	0
1,000	1,025	62	0	0	0	2,675	2,700	364	364	244	244	244	124	124	124	4	0	0	0	0
1,025	1,050	67	0	0	0	2,700	2,725	368	368	248	248	248	128	128	128	8	0	0	0	0
1,050	1,075	71	0	0	0	2,725	2,750	373	373	253	253	253	133	133	133	13	0	0	0	0
1,075	1,100	76	0	0	0	2,750	2,775	377	377	257	257	257	137	137	137	17	0	0	0	0
1,100	1,125	80	0	0	0	2,775	2,800	382	382	262	262	262	142	142	142	22	0	0	0	0
1,125	1,150	85	0	0	0	2,800	2,825	386	386	266	266	266	146	146	146	26	0	0	0	0
1,150	1,175	89	0	0	0	2,825	2,850	391	391	271	271	271	151	151	151	31	0	0	0	0
1,175	1,200	94	0	0	0	2,850	2,875	395	395	275	275	275	155	155	155	35	0	0	0	0
1,200	1,225	98	0	0	0	2,875	2,900	400	400	280	280	280	160	160	160	40	0	0	0	0
1,225	1,250	103	0	0	0	2,900	2,925	405	404	284	284	284	164	164	164	44	0	0	0	0
1,250	1,275	107	0	0	0	2,925	2,950	410	409	289	289	289	169	169	169	49	0	0	0	0
1,275	1,300	112	0	0	0	2,950	2,975	415	414	293	293	293	173	173	173	53	0	0	0	0
1,300	1,325	116	0	0	0	2,975	3,000	420	419	298	298	298	178	178	178	58	0	0	0	0
1,325	1,350	121	1	0	0	3,000	3,050	427	426	305	305	305	185	185	185	65	0	0	0	0
1,350	1,375	125	5	0	0	3,050	3,100	437	435	314	314	314	194	194	194	74	0	0	0	0
1,375	1,400	130	10	0	0	3,100	3,150	447	445	323	323	323	203	203	203	83	0	0	0	0
1,400	1,425	134	14	0	0	3,150	3,200	457	454	332	332	332	212	212	212	92	0	0	0	0
1,425	1,450	139	19	0	0	3,200	3,250	467	464	341	341	341	221	221	221	101	0	0	0	0
1,450	1,475	143	23	0	0	3,250	3,300	476	473	350	350	350	230	230	230	110	0	0	0	0
1,475	1,500	148	28	0	0	3,300	3,350	486	482	359	359	359	239	239	239	119	0	0	0	0
1,500	1,525	152	32	0	0	3,350	3,400	496	492	368	368	368	248	248	248	128	8	0	0	0
1,525	1,550	157	37	0	0	3,400	3,450	506	501	377	377	377	257	257	257	137	17	0	0	0
1,550	1,575	161	41	0	0	3,450	3,500	516	511	386	386	386	266	266	266	146	26	0	0	0
1,575	1,600	166	46	0	0	3,500	3,550	526	520	395	395	395	275	275	275	155	35	0	0	0
1,600	1,625	170	50	0	0	3,550	3,600	536	530	404	404	404	284	284	284	164	44	0	0	0
1,625	1,650	175	55	0	0	3,600	3,650	546	539	414	413	413	293	293	293	173	53	0	0	0
1,650	1,675	179	59	0	0	3,650	3,700	556	549	424	423	422	302	302	302	182	62	0	0	0
1,675	1,700	184	64	0	0	3,700	3,750	566	558	434	432	431	311	311	311	191	71	0	0	0
1,700	1,725	188	68	0	0	3,750	3,800	575	567	443	441	440	320	320	320	200	80	0	0	0
1,725	1,750	193	73	0	0	3,800	3,850	585	577	453	451	449	329	329	329	209	89	0	0	0
1,750	1,775	197	77	0	0	3,850	3,900	595	586	463	460	458	338	338	338	218	98	0	0	0
1,775	1,800	202	82	0	0	3,900	3,950	605	596	473	470	467	347	347	347	227	107	0	0	0
1,800	1,825	206	86	0	0	3,950	4,000	615	605	483	479	476	356	356	356	236	116	0	0	0
1,825	1,850	211	91	0	0	4,000	4,050	625	615	493	489	485	365	365	365	245	125	5	0	0
1,850	1,875	215	95	0	0	4,050	4,100	635	624	503	498	494	374	374	374	254	134	14	0	0
1,875	1,900	220	100	0	0	4,100	4,150	645	634	513	508	503	383	383	383	263	143	23	0	0
1,900	1,925	224	104	0	0	4,150	4,200	655	643	523	517	512	392	392	392	272	152	32	0	0
1,925	1,950	229	109	0	0	4,200	4,250	665	653	533	527	521	401	401	401	281	161	41	0	0
1,950	1,975	233	113	0	0	4,250	4,300	674	662	542	536	530	410	410	410	290	170	50	0	0
1,975	2,000	238	118	0	0	4,300	4,350	684	671	552	545	539	420	419	419	299	179	59	0	0
2,000	2,025	242	122	2	0	4,350	4,400	694	681	562	555	548	430	429	428	308	188	68	0	0
2,025	2,050	247	127	7	0	4,400	4,450	704	690	572	564	557	440	438	437	317	197	77	0	0
2,050	2,075	251	131	11	0	4,450	4,500	714	700	582	574	566	450	448	446	326	206	86	0	0
2,075	2,100	256	136	16	0	4,500	4,550	724	709	592	583	575	460	457	455	335	215	95	0	0
2,100	2,125	260	140	20	0	4,550	4,600	734	719	602	593	584	470	467	464	344	224	104	0	0
2,125	2,150	265	145	25	0	4,600	4,650	744	728	612	602	593	480	476	473	353	233	113	0	0
2,150	2,175	269	149	29	0	4,650	4,700	754	738	622	612	602	490	486	482	362	242	122	2	0
2,175	2,200	274	154	34	0	4,700	4,750	764	747	632	621	611	500	495	491	371	251	131	11	0
2,200	2,225	278	158	38	0	4,750	4,800	773	756	641	630	620	509	504	500	380	260	140	20	0
2,225	2,250	283	163	43	0	4,800	4,850	783	766	651	640	629	519	514	509	389	269	149	29	0
2,250	2,275	287	167	47	0	4,850	4,900	793	775	661	649	638	529	523	518	398	278	158	38	0
2,275	2,300	292	172	52	0	4,900	4,950	803	785	671	659	647	539	533	527	407	287	167	47	0
2,300	2,325	296	176	56	0	4,950	5,000	813	794	681	668	656	549	542	536	416	296	176	56	0"

SEC. 103. INAPPLICABILITY OF CERTAIN PENALTIES AND ADDITIONS TO TAX.

(a) PENALTIES FOR FAILURE TO FILE RETURN.—Section 145 (relating to penalties with respect to failure to file returns, pay tax, etc.) is hereby amended by relettering subsection (f) as subsection (g) and by adding after subsection (e) a new subsection (f) as follows: 64 Stat. 1136. 26 U. S. C. § 145.

"(f) In the case of taxable years beginning prior to November 1, 1951, and ending after October 31, 1951, the penalties prescribed by this section for willful failure to make declarations of, or pay, estimated tax shall not be applicable to a failure to take into account the increase in rates of tax imposed on individuals by the Revenue Act of 1951."

(b) ADDITIONS TO TAX.—Section 294 (d) (2) (relating to additions to tax for substantial under-estimates of estimated tax) is hereby amended by adding at the end thereof a new sentence as follows: "In the case of taxable years beginning prior to November 1, 1951, and ending after October 31, 1951, the additions to tax prescribed by this subsection shall not be applicable if the taxpayer failed to meet the requirements of this paragraph by reason of the increase in rates of tax on individuals imposed by the Revenue Act of 1951." 58 Stat. 37. 26 U. S. C. § 294 (d) (2).

SEC. 104. COMPUTATION OF TAX IN CASE OF CERTAIN JOINT RETURNS.

If a joint return of a husband and wife is filed under the provisions of section 51 (b) (3) of the Internal Revenue Code in a case where the husband and wife have different taxable years because of the death of either spouse, and the taxable year of the surviving spouse covered by such joint return began before November 1, 1951, and ended after October 31, 1951, the amendments made by this part and section 131 shall be applicable in respect of such joint return as if the taxable years of both spouses covered by the joint return ended on the date of the closing of the surviving spouse's taxable year. 62 Stat. 115. 26 U. S. C. § 51 (b) (3). *Post*, p. 471.

SEC. 105. EFFECTIVE DATE OF PART I.

Except as provided in section 104, the amendments made by this part shall be applicable only with respect to taxable years beginning after October 31, 1951, and to taxable years beginning on January 1, 1951, and ending on December 31, 1951. For treatment of taxable years (other than the calendar year 1951) beginning before November 1, 1951, and ending after October 31, 1951, see section 131. *Post*, p. 471.

PART II—CORPORATION INCOME TAXES

SEC. 121. INCREASE IN RATE OF CORPORATION NORMAL TAX.

(a) AMENDMENT OF SECTION 13.—Subsections (a) and (b) of section 13 (relating to normal tax on corporations) are hereby amended to read as follows: 53 Stat. 7. 26 U. S. C. § 13. *Post*, p. 518.

"(a) DEFINITIONS.—For the purposes of this chapter—

"(1) ADJUSTED NET INCOME.—The term 'adjusted net income' means the net income minus the credit provided in section 26 (a), relating to interest on certain obligations of the United States and Government corporations. 53 Stat. 18. 26 U. S. C. § 26.

"(2) NORMAL-TAX NET INCOME.—The term 'normal-tax net income' means the adjusted net income minus the sum of the following credits:

"(A) The credit for dividends received provided in section 26 (b);

"(B) In the case of a public utility, the credit for dividends paid on its preferred stock provided in section 26 (h); and 56 Stat. 830. 26 U. S. C. § 26 (h). *Post*, p. 469.

"(C) In the case of a western hemisphere trade corporation (as defined in section 109), the credit provided in section 26 (i).

56 Stat. 838; 64 Stat. 920.
26 U. S. C. §§ 109, 26 (i).

"(b) IMPOSITION OF TAX.—There shall be levied, collected, and paid for each taxable year upon the normal-tax net income of every corporation (except a corporation subject to a tax imposed by section 231 (a), Supplement G, or Supplement Q)—

53 Stat. 78, 71, 98.
26 U. S. C. §§ 231 (a), 201 *et seq.*, 361 *et seq.*

"(1) CALENDAR YEAR 1951.—In the case of a taxable year beginning on January 1, 1951, and ending on December 31, 1951, a tax of 28¾ per centum of the normal-tax net income.

"(2) TAXABLE YEARS BEGINNING AFTER MARCH 31, 1951, AND BEFORE APRIL 1, 1954.—In the case of taxable years beginning after March 31, 1951, and before April 1, 1954, a tax of 30 per centum of the normal-tax income.

"(3) TAXABLE YEARS BEGINNING AFTER MARCH 31, 1954.—In the case of taxable years beginning after March 31, 1954, a tax of 25 per centum of the normal-tax net income."

64 Stat. 1137.
26 U. S. C. § 430 (a) (2).

(b) MAXIMUM TAX.—Section 430 (a) (2) (relating to the limitation on the rate of the excess profits tax) is hereby amended as follows:

(1) By inserting after "(2)" the following: "(A) in the case of taxable years ending before April 1, 1951,".

(2) By striking out the period at the end of paragraph (2) and inserting ", or" and by adding after paragraph (2) the following:

"(B) in the case of taxable years beginning on January 1, 1951, and ending on December 31, 1951, an amount equal to 17¼ per centum of the excess profits net income for the taxable year, except that in the case of an affiliated group of includible corporations making or required to make a consolidated return for the taxable year under section 141, such amount shall be reduced by an amount which bears the same ratio (but not in excess of 100 per centum) to the increase of 2 per centum in the surtax imposed by reason of section 141 (c) as the amount of the consolidated excess profits net income bears to the amount of the consolidated corporation surtax net income, or

53 Stat. 58.
26 U. S. C. § 141.

"(C) in the case of taxable years beginning after March 31, 1951, an amount equal to 18 per centum of the excess profits net income for the taxable year, except that in the case of an affiliated group of includible corporations making or required to make a consolidated return for the taxable year under section 141, such amount shall be reduced by an amount which bears the same ratio (but not in excess of 100 per centum) to the increase of 2 per centum in the surtax imposed by reason of section 141 (c) as the amount of the consolidated excess profits net income bears to the amount of the consolidated corporation surtax net income, or".

(c) MUTUAL INSURANCE COMPANIES OTHER THAN LIFE OR MARINE.—

53 Stat. 74.
26 U. S. C. § 207 (a) (1).

(1) Section 207 (a) (1) (relating to normal tax and surtax on mutual insurance companies, other than life or marine) is hereby amended by striking out subparagraphs (A) and (B) and inserting in lieu thereof the following:

"(A) Taxable Years Beginning After December 31, 1950, and Before April 1, 1951.—In the case of taxable years beginning after December 31, 1950, and before April 1, 1951, and ending after March 31, 1951—

"(i) Normal tax.—A normal tax of 28¾ per centum of the normal-tax net income, or 57½ per centum of the

amount by which the normal-tax net income exceeds $3,000, whichever is the lesser; plus

"(ii) Surtax.—A surtax of 22 per centum of the corporation surtax net income in excess of $25,000.

"(B) Taxable Years Beginning After March 31, 1951, and Before April 1, 1954.—In the case of taxable years beginning after March 31, 1951, and before April 1, 1954—

"(i) Normal tax.—A normal tax of 30 per centum of the normal-tax net income, or 60 per centum of the amount by which the normal-tax net income exceeds $3,000, whichever is the lesser; plus

"(ii) Surtax.—A surtax of 22 per centum of the corporation surtax net income in excess of $25,000.

"(C) Taxable Years Beginning After March 31, 1954.—In the case of a taxable year beginning after March 31, 1954—

"(i) Normal tax.—A normal tax of 25 per centum of the normal-tax net income, or 50 per centum of the amount by which the normal-tax net income exceeds $3,000, whichever is the lesser; plus

"(ii) Surtax.—A surtax of 22 per centum of the corporation surtax net income in excess of $25,000."

(2) Section 207 (a) (3) (relating to a normal tax and surtax on interinsurers and reciprocal underwriters) is hereby amended by striking out subparagraphs (A) and (B) and inserting in lieu thereof the following: 56 Stat. 872. 26 U. S. C. § 207 (a) (3).

"(A) Taxable Years Beginning After December 31, 1950, and before April 1, 1951.—In the case of taxable years beginning after December 31, 1950, and before April 1, 1951, and ending after March 31, 1951—

"(i) Normal tax.—A normal tax of 28¾ per centum of the normal-tax net income, or 57½ per centum of the amount by which the normal-tax net income exceeds $50,000, whichever is the lesser; plus

"(ii) Surtax.—A surtax of 22 per centum of the corporation surtax net income in excess of $25,000, or 33 per centum of the amount by which the corporation surtax net income exceeds $50,000, whichever is the lesser.

"(B) Taxable Years Beginning After March 31, 1951, and Before April 1, 1954.—In the case of taxable years beginning after March 31, 1951, and before April 1, 1954—

"(i) Normal tax.—A normal tax of 30 per centum of the normal-tax net income, or 60 per centum of the amount by which the normal-tax net income exceeds $50,000, whichever is the lesser; plus

"(ii) Surtax.—A surtax of 22 per centum of the corporation surtax net income in excess of $25,000, or 33 per centum of the amount by which the corporation surtax net income exceeds $50,000, whichever is the lesser.

"(C) Taxable Years Beginning After March 31, 1954.—In the case of a taxable year beginning after March 31, 1954—

"(i) Normal tax.—A normal tax of 25 per centum of the normal-tax net income, or 50 per centum of the amount by which the normal-tax net income exceeds $50,000, whichever is the lesser; plus

"(ii) Surtax.—A surtax of 22 per centum of the corporation surtax net income in excess of $25,000, or 33 per centum of the amount by which the corporation surtax net income exceeds $50,000, whichever is the lesser."

56 Stat. 880.
26 U. S. C. § 362 (b).

(d) REGULATED INVESTMENT COMPANIES.—Section 362 (b) (relating to tax on regulated investment companies) is hereby amended by striking out paragraphs (3) and (4) and inserting in lieu thereof the following:

"(3) In the case of taxable years beginning after December 31, 1950, and before April 1, 1951, and ending after March 31, 1951, there shall be levied, collected, and paid for each taxable year upon its Supplement Q net income a tax equal to 28¾ per centum of the amount thereof. In the case of taxable years beginning after March 31, 1951, and before April 1, 1954, there shall be levied, collected, and paid for each taxable year upon its Supplement Q net income a tax equal to 30 per centum of the amount thereof. In the case of taxable years beginning after March 31, 1954, there shall be levied, collected, and paid for each taxable year upon its Supplement Q net income a tax equal to 25 per centum of the amount thereof.

"(4) In the case of taxable years beginning after December 31, 1950, there shall be levied, collected, and paid for each taxable year upon its Supplement Q surtax net income a tax equal to 22 per centum of the amount thereof in excess of $25,000."

53 Stat. 98.
26 U. S. C. § 361 *et seq.*

64 Stat. 948.
26 U. S. C. § 421 (a) (1).
53 Stat. 33.
26 U. S. C. § 101.

(e) BUSINESS INCOME OF CERTAIN SECTION 101 ORGANIZATIONS.—Section 421 (a) (1) (relating to imposition of tax on business income of certain section 101 organizations) is hereby amended by inserting before the period at the end thereof the following: "; except that (A) in the case of taxable years beginning before April 1, 1951, and ending after March 31, 1951, the normal tax shall be 28¾ per centum of the Supplement U net income, and (B) in the case of taxable years beginning after March 31, 1951, and before April 1, 1954, the normal tax shall be 30 per centum of the Supplement U net income".

57 Stat. 149.
26 U. S. C. § 421 *et seq.*

54 Stat. 520.
26 U. S. C. § 15.

(f) AMENDMENT OF SECTION 15.—Section 15 (relating to surtax on corporations) is hereby amended to read as follows:

"SEC. 15. SURTAX ON CORPORATIONS.

"(a) CORPORATION SURTAX NET INCOME.—For the purposes of this chapter, the term 'corporation surtax net income' means the net income minus the sum of the following credits:

"(1) The credit for dividends received provided in section 26 (b);

53 Stat. 18.
26 U. S. C. § 26 (b).

"(2) In the case of a public utility, the credit for dividends paid on its preferred stock provided in section 26 (h);

56 Stat. 830.
26 U. S. C. § 26 (h).

"(3) In the case of a western hemisphere trade corporation (as defined in section 109), the credit provided in section 26 (i).

56 Stat. 838; 64 Stat. 920.
26 U. S. C. §§ 109, 26 (i).

"(b) IMPOSITION OF TAX.—There shall be levied, collected, and paid for each taxable year upon the corporation surtax net income of every corporation (except a corporation subject to a tax imposed by section 231 (a), Supplement G, or Supplement Q) a surtax of 22 per centum of the amount of the corporation surtax net income in excess of $25,000.

53 Stat. 78, 71, 98.
26 U. S. C. §§ 231 (a), 201 *et seq.*, 361 *et seq.*

"(c) DISALLOWANCE OF SURTAX EXEMPTION AND MINIMUM EXCESS PROFITS CREDIT.—If any corporation transfers, on or after January 1, 1951, all or part of its property (other than money) to another corporation which was created for the purpose of acquiring such property or which was not actively engaged in business at the time of such acquisition, and if after such transfer the transferor corporation or its stockholders, or both, are in control of such transferee corporation during any part of the taxable year of such transferee corporation, then such transferee corporation shall not for such tax-

able year (except as may be otherwise determined under section 129 (b)) be allowed either the $25,000 exemption from surtax provided in subsection (b) or the $25,000 minimum excess profits credit provided in the last sentence of section 431, unless such transferee corporation shall establish by the clear preponderance of the evidence that the securing of such exemption or credit was not a major purpose of such transfer. For the purposes of this subsection, control means the ownership of stock possessing at least 80 per centum of the total combined voting power of all classes of stock entitled to vote or at least 80 per centum of the total value of shares of all classes of stock of the corporation. In determining the ownership of stock for the purpose of this subsection, the ownership of stock shall be determined in accordance with the provisions of section 503, except that constructive ownership under section 503 (a) (2) shall be determined only with respect to the individual's spouse and minor children. The provisions of section 129 (b), and the authority of the Secretary under such section, shall, to the extent not inconsistent with the provisions of this subsection, be applicable to this subsection. This subsection shall not apply to any taxable year with respect to which the tax imposed by subchapter D of this chapter is not in effect."

58 Stat. 47.
26 U. S. C. § 129 (b).

64 Stat. 1138.
26 U. S. C. § 431.

53 Stat. 106.
26 U. S. C. § 503.

64 Stat. 1137.
26 U. S. C. § 430 *et seq.*

(g) TECHNICAL AMENDMENT.—Section 14 (relating to normal tax on special classes of corporations in the case of taxable years beginning before July 1, 1950) is hereby repealed.

SEC. 122. CREDITS OF CORPORATIONS.

(a) DIVIDENDS RECEIVED CREDIT.—Paragraphs (1) and (2) of section 26 (b) (relating to credit for dividends received) are hereby amended to read as follows:

64 Stat. 919.
26 U. S. C. § 26 (b).
Post, p. 487.

"(1) IN GENERAL.—85 per centum of the amount received as dividends (other than dividends described in paragraph (2) on the preferred stock of a public utility) from a domestic corporation which is subject to taxation under this chapter.

"(2) CERTAIN PREFERRED STOCK.—

"(A) Calendar Year 1951.—In the case of a taxable year beginning on January 1, 1951, and ending on December 31, 1951, 61 per centum of the amount received as dividends on the preferred stock of a public utility which is subject to taxation under this chapter and with respect to which the credit provided in section 26 (h) for dividends paid is allowable.

Infra.

"(B) Taxable Years Beginning After March 31, 1951, and Before April 1, 1954.—In the case of taxable years beginning after March 31, 1951, and before April 1, 1954, 62 per centum of the amount received as dividends on the preferred stock of a public utility which is subject to taxation under this chapter and with respect to which the credit provided in section 26 (h) for dividends paid is allowable.

"(C) Taxable Years Beginning After March 31, 1954.—In the case of taxable years beginning after March 31, 1954, 59 per centum of the amount received as dividends on the preferred stock of a public utility which is subject to taxation under this chapter and with respect to which the credit provided in section 26 (h) for dividends paid is allowable."

(b) CREDIT FOR DIVIDENDS PAID ON CERTAIN PREFERRED STOCK.—The first sentence of section 26 (h) (1) (relating to amount of credit for dividends paid on certain preferred stock) is hereby amended

56 Stat. 830.
26 U. S. C. § 26 (h).

to read as follows: "In the case of a public utility, (A) for a taxable year beginning on January 1, 1951, and ending on December 31, 1951, an amount equal to 28 per centum of the lesser of (i) the amount of dividends paid during the taxable year on its preferred stock or (ii) the adjusted net income for such taxable year minus the credit for dividends received provided in subsection (b) for such year, (B) for a taxable year beginning after March 31, 1951, and before April 1, 1954, an amount equal to 27 per centum of the lesser of (i) the amount of dividends paid during the taxable year on its preferred stock or (ii) the adjusted net income for such taxable year minus the credit for dividends received provided in subsection (b) for such year, and (C) for a taxable year beginning after March 31, 1954, an amount equal to 30 per centum of the lower of (i) the amount of dividends paid during the taxable year on its preferred stock or (ii) the adjusted net income for such taxable year minus the credit for dividends received provided in subsection (b) for such year."

Ante, p. 469.
Post, p. 487.

64 Stat. 920.
26 U. S. C. § 26 (i).

(c) WESTERN HEMISPHERE TRADE CORPORATIONS.—Section 26 (i) (relating to credit of a western hemisphere trade corporation) is hereby amended to read as follows:

"(i) WESTERN HEMISPHERE TRADE CORPORATIONS.—In the case of a western hemisphere trade corporation (as defined in section 109)—

56 Stat. 838.
26 U. S. C. § 109.

"(1) CALENDAR YEAR 1951.—In the case of a taxable year beginning on January 1, 1951, and ending on December 31, 1951, an amount equal to 28 per centum of its normal-tax net income computed without regard to the credit provided in this subsection.

"(2) TAXABLE YEARS BEGINNING AFTER MARCH 31, 1951, AND BEFORE APRIL 1, 1954.—In the case of a taxable year beginning after March 31, 1951, and before April 1, 1954, an amount equal to 27 per centum of its normal-tax net income computed without regard to the credit provided in this subsection.

"(3) TAXABLE YEARS BEGINNING AFTER MARCH 31, 1954.—In the case of a taxable year beginning after March 31, 1954, an amount equal to 30 per centum of its normal-tax net income computed without regard to the credit provided in this subsection."

SEC. 123. COMPUTATION OF ALTERNATIVE CAPITAL GAINS TAX.

53 Stat. 51.
26 U. S. C. § 117 (c) (1).

Section 117 (c) (1) (relating to alternative tax on corporations) is hereby amended by striking out the second paragraph and inserting in lieu thereof the following:

"(A) A partial tax shall first be computed upon the net income reduced by the amount of such excess, at the rates and in the manner as if this subsection had not been enacted.

"(B) There shall then be ascertained an amount equal to 25 per centum of such excess, except that in the case of any taxable year beginning after March 31, 1951, and before April 1, 1954, there shall be ascertained an amount equal to 26 per centum of such excess.

"(C) The total tax shall be the partial tax computed under subparagraph (A) plus the amount computed under subparagraph (B)."

SEC. 124. FILING OF CORPORATION RETURNS FOR TAXABLE YEARS ENDING AFTER MARCH 31, 1951, AND BEFORE OCTOBER 1, 1951.

In the case of a corporation subject to a tax imposed by chapter 1 of the Internal Revenue Code for a taxable year ending after March 31, 1951, but prior to October 1, 1951, such corporation shall after the date of the enactment of this Act and on or before January 15, 1952, make a return for such taxable year with respect to the tax imposed by chapter 1 of the Internal Revenue Code for such taxable year. The return required by this section for such taxable year shall constitute the return for such taxable year for all purposes of the Internal Revenue Code; and no return for such taxable year, with respect to any tax imposed by chapter 1 of such code, filed on or before the date of the enactment of this Act shall be considered for any of such purposes as a return for such year. The taxes imposed by chapter 1 of such code (determined with the amendments made by this Act) for such taxable year shall be paid on January 15, 1952, in lieu of the time prescribed in section 56 (a) of such code. All payments with respect to any tax for such taxable year imposed by chapter 1 of such code under the law in effect prior to the enactment of this Act, to the extent that such payments have not been credited or refunded, shall be deemed payments made at the time of the filing of the return required by this section on account of the tax for such taxable year under chapter 1 determined with the amendments made by this Act.

53 Stat. 5.
26 U. S. C. § 1 *et seq.*

53 Stat. 31.
26 U. S. C. § 56 (a).

SEC. 125. EFFECTIVE DATE.

The amendments made by this part shall be applicable only with respect to taxable years beginning after March 31, 1951, and to taxable years beginning on January 1, 1951, and ending on December 31, 1951, except that the amendments made to sections 207, 362, and 421 of the Internal Revenue Code shall be applicable to taxable years beginning after December 31, 1950, and ending after March 31, 1951. In the case of an insurance company subject to the tax imposed by section 207, the provisions of section 26 (b) of such code applicable to the calendar year 1951 shall be applicable to a taxable year beginning after December 31, 1950, and before April 1, 1951, and ending after March 31, 1951. For treatment of taxable years (other than the calendar year 1951) beginning before April 1, 1951, and ending after March 31, 1951, see section 131.

Ante, pp. 466-468.
Post, p. 510.

Ante, p. 469.
Post, p. 487.

PART III—FISCAL YEAR TAXPAYERS

SEC. 131. FISCAL YEAR TAXPAYERS.

(a) AMENDMENT OF SECTION 108.—Section 108 is hereby amended by striking out paragraph (2) of subsection (f) and inserting in lieu thereof the following:

64 Stat. 920.
26 U. S. C. § 108.
Post, p. 474.

"(2) that portion of a tentative tax consisting of—

"(A) a tentative normal tax of 25 per centum of the normal-tax net income, plus

"(B) a tentative surtax of 20 per centum of the surtax net income in excess of $25,000,

which the number of days in such taxable year after June 30, 1950, and before April 1, 1951, bears to the total number of days in such taxable year, plus (if the taxable year ends after March 31, 1951)

"(3) that portion of a tentative tax consisting of—

"(A) a tentative normal tax of 30 per centum of the normal-tax net income, plus

"(B) a tentative surtax of 20 per centum of the surtax net income in excess of $25,000,

which the number of days in such taxable year after March 31, 1951, bears to the total number of days in such taxable year.

In computing for the purposes of paragraph (2) the normal-tax net income and the corporation surtax net income, the credits provided in section 26 applicable to taxable years beginning on July 1, 1950, shall be allowed in the manner and to the extent provided in sections 13 and 15 applicable to years beginning on such date, except that such credits shall be applied without regard to the amendments made to section 26 by title II of the Excess Profits Tax Act of 1950. In computing for the purposes of paragraph (3) the normal-tax net income and the corporation surtax net income, the credits provided in section 26 applicable to taxable years beginning on April 1, 1951, shall be allowed in the manner and to the extent provided in sections 13 and 15 applicable to years beginning on such date.

Ante, pp. 469, 470. *Post*, p. 487.

Ante, pp. 465, 468. *Post*, p. 518.

64 Stat. 1216. 26 U. S. C. § 26.

"(g) CERTAIN TAXABLE YEARS OF CORPORATIONS BEGINNING AFTER JUNE 30, 1950, AND BEFORE APRIL 1, 1951.—In the case of a taxable year (other than one beginning on January 1, 1951, and ending on December 31, 1951) of a corporation beginning after June 30, 1950, and before April 1, 1951, and ending after March 31, 1951, the tax imposed by sections 13 and 15 shall be an amount equal to the sum of—

"(1) that portion of a tentative tax, computed under the provisions of sections 13 and 15 applicable to such taxable year, which the number of days in such taxable year prior to April 1, 1951, bears to the total number of days in such taxable year, plus

"(2) that portion of a tentative tax, computed under the provisions of sections 13 and 15 applicable to years beginning on April 1, 1951, as if such provisions were applicable to such taxable year, which the number of days in such taxable year after March 31, 1951, bears to the total number of days in such taxable year.

"(h) CERTAIN TAXABLE YEARS OF INDIVIDUALS BEGINNING BEFORE NOVEMBER 1, 1951, AND ENDING AFTER OCTOBER 31, 1951.—In the case of a taxable year (other than one beginning on January 1, 1951, and ending on December 31, 1951) of a taxpayer, other than a corporation, beginning before November 1, 1951, and ending after October 31, 1951, the tax imposed by sections 11 and 12, section 400, or section 421 (a) (2), shall be an amount equal to the sum of—

53 Stat. 5; 64 Stat. 948. 26 U. S. C. §§ 11, 421 (a) (2). *Ante*, pp. 459, 461. *Post*, p. 480.

"(1) that portion of a tentative tax, computed under the provisions of sections 11 and 12, section 400, or section 421 (a) (2), applicable to such year, which the number of calendar months in such taxable year prior to November 1, 1951, bears to the total number of calendar months in such taxable year, plus

"(2) that portion of a tentative tax, computed under the provisions of sections 11 and 12, section 400, or section 421 (a) (2), applicable to years beginning on November 1, 1951, as if such provisions (other than the provisions relating to head of household) were applicable to such taxable year, which the number of calendar months in such taxable year after October 31, 1951, bears to the total number of calendar months in such taxable year.

This subsection shall not apply in the case of a trust described in section 421 (b) (2) if the taxable year of such trust began before January 1, 1951.

64 Stat. 948. 26 U. S. C. § 421 (b) (2).

"(i) DEFINITION OF CALENDAR MONTH.—For the purposes of this section, a calendar month only part of which falls within a taxable year (1) shall be disregarded if less than 15 days of such month are included in such taxable year, and (2) shall be included as a calendar month within the taxable year if more than 14 days of such month fall within the taxable year.

"(j) TAXABLE YEARS OF INDIVIDUALS BEGINNING IN 1953 AND ENDING IN 1954.—In the case of a taxable year of a taxpayer, other than a corporation, beginning before January 1, 1954, and ending after December 31, 1953, the tax imposed by sections 11 and 12, section 400, or section 421 (a) (2), shall be an amount equal to the sum of— 53 Stat. 5; 64 Stat. 948. 26 U. S. C. §§ 11, 421 (a) (2). *Ante*, pp. 459, 461. *Post*, p. 480.

"(1) that portion of a tentative tax, computed under the provisions of sections 11 and 12, section 400, or section 421 (a) (2), applicable to years beginning on January 1, 1953, which the number of calendar months in such taxable year prior to January 1, 1954, bears to the total number of calendar months in such taxable year, plus

"(2) that portion of a tentative tax, computed under the provisions of sections 11 and 12, section 400, or section 421 (a) (2), applicable to years beginning on January 1, 1954, as if such provisions were applicable to such taxable year, which the number of calendar months in such taxable year after December 31, 1953, bears to the total number of calendar months in such taxable year.

"(k) TAXABLE YEARS OF CORPORATIONS BEGINNING BEFORE APRIL 1, 1954, AND ENDING AFTER MARCH 31, 1954.—In the case of a taxable year of a corporation beginning before April 1, 1954, and ending after March 31, 1954, the tax imposed by sections 13 and 15, or section 421 (a) (1), shall be an amount equal to the sum of— *Ante*, pp. 465, 468. *Post*, p. 518.

"(1) that portion of a tentative tax, computed under the provisions of sections 13 and 15, or section 421 (a) (1), applicable to years beginning on January 1, 1953, which the number of days in such taxable year prior to April 1, 1954, bears to the total number of days in such taxable year, plus

"(2) that portion of a tentative tax, computed under the provisions of sections 13 and 15, or section 421 (a) (1), applicable to years beginning on April 1, 1954, as if such provisions were applicable to such taxable year, which the number of days in such taxable year after March 31, 1954, bears to the total number of days in such taxable year."

(b) COMPUTATION OF EXCESS PROFITS TAX.—Subsection (b) of section 430 (relating to computation of excess profits tax in the case of certain taxable years) is hereby amended to read as follows: 64 Stat. 1137. 26 U. S. C. § 430.

"(b) CERTAIN TAXABLE YEARS BEGINNING BEFORE 1951.—

"(1) TAXABLE YEARS ENDING BEFORE APRIL 1, 1951.—In the case of a taxable year beginning before July 1, 1950, and ending after June 30, 1950, and before April 1, 1951, the tax imposed by subsection (a) shall be an amount equal to that portion of a tentative tax, computed under the provisions of subsection (a) applicable to taxable years ending on December 31, 1950, which the number of days in such taxable year after June 30, 1950, bears to the total number of days in such taxable year.

"(2) TAXABLE YEARS ENDING AFTER MARCH 31, 1951.—In the case of a taxable year (other than a taxable year beginning on January 1, 1951, and ending on December 31, 1951) beginning before

April 1, 1951, and ending after March 31, 1951, the tax imposed by subsection (a) shall be an amount equal to the sum of—

"(A) that portion of a tentative tax, computed under the provisions of subsection (a) applicable to taxable years ending on December 31, 1950, which the number of days in such taxable year after June 30, 1950, and before April 1, 1951, bears to the total number of days in such taxable year, plus

"(B) that portion of a tentative tax, computed under the provisions of subsection (a) applicable to taxable years beginning on April 1, 1951, which the number of days in such taxable year after March 31, 1951, bears to the total number of days in such taxable year."

(c) TECHNICAL AMENDMENTS.—

64 Stat. 920. 26 U. S. C. § 108. *Ante*, p. 471.

(1) Section 108 (e) (2) is hereby amended by inserting after "section 400," the following: "applicable to years beginning on October 1, 1950,".

(2) Section 108 (g) is hereby amended by striking out "(g)" and inserting in lieu thereof "(l)".

TITLE II—WITHHOLDING OF TAX AT SOURCE

SEC. 201. PERCENTAGE METHOD OF WITHHOLDING.

57 Stat. 128. 26 U. S. C. § 1622 (a).

Section 1622 (a) (relating to percentage method of withholding on wages) is hereby amended by inserting before the period at the end thereof the following: ", except that in the case of wages paid on or after November 1, 1951, and before January 1, 1954, the tax shall be equal to 20 per centum of such excess in lieu of 18 per centum".

SEC. 202. WAGE BRACKET WITHHOLDING.

57 Stat. 129. 26 U. S. C. § 1622 (c) (1).

So much of section 1622 (c) (1) as precedes the tables in such section is hereby amended to read as follows:

"(1) (A) Wages paid after October 31, 1951, and before January 1, 1954.—At the election of the employer with respect to any employee, the employer shall deduct and withhold upon the wages paid to such employee after October 31, 1951, and before January 1, 1954, a tax determined in accordance with the following tables, which shall be in lieu of the tax required to be deducted and withheld under subsection (a):

"If the payroll period with respect to an employee is weekly

And the wages are—		And the number of withholding exemptions claimed is—										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of tax to be withheld shall be—										
$0	$13	20% of wages	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$13	$14	$2.70	.10	0	0	0	0	0	0	0	0	0
$14	$15	2.90	.30	0	0	0	0	0	0	0	0	0
$15	$16	3.10	.50	0	0	0	0	0	0	0	0	0
$16	$17	3.30	.70	0	0	0	0	0	0	0	0	0
$17	$18	3.50	.90	0	0	0	0	0	0	0	0	0
$18	$19	3.70	1.10	0	0	0	0	0	0	0	0	0
$19	$20	3.90	1.30	0	0	0	0	0	0	0	0	0
$20	$21	4.10	1.50	0	0	0	0	0	0	0	0	0
$21	$22	4.30	1.70	0	0	0	0	0	0	0	0	0
$22	$23	4.50	1.90	0	0	0	0	0	0	0	0	0
$23	$24	4.70	2.10	0	0	0	0	0	0	0	0	0
$24	$25	4.90	2.30	0	0	0	0	0	0	0	0	0
$25	$26	5.10	2.50	0	0	0	0	0	0	0	0	0
$26	$27	5.30	2.70	.20	0	0	0	0	0	0	0	0
$27	$28	5.50	2.90	.40	0	0	0	0	0	0	0	0
$28	$29	5.70	3.10	.60	0	0	0	0	0	0	0	0
$29	$30	5.90	3.30	.80	0	0	0	0	0	0	0	0
$30	$31	6.10	3.50	1.00	0	0	0	0	0	0	0	0
$31	$32	6.30	3.70	1.20	0	0	0	0	0	0	0	0
$32	$33	6.50	3.90	1.40	0	0	0	0	0	0	0	0
$33	$34	6.70	4.10	1.60	0	0	0	0	0	0	0	0
$34	$35	6.90	4.30	1.80	0	0	0	0	0	0	0	0
$35	$36	7.10	4.50	2.00	0	0	0	0	0	0	0	0
$36	$37	7.30	4.70	2.20	0	0	0	0	0	0	0	0
$37	$38	7.50	4.90	2.40	0	0	0	0	0	0	0	0
$38	$39	7.70	5.10	2.60	0	0	0	0	0	0	0	0
$39	$40	7.90	5.30	2.80	.20	0	0	0	0	0	0	0
$40	$41	8.10	5.50	3.00	.40	0	0	0	0	0	0	0
$41	$42	8.30	5.70	3.20	.60	0	0	0	0	0	0	0
$42	$43	8.50	5.90	3.40	.80	0	0	0	0	0	0	0
$43	$44	8.70	6.10	3.60	1.00	0	0	0	0	0	0	0
$44	$45	8.90	6.30	3.80	1.20	0	0	0	0	0	0	0
$45	$46	9.10	6.50	4.00	1.40	0	0	0	0	0	0	0
$46	$47	9.30	6.70	4.20	1.60	0	0	0	0	0	0	0
$47	$48	9.50	6.90	4.40	1.80	0	0	0	0	0	0	0
$48	$49	9.70	7.10	4.60	2.00	0	0	0	0	0	0	0
$49	$50	9.90	7.30	4.80	2.20	0	0	0	0	0	0	0
$50	$51	10.10	7.50	5.00	2.40	0	0	0	0	0	0	0
$51	$52	10.30	7.70	5.20	2.60	0	0	0	0	0	0	0
$52	$53	10.50	7.90	5.40	2.80	.20	0	0	0	0	0	0
$53	$54	10.70	8.10	5.60	3.00	.40	0	0	0	0	0	0
$54	$55	10.90	8.30	5.80	3.20	.60	0	0	0	0	0	0
$55	$56	11.10	8.50	6.00	3.40	.80	0	0	0	0	0	0
$56	$57	11.30	8.70	6.20	3.60	1.00	0	0	0	0	0	0
$57	$58	11.50	8.90	6.40	3.80	1.20	0	0	0	0	0	0
$58	$59	11.70	9.10	6.60	4.00	1.40	0	0	0	0	0	0
$59	$60	11.90	9.30	6.80	4.20	1.60	0	0	0	0	0	0
$60	$62	12.20	9.60	7.10	4.50	1.90	0	0	0	0	0	0
$62	$64	12.60	10.00	7.50	4.90	2.30	0	0	0	0	0	0
$64	$66	13.00	10.40	7.90	5.30	2.70	.20	0	0	0	0	0
$66	$68	13.40	10.80	8.30	5.70	3.10	.60	0	0	0	0	0
$68	$70	13.80	11.20	8.70	6.10	3.50	1.00	0	0	0	0	0
$70	$72	14.20	11.60	9.10	6.50	3.90	1.40	0	0	0	0	0
$72	$74	14.60	12.00	9.50	6.90	4.30	1.80	0	0	0	0	0
$74	$76	15.00	12.40	9.90	7.30	4.70	2.20	0	0	0	0	0
$76	$78	15.40	12.80	10.30	7.70	5.10	2.60	0	0	0	0	0
$78	$80	15.80	13.20	10.70	8.10	5.50	3.00	.40	0	0	0	0
$80	$82	16.20	13.60	11.10	8.50	5.90	3.40	.80	0	0	0	0
$82	$84	16.60	14.00	11.50	8.90	6.30	3.80	1.20	0	0	0	0
$84	$86	17.00	14.40	11.90	9.30	6.70	4.20	1.60	0	0	0	0
$86	$88	17.40	14.80	12.30	9.70	7.10	4.60	2.00	0	0	0	0
$88	$90	17.80	15.20	12.70	10.10	7.50	5.00	2.40	0	0	0	0
$90	$92	18.20	15.60	13.10	10.50	7.90	5.40	2.80	.30	0	0	0
$92	$94	18.60	16.00	13.50	10.90	8.30	5.80	3.20	.70	0	0	0
$94	$96	19.00	16.40	13.90	11.30	8.70	6.20	3.60	1.10	0	0	0
$96	$98	19.40	16.80	14.30	11.70	9.10	6.60	4.00	1.50	0	0	0
$98	$100	19.80	17.20	14.70	12.10	9.50	7.00	4.40	1.90	0	0	0
$100	$105	20.50	17.90	15.40	12.80	10.20	7.70	5.10	2.60	0	0	0
$105	$110	21.50	18.90	16.40	13.80	11.20	8.70	6.10	3.60	1.00	0	0
$110	$115	22.50	19.90	17.40	14.80	12.20	9.70	7.10	4.60	2.00	0	0
$115	$120	23.50	20.90	18.40	15.80	13.20	10.70	8.10	5.60	3.00	.40	0
$120	$125	24.50	21.90	19.40	16.80	14.20	11.70	9.10	6.60	4.00	1.40	0
$125	$130	25.50	22.90	20.40	17.80	15.20	12.70	10.10	7.60	5.00	2.40	0
$130	$135	26.50	23.90	21.40	18.80	16.20	13.70	11.10	8.60	6.00	3.40	.90
$135	$140	27.50	24.90	22.40	19.80	17.20	14.70	12.10	9.60	7.00	4.40	1.90
$140	$145	28.50	25.90	23.40	20.80	18.20	15.70	13.10	10.60	8.00	5.40	2.90
$145	$150	29.50	26.90	24.40	21.80	19.20	16.70	14.10	11.60	9.00	6.40	3.90
$150	$160	31.00	28.40	25.90	23.30	20.70	18.20	15.60	13.10	10.50	7.90	5.40
$160	$170	33.00	30.40	27.90	25.30	22.70	20.20	17.60	15.10	12.50	9.90	7.40
$170	$180	35.00	32.40	29.90	27.30	24.70	22.20	19.60	17.10	14.50	11.90	9.40
$180	$190	37.00	34.40	31.90	29.30	26.70	24.20	21.60	19.10	16.50	13.90	11.40
$190	$200	39.00	36.40	33.90	31.30	28.70	26.20	23.60	21.10	18.50	15.90	13.40
$200 and over		20 percent of the excess over $200 plus—										
		40.00	37.40	34.90	32.30	29.70	27.20	24.60	22.10	19.50	16.90	14.40

"If the payroll period with respect to an employee is biweekly

And the wages are—		And the number of withholding exemptions claimed is—										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of tax to be withheld shall be—										
$0	$26	20% of wages	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$26	$28	$5.40	.30	0	0	0	0	0	0	0	0	0
$28	$30	5.80	.70	0	0	0	0	0	0	0	0	0
$30	$32	6.20	1.10	0	0	0	0	0	0	0	0	0
$32	$34	6.60	1.50	0	0	0	0	0	0	0	0	0
$34	$36	7.00	1.90	0	0	0	0	0	0	0	0	0
$36	$38	7.40	2.30	0	0	0	0	0	0	0	0	0
$38	$40	7.80	2.70	0	0	0	0	0	0	0	0	0
$40	$42	8.20	3.10	0	0	0	0	0	0	0	0	0
$42	$44	8.60	3.50	0	0	0	0	0	0	0	0	0
$44	$46	9.00	3.90	0	0	0	0	0	0	0	0	0
$46	$48	9.40	4.30	0	0	0	0	0	0	0	0	0
$48	$50	9.80	4.70	0	0	0	0	0	0	0	0	0
$50	$52	10.20	5.10	0	0	0	0	0	0	0	0	0
$52	$54	10.60	5.50	.30	0	0	0	0	0	0	0	0
$54	$56	11.00	5.90	.70	0	0	0	0	0	0	0	0
$56	$58	11.40	6.30	1.10	0	0	0	0	0	0	0	0
$58	$60	11.80	6.70	1.50	0	0	0	0	0	0	0	0
$60	$62	12.20	7.10	1.90	0	0	0	0	0	0	0	0
$62	$64	12.60	7.50	2.30	0	0	0	0	0	0	0	0
$64	$66	13.00	7.90	2.70	0	0	0	0	0	0	0	0
$66	$68	13.40	8.30	3.10	0	0	0	0	0	0	0	0
$68	$70	13.80	8.70	3.50	0	0	0	0	0	0	0	0
$70	$72	14.20	9.10	3.90	0	0	0	0	0	0	0	0
$72	$74	14.60	9.50	4.30	0	0	0	0	0	0	0	0
$74	$76	15.00	9.90	4.70	0	0	0	0	0	0	0	0
$76	$78	15.40	10.30	5.10	0	0	0	0	0	0	0	0
$78	$80	15.80	10.70	5.50	.40	0	0	0	0	0	0	0
$80	$82	16.20	11.10	5.90	.80	0	0	0	0	0	0	0
$82	$84	16.60	11.50	6.30	1.20	0	0	0	0	0	0	0
$84	$86	17.00	11.90	6.70	1.60	0	0	0	0	0	0	0
$86	$88	17.40	12.30	7.10	2.00	0	0	0	0	0	0	0
$88	$90	17.80	12.70	7.50	2.40	0	0	0	0	0	0	0
$90	$92	18.20	13.10	7.90	2.80	0	0	0	0	0	0	0
$92	$94	18.60	13.50	8.30	3.20	0	0	0	0	0	0	0
$94	$96	19.00	13.90	8.70	3.60	0	0	0	0	0	0	0
$96	$98	19.40	14.30	9.10	4.00	0	0	0	0	0	0	0
$98	$100	19.80	14.70	9.50	4.40	0	0	0	0	0	0	0
$100	$102	20.20	15.10	9.90	4.80	0	0	0	0	0	0	0
$102	$104	20.60	15.50	10.30	5.20	.10	0	0	0	0	0	0
$104	$106	21.00	15.90	10.70	5.60	.50	0	0	0	0	0	0
$106	$108	21.40	16.30	11.10	6.00	.90	0	0	0	0	0	0
$108	$110	21.80	16.70	11.50	6.40	1.30	0	0	0	0	0	0
$110	$112	22.20	17.10	11.90	6.80	1.70	0	0	0	0	0	0
$112	$114	22.60	17.50	12.30	7.20	2.10	0	0	0	0	0	0
$114	$116	23.00	17.90	12.70	7.60	2.50	0	0	0	0	0	0
$116	$118	23.40	18.30	13.10	8.00	2.90	0	0	0	0	0	0
$118	$120	23.80	18.70	13.50	8.40	3.30	0	0	0	0	0	0
$120	$124	24.40	19.30	14.10	9.00	3.90	0	0	0	0	0	0
$124	$128	25.20	20.10	14.90	9.80	4.70	0	0	0	0	0	0
$128	$132	26.00	20.90	15.70	10.60	5.50	.40	0	0	0	0	0
$132	$136	26.80	21.70	16.50	11.40	6.30	1.20	0	0	0	0	0
$136	$140	27.60	22.50	17.30	12.20	7.10	2.00	0	0	0	0	0
$140	$144	28.40	23.30	18.10	13.00	7.90	2.80	0	0	0	0	0
$144	$148	29.20	24.10	18.90	13.80	8.70	3.60	0	0	0	0	0
$148	$152	30.00	24.90	19.70	14.60	9.50	4.40	0	0	0	0	0
$152	$156	30.80	25.70	20.50	15.40	10.30	5.20	0	0	0	0	0
$156	$160	31.60	26.50	21.30	16.20	11.10	6.00	.80	0	0	0	0
$160	$164	32.40	27.30	22.10	17.00	11.90	6.80	1.60	0	0	0	0
$164	$168	33.20	28.10	22.90	17.80	12.70	7.60	2.40	0	0	0	0
$168	$172	34.00	28.90	23.70	18.60	13.50	8.40	3.20	0	0	0	0
$172	$176	34.80	29.70	24.50	19.40	14.30	9.20	4.00	0	0	0	0
$176	$180	35.60	30.50	25.30	20.20	15.10	10.00	4.80	0	0	0	0
$180	$184	36.40	31.30	26.10	21.00	15.90	10.80	5.60	.50	0	0	0
$184	$188	37.20	32.10	26.90	21.80	16.70	11.60	6.40	1.30	0	0	0
$188	$192	38.00	32.90	27.70	22.60	17.50	12.40	7.20	2.10	0	0	0
$192	$196	38.80	33.70	28.50	23.40	18.30	13.20	8.00	2.90	0	0	0
$196	$200	39.60	34.50	29.30	24.20	19.10	14.00	8.80	3.70	0	0	0
$200	$210	41.00	35.90	30.70	25.60	20.50	15.40	10.20	5.10	0	0	0
$210	$220	43.00	37.90	32.70	27.60	22.50	17.40	12.20	7.10	2.00	0	0
$220	$230	45.00	39.90	34.70	29.60	24.50	19.40	14.20	9.10	4.00	0	0
$230	$240	47.00	41.90	36.70	31.60	26.50	21.40	16.20	11.10	6.00	.80	0
$240	$250	49.00	43.90	38.70	33.60	28.50	23.40	18.20	13.10	8.00	2.80	0
$250	$260	51.00	45.90	40.70	35.60	30.50	25.40	20.20	15.10	10.00	4.80	0
$260	$270	53.00	47.90	42.70	37.60	32.50	27.40	22.20	17.10	12.00	6.80	1.70
$270	$280	55.00	49.90	44.70	39.60	34.50	29.40	24.20	19.10	14.00	8.80	3.70
$280	$290	57.00	51.90	46.70	41.60	36.50	31.40	26.20	21.10	16.00	10.80	5.70
$290	$300	59.00	53.90	48.70	43.60	38.50	33.40	28.20	23.10	18.00	12.80	7.70
$300	$320	62.00	56.90	51.70	46.60	41.50	36.40	31.20	26.10	21.00	15.80	10.70
$320	$340	66.00	60.90	55.70	50.60	45.50	40.40	35.20	30.10	25.00	19.80	14.70
$340	$360	70.00	64.90	59.70	54.60	49.50	44.40	39.20	34.10	29.00	23.80	18.70
$360	$380	74.00	68.90	63.70	58.60	53.50	48.40	43.20	38.10	33.00	27.80	22.70
$380	$400	78.00	72.90	67.70	62.60	57.50	52.40	47.20	42.10	37.00	31.80	26.70
$400 and over		20 percent of the excess over $400 plus—										
		80.00	74.90	69.70	64.60	59.50	54.40	49.20	44.10	39.00	33.80	28.70

"If the payroll period with respect to an employee is semimonthly

And the wages are—		And the number of withholding exemptions claimed is—										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of tax to be withheld shall be—										
$0	$28	20% of wages	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$28	$30	5.80	.20	0	0	0	0	0	0	0	0	0
$30	$32	6.20	.60	0	0	0	0	0	0	0	0	0
$32	$34	6.60	1.00	0	0	0	0	0	0	0	0	0
$34	$36	7.00	1.40	0	0	0	0	0	0	0	0	0
$36	$38	7.40	1.80	0	0	0	0	0	0	0	0	0
$38	$40	7.80	2.20	0	0	0	0	0	0	0	0	0
$40	$42	8.20	2.60	0	0	0	0	0	0	0	0	0
$42	$44	8.60	3.00	0	0	0	0	0	0	0	0	0
$44	$46	9.00	3.40	0	0	0	0	0	0	0	0	0
$46	$48	9.40	3.80	0	0	0	0	0	0	0	0	0
$48	$50	9.80	4.20	0	0	0	0	0	0	0	0	0
$50	$52	10.20	4.60	0	0	0	0	0	0	0	0	0
$52	$54	10.60	5.00	0	0	0	0	0	0	0	0	0
$54	$56	11.00	5.40	0	0	0	0	0	0	0	0	0
$56	$58	11.40	5.80	.30	0	0	0	0	0	0	0	0
$58	$60	11.80	6.20	.70	0	0	0	0	0	0	0	0
$60	$62	12.20	6.60	1.10	0	0	0	0	0	0	0	0
$62	$64	12.60	7.00	1.50	0	0	0	0	0	0	0	0
$64	$66	13.00	7.40	1.90	0	0	0	0	0	0	0	0
$66	$68	13.40	7.80	2.30	0	0	0	0	0	0	0	0
$68	$70	13.80	8.20	2.70	0	0	0	0	0	0	0	0
$70	$72	14.20	8.60	3.10	0	0	0	0	0	0	0	0
$72	$74	14.60	9.00	3.50	0	0	0	0	0	0	0	0
$74	$76	15.00	9.40	3.90	0	0	0	0	0	0	0	0
$76	$78	15.40	9.80	4.30	0	0	0	0	0	0	0	0
$78	$80	15.80	10.20	4.70	0	0	0	0	0	0	0	0
$80	$82	16.20	10.60	5.10	0	0	0	0	0	0	0	0
$82	$84	16.60	11.00	5.50	0	0	0	0	0	0	0	0
$84	$86	17.00	11.40	5.90	.30	0	0	0	0	0	0	0
$86	$88	17.40	11.80	6.30	.70	0	0	0	0	0	0	0
$88	$90	17.80	12.20	6.70	1.10	0	0	0	0	0	0	0
$90	$92	18.20	12.60	7.10	1.50	0	0	0	0	0	0	0
$92	$94	18.60	13.00	7.50	1.90	0	0	0	0	0	0	0
$94	$96	19.00	13.40	7.90	2.30	0	0	0	0	0	0	0
$96	$98	19.40	13.80	8.30	2.70	0	0	0	0	0	0	0
$98	$100	19.80	14.20	8.70	3.10	0	0	0	0	0	0	0
$100	$102	20.20	14.60	9.10	3.50	0	0	0	0	0	0	0
$102	$104	20.60	15.00	9.50	3.90	0	0	0	0	0	0	0
$104	$106	21.00	15.40	9.90	4.30	0	0	0	0	0	0	0
$106	$108	21.40	15.80	10.30	4.70	0	0	0	0	0	0	0
$108	$110	21.80	16.20	10.70	5.10	0	0	0	0	0	0	0
$110	$112	22.20	16.60	11.10	5.50	0	0	0	0	0	0	0
$112	$114	22.60	17.00	11.50	5.90	.40	0	0	0	0	0	0
$114	$116	23.00	17.40	11.90	6.30	.80	0	0	0	0	0	0
$116	$118	23.40	17.80	12.30	6.70	1.20	0	0	0	0	0	0
$118	$120	23.80	18.20	12.70	7.10	1.60	0	0	0	0	0	0
$120	$124	24.40	18.80	13.30	7.70	2.20	0	0	0	0	0	0
$124	$128	25.20	19.60	14.10	8.50	3.00	0	0	0	0	0	0
$128	$132	26.00	20.40	14.90	9.30	3.80	0	0	0	0	0	0
$132	$136	26.80	21.20	15.70	10.10	4.60	0	0	0	0	0	0
$136	$140	27.60	22.00	16.50	10.90	5.40	0	0	0	0	0	0
$140	$144	28.40	22.80	17.30	11.70	6.20	.60	0	0	0	0	0
$144	$148	29.20	23.60	18.10	12.50	7.00	1.40	0	0	0	0	0
$148	$152	30.00	24.40	18.90	13.30	7.80	2.20	0	0	0	0	0
$152	$156	30.80	25.20	19.70	14.10	8.60	3.00	0	0	0	0	0
$156	$160	31.60	26.00	20.50	14.90	9.40	3.80	0	0	0	0	0
$160	$164	32.40	26.80	21.30	15.70	10.20	4.60	0	0	0	0	0
$164	$168	33.20	27.60	22.10	16.50	11.00	5.40	0	0	0	0	0
$168	$172	34.00	28.40	22.90	17.30	11.80	6.20	.70	0	0	0	0
$172	$176	34.80	29.20	23.70	18.10	12.60	7.00	1.50	0	0	0	0
$176	$180	35.60	30.00	24.50	18.90	13.40	7.80	2.30	0	0	0	0
$180	$184	36.40	30.80	25.30	19.70	14.20	8.60	3.10	0	0	0	0
$184	$188	37.20	31.60	26.10	20.50	15.00	9.40	3.90	0	0	0	0
$188	$192	38.00	32.40	26.90	21.30	15.80	10.20	4.70	0	0	0	0
$192	$196	38.80	33.20	27.70	22.10	16.60	11.00	5.50	0	0	0	0
$196	$200	39.60	34.00	28.50	22.90	17.40	11.80	6.30	.70	0	0	0
$200	$210	41.00	35.40	29.90	24.30	18.80	13.20	7.70	2.10	0	0	0
$210	$220	43.00	37.40	31.90	26.30	20.80	15.20	9.70	4.10	0	0	0
$220	$230	45.00	39.40	33.90	28.30	22.80	17.20	11.70	6.10	.60	0	0
$230	$240	47.00	41.40	35.90	30.30	24.80	19.20	13.70	8.10	2.60	0	0
$240	$250	49.00	43.40	37.90	32.30	26.80	21.20	15.70	10.10	4.60	0	0
$250	$260	51.00	45.40	39.90	34.30	28.80	23.20	17.70	12.10	6.60	1.00	0
$260	$270	53.00	47.40	41.90	36.30	30.80	25.20	19.70	14.10	8.60	3.00	0
$270	$280	55.00	49.40	43.90	38.30	32.80	27.20	21.70	16.10	10.60	5.00	0
$280	$290	57.00	51.40	45.90	40.30	34.80	29.20	23.70	18.10	12.60	7.00	1.40
$290	$300	59.00	53.40	47.90	42.30	36.80	31.20	25.70	20.10	14.60	9.00	3.40
$300	$320	62.00	56.40	50.90	45.30	39.80	34.20	28.70	23.10	17.60	12.00	6.40
$320	$340	66.00	60.40	54.90	49.30	43.80	38.20	32.70	27.10	21.60	16.00	10.40
$340	$360	70.00	64.40	58.90	53.30	47.80	42.20	36.70	31.10	25.60	20.00	14.40
$360	$380	74.00	68.40	62.90	57.30	51.80	46.20	40.70	35.10	29.60	24.00	18.40
$380	$400	78.00	72.40	66.90	61.30	55.80	50.20	44.70	39.10	33.60	28.00	22.40
$400	$420	82.00	76.40	70.90	65.30	59.80	54.20	48.70	43.10	37.60	32.00	26.40
$420	$440	86.00	80.40	74.90	69.30	63.80	58.20	52.70	47.10	41.60	36.00	30.40
$440	$460	90.00	84.40	78.90	73.30	67.80	62.20	56.70	51.10	45.60	40.00	34.40
$460	$480	94.00	88.40	82.90	77.30	71.80	66.20	60.70	55.10	49.60	44.00	38.40
$480	$500	98.00	92.40	86.90	81.30	75.80	70.20	64.70	59.10	53.60	48.00	42.40
$500 and over		20 percent of the excess over $500 plus—										
		100.00	94.40	88.90	83.30	77.80	72.20	66.70	61.10	55.60	50.00	44.40

"If the payroll period with respect to an employee is monthly

And the wages are—		And the number of withholding exemptions claimed is—										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of tax to be withheld shall be—										
$0	$56	20% of wages	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$56	$60	$11.60	.50	0	0	0	0	0	0	0	0	0
$60	$64	12.40	1.30	0	0	0	0	0	0	0	0	0
$64	$68	13.20	2.10	0	0	0	0	0	0	0	0	0
$68	$72	14.00	2.90	0	0	0	0	0	0	0	0	0
$72	$76	14.80	3.70	0	0	0	0	0	0	0	0	0
$76	$80	15.60	4.50	0	0	0	0	0	0	0	0	0
$80	$84	16.40	5.30	0	0	0	0	0	0	0	0	0
$84	$88	17.20	6.10	0	0	0	0	0	0	0	0	0
$88	$92	18.00	6.90	0	0	0	0	0	0	0	0	0
$92	$96	18.80	7.70	0	0	0	0	0	0	0	0	0
$96	$100	19.60	8.50	0	0	0	0	0	0	0	0	0
$100	$104	20.40	9.30	0	0	0	0	0	0	0	0	0
$104	$108	21.20	10.10	0	0	0	0	0	0	0	0	0
$108	$112	22.00	10.90	0	0	0	0	0	0	0	0	0
$112	$116	22.80	11.70	.60	0	0	0	0	0	0	0	0
$116	$120	23.60	12.50	1.40	0	0	0	0	0	0	0	0
$120	$124	24.40	13.30	2.20	0	0	0	0	0	0	0	0
$124	$128	25.20	14.10	3.00	0	0	0	0	0	0	0	0
$128	$132	26.00	14.90	3.80	0	0	0	0	0	0	0	0
$132	$136	26.80	15.70	4.60	0	0	0	0	0	0	0	0
$136	$140	27.60	16.50	5.40	0	0	0	0	0	0	0	0
$140	$144	28.40	17.30	6.20	0	0	0	0	0	0	0	0
$144	$148	29.20	18.10	7.00	0	0	0	0	0	0	0	0
$148	$152	30.00	18.90	7.80	0	0	0	0	0	0	0	0
$152	$156	30.80	19.70	8.60	0	0	0	0	0	0	0	0
$156	$160	31.60	20.50	9.40	0	0	0	0	0	0	0	0
$160	$164	32.40	21.30	10.20	0	0	0	0	0	0	0	0
$164	$168	33.20	22.10	11.00	0	0	0	0	0	0	0	0
$168	$172	34.00	22.90	11.80	.70	0	0	0	0	0	0	0
$172	$176	34.80	23.70	12.60	1.50	0	0	0	0	0	0	0
$176	$180	35.60	24.50	13.40	2.30	0	0	0	0	0	0	0
$180	$184	36.40	25.30	14.20	3.10	0	0	0	0	0	0	0
$184	$188	37.20	26.10	15.00	3.90	0	0	0	0	0	0	0
$188	$192	38.00	26.90	15.80	4.70	0	0	0	0	0	0	0
$192	$196	38.80	27.70	16.60	5.50	0	0	0	0	0	0	0
$196	$200	39.60	28.50	17.40	6.30	0	0	0	0	0	0	0
$200	$204	40.40	29.30	18.20	7.10	0	0	0	0	0	0	0
$204	$208	41.20	30.10	19.00	7.90	0	0	0	0	0	0	0
$208	$212	42.00	30.90	19.80	8.70	0	0	0	0	0	0	0
$212	$216	42.80	31.70	20.60	9.50	0	0	0	0	0	0	0
$216	$220	43.60	32.50	21.40	10.30	0	0	0	0	0	0	0
$220	$224	44.40	33.30	22.20	11.10	0	0	0	0	0	0	0
$224	$228	45.20	34.10	23.00	11.90	.80	0	0	0	0	0	0
$228	$232	46.00	34.90	23.80	12.70	1.60	0	0	0	0	0	0
$232	$236	46.80	35.70	24.60	13.50	2.40	0	0	0	0	0	0
$236	$240	47.60	36.50	25.40	14.30	3.20	0	0	0	0	0	0
$240	$248	48.80	37.70	26.60	15.50	4.40	0	0	0	0	0	0
$248	$256	50.40	39.30	28.20	17.10	6.00	0	0	0	0	0	0
$256	$264	52.00	40.90	29.80	18.70	7.60	0	0	0	0	0	0
$264	$272	53.60	42.50	31.40	20.30	9.20	0	0	0	0	0	0
$272	$280	55.20	44.10	33.00	21.90	10.80	0	0	0	0	0	0
$280	$288	56.80	45.70	34.60	23.50	12.40	1.20	0	0	0	0	0
$288	$296	58.40	47.30	36.20	25.10	14.00	2.80	0	0	0	0	0
$296	$304	60.00	48.90	37.80	26.70	15.60	4.40	0	0	0	0	0
$304	$312	61.60	50.50	39.40	28.30	17.20	6.00	0	0	0	0	0
$312	$320	63.20	52.10	41.00	29.90	18.80	7.60	0	0	0	0	0
$320	$328	64.80	53.70	42.60	31.50	20.40	9.20	0	0	0	0	0
$328	$336	66.40	55.30	44.20	33.10	22.00	10.80	0	0	0	0	0
$336	$344	68.00	56.90	45.80	34.70	23.60	12.40	1.30	0	0	0	0
$344	$352	69.60	58.50	47.40	36.30	25.20	14.00	2.90	0	0	0	0
$352	$360	71.20	60.10	49.00	37.90	26.80	15.60	4.50	0	0	0	0
$360	$368	72.80	61.70	50.60	39.50	28.40	17.20	6.10	0	0	0	0
$368	$376	74.40	63.30	52.20	41.10	30.00	18.80	7.70	0	0	0	0
$376	$384	76.00	64.90	53.80	42.70	31.60	20.40	9.30	0	0	0	0
$384	$392	77.60	66.50	55.40	44.30	33.20	22.00	10.90	0	0	0	0
$392	$400	79.20	68.10	57.00	45.90	34.80	23.60	12.50	1.40	0	0	0
$400	$420	82.00	70.90	59.80	48.70	37.60	26.40	15.30	4.20	0	0	0
$420	$440	86.00	74.90	63.80	52.70	41.60	30.40	19.30	8.20	0	0	0
$440	$460	90.00	78.90	67.80	56.70	45.60	34.40	23.30	12.20	1.10	0	0
$460	$480	94.00	82.90	71.80	60.70	49.60	38.40	27.30	16.20	5.10	0	0
$480	$500	98.00	86.90	75.80	64.70	53.60	42.40	31.30	20.20	9.10	0	0
$500	$520	102.00	90.90	79.80	68.70	57.60	46.40	35.30	24.20	13.10	2.00	0
$520	$540	106.00	94.90	83.80	72.70	61.60	50.40	39.30	28.20	17.10	6.00	0
$540	$560	110.00	98.90	87.80	76.70	65.60	54.40	43.30	32.20	21.10	10.00	0
$560	$580	114.00	102.90	91.80	80.70	69.60	58.40	47.30	36.20	25.10	14.00	2.90
$580	$600	118.00	106.90	95.80	84.70	73.60	62.40	51.30	40.20	29.10	18.00	6.90
$600	$640	124.00	112.90	101.80	90.70	79.60	68.40	57.30	46.20	35.10	24.00	12.90
$640	$680	132.00	120.90	109.80	98.70	87.60	76.40	65.30	54.20	43.10	32.00	20.90
$680	$720	140.00	128.90	117.80	106.70	95.60	84.40	73.30	62.20	51.10	40.00	28.90
$720	$760	148.00	136.90	125.80	114.70	103.60	92.40	81.30	70.20	59.10	48.00	36.90
$760	$800	156.00	144.90	133.80	122.70	111.60	100.40	89.30	78.20	67.10	56.00	44.90
$800	$840	164.00	152.90	141.80	130.70	119.60	108.40	97.30	86.20	75.10	64.00	52.90
$840	$880	172.00	160.90	149.80	138.70	127.60	116.40	105.30	94.20	83.10	72.00	60.90
$880	$920	180.00	168.90	157.80	146.70	135.60	124.40	113.30	102.20	91.10	80.00	68.90
$920	$960	188.00	176.90	165.80	154.70	143.60	132.40	121.30	110.20	99.10	88.00	76.90
$960	$1,000	196.00	184.90	173.80	162.70	151.60	140.40	129.30	118.20	107.10	96.00	84.90
$1,000 and over		20 percent of the excess over $1,000 plus—										
		200.00	188.90	177.80	166.70	155.60	144.40	133.30	122.20	111.10	100.00	88.90

"If the payroll period with respect to an employee is a daily payroll period or a miscellaneous payroll period

And the wages divided by the number of days in such period are—		And the number of withholding exemptions claimed is—										
		0	1	2	3	4	5	6	7	8	9	10 or more
At least—	But less than—	The amount of tax to be withheld shall be the following amount multiplied by the number of days in such period—										
$0	$2.00	20% of wages	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$2.00	$2.25	$0.40	.05	0	0	0	0	0	0	0	0	0
$2.25	$2.50	.45	.10	0	0	0	0	0	0	0	0	0
$2.50	$2.75	.50	.15	0	0	0	0	0	0	0	0	0
$2.75	$3.00	.55	.20	0	0	0	0	0	0	0	0	0
$3.00	$3.25	.60	.25	0	0	0	0	0	0	0	0	0
$3.25	$3.50	.65	.30	0	0	0	0	0	0	0	0	0
$3.50	$3.75	.70	.35	0	0	0	0	0	0	0	0	0
$3.75	$4.00	.75	.40	.05	0	0	0	0	0	0	0	0
$4.00	$4.25	.80	.45	.10	0	0	0	0	0	0	0	0
$4.25	$4.50	.85	.50	.15	0	0	0	0	0	0	0	0
$4.50	$4.75	.90	.55	.20	0	0	0	0	0	0	0	0
$4.75	$5.00	.95	.60	.25	0	0	0	0	0	0	0	0
$5.00	$5.25	1.00	.65	.30	0	0	0	0	0	0	0	0
$5.25	$5.50	1.05	.70	.35	0	0	0	0	0	0	0	0
$5.50	$5.75	1.10	.75	.40	.05	0	0	0	0	0	0	0
$5.75	$6.00	1.15	.80	.45	.10	0	0	0	0	0	0	0
$6.00	$6.25	1.20	.85	.50	.15	0	0	0	0	0	0	0
$6.25	$6.50	1.25	.90	.55	.20	0	0	0	0	0	0	0
$6.50	$6.75	1.30	.95	.60	.25	0	0	0	0	0	0	0
$6.75	$7.00	1.35	1.00	.65	.30	0	0	0	0	0	0	0
$7.00	$7.25	1.40	1.05	.70	.35	0	0	0	0	0	0	0
$7.25	$7.50	1.45	1.10	.75	.40	0	0	0	0	0	0	0
$7.50	$7.75	1.50	1.15	.80	.45	.05	0	0	0	0	0	0
$7.75	$8.00	1.55	1.20	.85	.50	.10	0	0	0	0	0	0
$8.00	$8.25	1.60	1.25	.90	.55	.15	0	0	0	0	0	0
$8.25	$8.50	1.65	1.30	.95	.60	.20	0	0	0	0	0	0
$8.50	$8.75	1.70	1.35	1.00	.65	.25	0	0	0	0	0	0
$8.75	$9.00	1.75	1.40	1.05	.70	.30	0	0	0	0	0	0
$9.00	$9.25	1.80	1.45	1.10	.75	.35	0	0	0	0	0	0
$9.25	$9.50	1.85	1.50	1.15	.80	.40	.05	0	0	0	0	0
$9.50	$9.75	1.90	1.55	1.20	.85	.45	.10	0	0	0	0	0
$9.75	$10.00	1.95	1.60	1.25	.90	.50	.15	0	0	0	0	0
$10.00	$10.50	2.05	1.70	1.30	.95	.60	.20	0	0	0	0	0
$10.50	$11.00	2.15	1.80	1.40	1.05	.70	.30	0	0	0	0	0
$11.00	$11.50	2.25	1.90	1.50	1.15	.80	.40	.05	0	0	0	0
$11.50	$12.00	2.35	2.00	1.60	1.25	.90	.50	.15	0	0	0	0
$12.00	$12.50	2.45	2.10	1.70	1.35	1.00	.60	.25	0	0	0	0
$12.50	$13.00	2.55	2.20	1.80	1.45	1.10	.70	.35	0	0	0	0
$13.00	$13.50	2.65	2.30	1.90	1.55	1.20	.80	.45	.10	0	0	0
$13.50	$14.00	2.75	2.40	2.00	1.65	1.30	.90	.55	.20	0	0	0
$14.00	$14.50	2.85	2.50	2.10	1.75	1.40	1.00	.65	.30	0	0	0
$14.50	$15.00	2.95	2.60	2.20	1.85	1.50	1.10	.75	.40	.05	0	0
$15.00	$15.50	3.05	2.70	2.30	1.95	1.60	1.20	.85	.50	.15	0	0
$15.50	$16.00	3.15	2.80	2.40	2.05	1.70	1.30	.95	.60	.25	0	0
$16.00	$16.50	3.25	2.90	2.50	2.15	1.80	1.40	1.05	.70	.35	0	0
$16.50	$17.00	3.35	3.00	2.60	2.25	1.90	1.50	1.15	.80	.45	.05	0
$17.00	$17.50	3.45	3.10	2.70	2.35	2.00	1.60	1.25	.90	.55	.15	0
$17.50	$18.00	3.55	3.20	2.80	2.45	2.10	1.70	1.35	1.00	.65	.25	0
$18.00	$18.50	3.65	3.30	2.90	2.55	2.20	1.80	1.45	1.10	.75	.35	0
$18.50	$19.00	3.75	3.40	3.00	2.65	2.30	1.90	1.55	1.20	.85	.45	.10
$19.00	$19.50	3.85	3.50	3.10	2.75	2.40	2.00	1.65	1.30	.95	.55	.20
$19.50	$20.00	3.95	3.60	3.20	2.85	2.50	2.10	1.75	1.40	1.05	.65	.30
$20.00	$21.00	4.10	3.75	3.35	3.00	2.65	2.25	1.90	1.55	1.20	.80	.45
$21.00	$22.00	4.30	3.95	3.55	3.20	2.85	2.45	2.10	1.75	1.40	1.00	.65
$22.00	$23.00	4.50	4.15	3.75	3.40	3.05	2.65	2.30	1.95	1.60	1.20	.85
$23.00	$24.00	4.70	4.35	3.95	3.60	3.25	2.85	2.50	2.15	1.80	1.40	1.05
$24.00	$25.00	4.90	4.55	4.15	3.80	3.45	3.05	2.70	2.35	2.00	1.60	1.25
$25.00	$26.00	5.10	4.75	4.35	4.00	3.65	3.25	2.90	2.55	2.20	1.80	1.45
$26.00	$27.00	5.30	4.95	4.55	4.20	3.85	3.45	3.10	2.75	2.40	2.00	1.65
$27.00	$28.00	5.50	5.15	4.75	4.40	4.05	3.65	3.30	2.95	2.60	2.20	1.85
$28.00	$29.00	5.70	5.35	4.95	4.60	4.25	3.85	3.50	3.15	2.80	2.40	2.05
$29.00	$30.00	5.90	5.55	5.15	4.80	4.45	4.05	3.70	3.35	3.00	2.60	2.25
$30 and over		20 percent of the excess over $30 plus—										
		6.00	5.65	5.25	4.90	4.55	4.15	3.80	3.45	3.10	2.70	2.35

"(B) Wages paid after December 31, 1953.—At the election of the employer with respect to any employee, the employer shall deduct and withhold upon the wages paid to such employee after December 31, 1953, a tax determined in accordance with the following tables, which shall be in lieu of the tax required to be deducted and withheld under subsection (a) :".

Ante, p. 474.

SEC. 203. ADDITIONAL WITHHOLDING OF TAX ON WAGES UPON AGREEMENT BY EMPLOYER AND EMPLOYEE.

57 Stat. 128.
26 U. S. C. § 1622.
Ante, p. 474.

Section 1622 (relating to income tax collected at source on wages) is hereby amended by adding at the end thereof the following new subsection:

"(k) ADDITIONAL WITHHOLDING.—The Secretary is authorized by regulations to provide, under such conditions and to such extent as he deems proper, for withholding in addition to that otherwise required under this section in cases in which the employer and the employee agree (in such form as the Secretary may by regulations prescribe) to such additional withholding. Such additional withholding shall for all purposes be considered tax required to be deducted and withheld under this subchapter."

SEC. 204. EFFECTIVE DATE.

The amendments made by this title shall be applicable only with respect to wages paid on or after November 1, 1951.

TITLE III—MISCELLANEOUS INCOME TAX AMENDMENTS

SEC. 301. TAX TREATMENT IN CASE OF HEAD OF HOUSEHOLD.

53 Stat. 6.
26 U. S. C. § 12 (c).

(a) SURTAX IN CASE OF HEAD OF HOUSEHOLD.—Section 12 (c) is hereby amended to read as follows:

"(c) RATES OF SURTAX—HEAD OF HOUSEHOLD.—

"(1) TAXABLE YEARS BEGINNING AFTER OCTOBER 31, 1951, AND BEFORE JANUARY 1, 1954.—In the case of taxable years beginning after October 31, 1951, and before January 1, 1954, there shall be levied, collected, and paid for each taxable year upon the surtax net income of every individual who is the head of a household the surtax shown in the following table:

"If the surtax net income is:	The surtax shall be:
Not over $2,000	19.2% of the surtax net income.
Over $2,000 but not over $4,000	$384, plus 20.4% of excess over $2,000.
Over $4,000 but not over $6,000	$792, plus 24% of excess over $4,000.
Over $6,000 but not over $8,000	$1,272, plus 26% of excess over $6,000.
Over $8,000 but not over $10,000	$1,792, plus 31% of excess over $8,000.
Over $10,000 but not over $12,000	$2,412, plus 32% of excess over $10,000.
Over $12,000 but not over $14,000	$3,052, plus 38% of excess over $12,000.
Over $14,000 but not over $16,000	$3,812, plus 41% of excess over $14,000.
Over $16,000 but not over $18,000	$4,632, plus 44% of excess over $16,000.
Over $18,000 but not over $20,000	$5,512, plus 45% of excess over $18,000.
Over $20,000 but not over $22,000	$6,412, plus 49% of excess over $20,000.
Over $22,000 but not over $24,000	$7,392, plus 51% of excess over $22,000.
Over $24,000 but not over $28,000	$8,412, plus 54% of excess over $24,000.

"If the surtax net income is:	The surtax shall be:
Over $28,000 but not over $32,000	$10,572, plus 57% of excess over $28,000.
Over $32,000 but not over $38,000	$12,852, plus 60% of excess over $32,000.
Over $38,000 but not over $44,000	$16,452, plus 63% of excess over $38,000.
Over $44,000 but not over $50,000	$20,232, plus 68% of excess over $44,000.
Over $50,000 but not over $60,000	$24,312, plus 69% of excess over $50,000.
Over $60,000 but not over $70,000	$31,212, plus 70% of excess over $60,000.
Over $70,000 but not over $80,000	$38,212, plus 74% of excess over $70,000.
Over $80,000 but not over $90,000	$45,612, plus 76% of excess over $80,000.
Over $90,000 but not over $100,000	$53,212, plus 78% of excess over $90,000.
Over $100,000 but not over $150,000	$61,012, plus 82% of excess over $100,000.
Over $150,000 but not over $200,000	$102,012, plus 85% of excess over $150,000.
Over $200,000 but not over $300,000	$144,512, plus 88% of excess over $200,000.
Over $300,000	$232,512, plus 89% of excess over $300,000.

"(2) TAXABLE YEARS BEGINNING AFTER DECEMBER 31, 1953.—In the case of taxable years beginning after December 31, 1953, there shall be levied, collected, and paid for each taxable year upon the surtax net income of every individual who is the head of a household the surtax shown in the following table:

"If the surtax net income is:	The surtax shall be:
Not over $2,000	17% of the surtax net income.
Over $2,000 but not over $4,000	$340, plus 18% of excess over $2,000.
Over $4,000 but not over $6,000	$700, plus 21% of excess over $4,000.
Over $6,000 but not over $8,000	$1,120, plus 23% of excess over $6,000.
Over $8,000 but not over $10,000	$1,580, plus 27% of excess over $8,000.
Over $10,000 but not over $12,000	$2,120, plus 29% of excess over $10,000.
Over $12,000 but not over $14,000	$2,700, plus 33% of excess over $12,000.
Over $14,000 but not over $16,000	$3,360, plus 36% of excess over $14,000.
Over $16,000 but not over $18,000	$4,080, plus 39% of excess over $16,000.
Over $18,000 but not over $20,000	$4,860, plus 40% of excess over $18,000.
Over $20,000 but not over $22,000	$5,660, plus 44% of excess over $20,000.
Over $22,000 but not over $24,000	$6,540, plus 46% of excess over $22,000.
Over $24,000 but not over $28,000	$7,460, plus 49% of excess over $24,000.
Over $28,000 but not over $32,000	$9,420, plus 51% of excess over $28,000.
Over $32,000 but not over $38,000	$11,460, plus 55% of excess over $32,000.
Over $38,000 but not over $44,000	$14,760, plus 59% of excess over $38,000.
Over $44,000 but not over $50,000	$18,300, plus 63% of excess over $44,000.
Over $50,000 but not over $60,000	$22,080, plus 65% of excess over $50,000.
Over $60,000 but not over $70,000	$28,580, plus 68% of excess over $60,000.
Over $70,000 but not over $80,000	$35,380, plus 71% of excess over $70,000.

"If the surtax net income is:	The surtax shall be:
Over $80,000 but not over $90,000	$42,480, plus 73% of excess over $80,000.
Over $90,000 but not over $100,000	$49,780, plus 77% of excess over $90,000.
Over $100,000 but not over $150,000	$57,480, plus 80% of excess over $100,000.
Over $150,000 but not over $200,000	$97,480, plus 84% of excess over $150,000.
Over $200,000 but not over $300,000	$139,480, plus 87% of excess over $200,000.
Over $300,000	$226,480, plus 88% of excess over $300,000.

"(3) DEFINITION OF HEAD OF HOUSEHOLD.—For the purposes of this chapter, an individual shall be considered a head of a household if, and only if, such individual is not married at the close of his taxable year and maintains as his home a household which constitutes for such taxable year the principal place of abode, as a member of such household, of:

"(A) A son, stepson, daughter, or stepdaughter of the taxpayer, or a descendant of a son or daughter of the taxpayer, but if such son, stepson, daughter, stepdaughter, or descendant is married at the close of the taxpayer's taxable year, only if the taxpayer is entitled to an exemption for the taxable year for such person under section 25 (b); or

53 Stat. 17.
26 U. S. C. § 25 (b).
Post, p. 487.

"(B) Any other person who is a dependent of the taxpayer, if the taxpayer is entitled to an exemption for the taxable year for such person under section 25 (b).

An individual shall be considered as maintaining a household only if over half of the cost of maintaining the household during the taxable year is furnished by such individual.

"(4) DETERMINATION OF STATUS.—For the purposes of this subsection—

"(A) a legally adopted child of a person shall be considered a child of such person by blood;

"(B) an individual who is legally separated from his spouse under a decree of divorce or of separate maintenance shall not be considered as married;

"(C) a taxpayer shall be considered as not married at the close of his taxable year if at any time during the taxable year his spouse is a nonresident alien; and

"(D) a taxpayer shall be considered as married at the close of his taxable year if his spouse (other than a spouse described in subparagraph (C)) died during the taxable year.

"(5) NONRESIDENT ALIEN.—For the purposes of this chapter a taxpayer shall in no case be considered a head of a household if at any time during the taxable year he is a nonresident alien."

(b) COMPUTATION OF TAX BY COLLECTOR.—

58 Stat. 240.
26 U. S. C. § 51 (f) (1).

(1) Section 51 (f) (1) (relating to tax computed by collector in case of wage earners) is hereby amended by adding at the end thereof the following: "In the case of a head of a household electing the benefits of this subsection, the tax shall be computed by the collector under Supplement T without regard to the taxpayer's status as head of a household."

55 Stat. 692, 689.
26 U. S. C. §§ 402, 400-404.
Ante, p. 461.

(2) Section 402 (relating to effect of election to pay the tax imposed by Supplement T) is hereby amended by adding at the end thereof the following: "In the case of a head of a household electing to have his tax computed by the collector pursuant to the

provisions of section 51 (f), the tax imposed by section 400 shall be computed without regard to the status of the taxpayer as a head of a household."

Ante, pp. 482, 461.

(c) EFFECTIVE DATE.—The amendments made by this section shall be applicable only with respect to taxable years beginning after October 31, 1951.

SEC. 302. PAYMENTS TO BENEFICIARIES OF DECEASED EMPLOYEES.

(a) AMENDMENT OF SECTION 22 (b) (1).—Section 22 (b) (1) (relating to exclusion of life insurance proceeds from gross income) is hereby amended to read as follows:

53 Stat. 10. 26 U. S. C. § 22 (b) (1).

"(1) LIFE INSURANCE, ETC.—Amounts received—

"(A) under a life insurance contract, paid by reason of the death of the insured; or

"(B) under a contract of an employer providing for the payment of such amounts to the beneficiaries of an employee, paid by reason of the death of the employee;

whether in a single sum or otherwise (but if such amounts are held by the insurer, or the employer, under an agreement to pay interest thereon, the interest payments shall be included in gross income). The aggregate of the amounts excludible under subparagraph (B) by all the beneficiaries of the employee under all such contracts of any one employer may not exceed $5,000."

(b) EFFECTIVE DATE.—The amendment made by this section shall be applicable with respect to taxable years beginning after December 31, 1950.

SEC. 303. JOINT AND SURVIVOR ANNUITIES.

(a) AMENDMENT OF SECTION 22 (b) (2).—Section 22 (b) (2) is amended by adding at the end thereof the following new subparagraph:

53 Stat. 10. 26 U. S. C. § 22 (b) (2).

"(C) Joint and Survivor Annuities.—For purposes of subparagraphs (A) and (B) of this paragraph, where amounts are received by a surviving annuitant under a joint and survivor's annuity contract and the basis of such survivor annuitant's interest is determined under section 113 (a) (5) the consideration paid for such survivor's annuity shall be considered to be an amount equal to such basis."

(b) AMENDMENT OF SECTION 113 (a) (5).—Section 113 (a) (5) is amended by adding at the end thereof the following: "For the purposes of this paragraph, the survivor's interest in a joint and survivor's annuity shall be considered to be property 'acquired by bequest, devise, or inheritance' from the decedent if the death of the decedent was after December 31, 1950, and if the value of any part of such interest was required to be included in determining the value of the decedent's gross estate under section 811."

53 Stat. 40. 26 U. S. C. § 113 (a) (5).

53 Stat. 120. 26 U. S. C. § 811.

(c) EFFECTIVE DATES.—The amendments made by this section shall be applicable to taxable years ending after December 31, 1950.

SEC. 304. INCOME FROM DISCHARGE OF INDEBTEDNESS.

(a) AMENDMENT OF SECTION 22 (b) (9).—Effective with respect to discharges of indebtedness occurring within taxable years ending after December 31, 1950, section 22 (b) (9) (relating to income from discharge of indebtedness) is hereby amended (1) by striking out "if the taxpayer makes and files at the time of filing the return, in such manner as the Commissioner, with the approval of the Secretary, by regulations prescribes, its consent" and inserting in lieu thereof "if the taxpayer, at such time and in such manner as the Secretary by regulations prescribes, makes and files its consent", and (2) by striking out the last sentence thereof.

53 Stat. 875. 26 U. S. C. § 22 (b) (9).

56 Stat. 812.
26 U. S. C. § 22 (b) (10).

(b) AMENDMENT OF SECTION 22 (b) (10).—Section 22 (b) (10) (relating to income from discharge of indebtedness of a railroad corporation) is hereby amended by striking out "December 31, 1951" and inserting in lieu thereof "December 31, 1954".

SEC. 305. COMPENSATION OF CERTAIN MEMBERS OF THE ARMED FORCES.

59 Stat. 571.
26 U. S. C. § 22 (b) (13).

(a) AMENDMENT OF SECTION 22 (b) (13).—Section 22 (b) (13) (relating to exclusion from gross income of compensation of certain members of the armed forces) is hereby amended by striking out subparagraphs (A) and (B) and inserting in lieu thereof the following:

"(A) Enlisted Personnel.—Compensation received for active service as a member below the grade of commissioned officer in the armed forces of the United States for any month during any part of which such member—

"(i) served in a combat zone after June 24, 1950, and prior to January 1, 1954, or

"(ii) was hospitalized as a result of wounds, disease, or injury incurred while serving in a combat zone prior to January 1, 1954; but this clause shall not apply for any month during any part of which there are no combatant activities in any combat zone as determined under subparagraph (C) (iii) of this paragraph.

Infra.

"(B) Commissioned Officers.—So much of the compensation as does not exceed $200 received for active service as a commissioned officer in the armed forces of the United States for any month during any part of which such officer—

"(i) served in a combat zone after June 24, 1950, and prior to January 1, 1954, or

"(ii) was hospitalized as a result of wounds, disease, or injury incurred while serving in a combat zone prior to January 1, 1954; but this clause shall not apply for any month during any part of which there are no combatant activities in any combat zone as determined under subparagraph (C) (iii) of this paragraph."

64 Stat. 927.
26 U. S. C. § 22 (b) (13) (C).

(b) DEFINITION OF SERVICE IN COMBAT ZONE.—Clause (iii) of section 22 (b) (13) (C) is hereby amended by striking out "such zone; and" and inserting in lieu thereof "such zone, except that June 25, 1950, shall be considered the date of the commencing of combatant activities in the combat zone designated in Executive Order 10195; and".

26 U. S. C. § 22 note.

57 Stat. 126.
26 U. S. C. § 1621 (a) (1).

(c) WITHHOLDING ON WAGES.—Section 1621 (a) (1) (relating to definition of the term "wages") is hereby amended to read as follows:

"(1) for active service as a member of the armed forces of the United States performed prior to January 1, 1954, in a month for which such member is entitled to the benefits of section 22 (b) (13), or".

(d) EFFECTIVE DATES.—The amendments made by subsections (a) and (b) shall be applicable to taxable years ending after June 24, 1950. The amendment made by subsection (c) shall be applicable with respect to wages paid after the tenth day following the date of the enactment of this Act.

SEC. 306. INVOLUNTARY LIQUIDATION AND REPLACEMENT OF INVENTORY.

64 Stat. 1244.
26 U. S. C. § 22 (d) (6) (F) (iii).

(a) AMENDMENT OF SECTION 22 (d) (6) (F) (iii).—Section 22 (d) (6) (F) (iii) (relating to replacement of inventory involuntarily liquidated) is hereby amended by striking out the last sentence and inserting in lieu thereof the following: "If, for any taxable year ending after June 30, 1950, and prior to January 1, 1953, subparagraph (C) is applicable with respect to involuntary liquidations of goods

56 Stat. 814.
26 U. S. C. § 22 (d) (6) (C).

of the same class subject to the provisions of both subparagraph (A) and this subparagraph, the involuntary liquidations of such goods subject to the provisions of this subparagraph shall be considered for the purpose of subparagraph (C) as having occurred prior to the involuntary liquidations of such goods subject to the provisions of subparagraph (A). For the purpose of this clause, and with respect to the taxable years covered by this subparagraph, the reference in subparagraph (E) to section 734 (d) shall be taken as a reference to section 452 (d)."

64 Stat. 1178.
26 U. S. C. § 452 (d).

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall be applicable with respect to taxable years ending after June 30, 1950.

SEC. 307. MEDICAL EXPENSES.

(a) AMENDMENT OF SECTION 23 (x).—Section 23 (x) (relating to medical, dental, etc., expenses) is hereby amended to read as follows:

56 Stat. 825.
26 U. S. C. § 23 (x).

"(x) MEDICAL, DENTAL, ETC., EXPENSES.—Expenses paid during the taxable year, not compensated for by insurance or otherwise, for medical care of the taxpayer, his spouse, or a dependent specified in section 25 (b) (3)—

53 Stat. 18.
26 U. S. C. § 25 (b) (3).

"(1) If neither the taxpayer nor his spouse has attained the age of 65 before the close of the taxable year, to the extent that such expenses exceed 5 per centum of the adjusted gross income; or

"(2) If either the taxpayer or his spouse has attained the age of 65 before the close of the taxable year, (A) the amount of such expenses for the care of the taxpayer and his spouse, and (B) the amount by which such expenses for the care of such dependents exceed 5 per centum of the adjusted gross income.

The deduction under this subsection shall not be in excess of $1,250 multiplied by the number of exemptions allowed under section 25 (b) for the taxable year (exclusive of exemptions allowed under section 25 (b) (1) (B) or (C), with a maximum deduction of $2,500, except that the maximum deduction shall be $5,000 in the case of a joint return of husband and wife under section 51 (b). The term 'medical care', as used in this subsection, shall include amounts paid for the diagnosis, cure, mitigation, treatment, or prevention of disease, or for the purpose of affecting any structure or function of the body (including amounts paid for accident or health insurance). The determination of whether an individual is married at any time during the taxable year shall be made in accordance with the provisions of section 51 (b) (5)."

58 Stat. 238.
26 U. S. C. § 25 (b) (1).
53 Stat. 27.
26 U. S. C. § 51 (b).
62 Stat. 115.
26 U. S. C. § 51 (b) (5).

(b) EFFECTIVE DATE.—The amendment made by this section shall be applicable with respect to taxable years beginning after December 31, 1950.

SEC. 308. STANDARD DEDUCTION.

(a) METHOD OF ELECTION.—Subparagraphs (A) and (B) of section 23 (aa) (3) (relating to optional standard deduction for individuals) are hereby amended by striking out the word "only"; and subparagraph (C) of section 23 (aa) (3) is hereby amended to read as follows:

58 Stat. 236.
26 U. S. C. § 23 (aa).

"(C) If the taxpayer upon making his return fails to signify, in the manner provided by subparagraph (A) or (B), his election to take the standard deduction, such failure shall be considered his election not to take the standard deduction."

(b) CHANGE OF ELECTION.—Section 23 (aa) is hereby amended by adding at the end thereof the following new paragraph:

"(7) CHANGE OF ELECTION.—Under regulations prescribed by the Secretary, a change of an election to take, or not to take, the

standard deduction for any taxable year may be made after the filing of the return for such year. If the spouse of the taxpayer filed a separate return for any taxable year corresponding, for the purposes of paragraph (4), to the taxable year of the taxpayer, the change shall not be allowed unless, in accordance with such regulations—

"(A) the spouse makes a change of election with respect to the standard deduction for the taxable year covered in such separate return, consistent with the change of election sought by the taxpayer, and

"(B) the taxpayer and his spouse consent in writing to the assessment, within such period as may be agreed upon with the Secretary, of any deficiency, to the extent attributable to such change of election, even though at the time of the filing of such consent the assessment of such deficiency would otherwise be prevented by the operation of any law or rule of law.

This paragraph shall not apply if the tax liability of the taxpayer's spouse, for the taxable year corresponding (for the purposes of paragraph (4)) to the taxable year of the taxpayer, has been compromised under the provisions of section 3761."

53 Stat. 462.
26 U. S. C. § 3761.

(c) EFFECTIVE DATE.—The amendments made by this section shall be applicable only with respect to taxable years beginning after December 31, 1949.

SEC. 309. EXPENDITURES IN THE DEVELOPMENT OF MINES.

53 Stat. 12.
26 U. S. C. § 23.
Ante, p. 485.
Post, pp. 490, 491, 499, 515.

(a) DEDUCTION OF EXPENDITURES.—Section 23 (relating to deductions from gross income) is hereby amended by adding at the end thereof the following new subsection:

"(cc) DEVELOPMENT OF MINES.—

"(1) IN GENERAL.—Except as provided in paragraph (2), all expenditures paid or incurred during the taxable year for the development of a mine or other natural deposit (other than an oil or gas well) if paid or incurred after December 31, 1950, and after the existence of ores or minerals in commercially marketable quantities has been disclosed. This subsection shall not apply to expenditures for the acquisition or improvement of property of a character which is subject to the allowance for depreciation provided in section 23 (l), but allowances for depreciation shall be considered, for the purposes of this subsection, as expenditures.

53 Stat. 12.
26 U. S. C. § 23 (l).

"(2) ELECTION OF TAXPAYER.—At the election of the taxpayer, made in accordance with regulations prescribed by the Secretary, expenditures described in paragraph (1) paid or incurred during the taxable year shall be treated as deferred expenses and shall be deductible on a ratable basis as the units of produced ores or minerals benefited by such expenditures are sold. In the case of such expenditures paid or incurred during the development stage of the mine or deposit, the election shall apply only with respect to the excess of such expenditures during the taxable year over the net receipts during the taxable year from the ores or minerals produced from such mine or deposit. The election under this paragraph, if made, must be for the total amount of such expenditures, or the total amount of such excess, as the case may be, with respect to the mine or deposit, and shall be binding for such taxable year.

"(3) ADJUSTED BASIS OF MINE OR DEPOSIT.—The amount of expenditures which are treated under paragraph (2) as deferred

expenses shall be taken into account in computing the adjusted basis of the mine or deposit, except that such amount, and the adjustments to basis provided in section 113 (b) (1) (J), shall be disregarded in determining the adjusted basis of the property for the purpose of computing a deduction for depletion under section 114." *Infra.*

53 Stat. 145.
26 U. S. C. § 114.
Post, p. 497.

(b) ADJUSTED BASIS FOR DETERMINING GAIN OR LOSS UPON SALE OR EXCHANGE.—Section 113 (b) (1) (relating to adjusted basis of property) is hereby amended by adding at the end thereof the following subparagraph:

53 Stat. 44.
26 U. S. C. § 113 (b) (1).

"(J) for amounts allowed as deductions as deferred expenses under section 23 (cc) (2) (relating to certain expenditures in the development of mines) and resulting in a reduction of the taxpayer's taxes under this chapter, but not less than the amounts allowable under such section for the taxable year and prior years." *Ante*, p. 486.

(c) TECHNICAL AMENDMENT.—Section 24 (a) (2) (relating to items not deductible) is hereby amended by adding after the word "estate" the following: ", except expenditures for the development of mines or deposits deductible under section 23 (cc)".

53 Stat. 16.
26 U. S. C. § 24 (a) (2).

(d) EFFECTIVE DATE.—The amendments made by this section shall be applicable to taxable years ending after December 31, 1950.

SEC. 310. GROSS INCOME OF DEPENDENT OF TAXPAYER.

(a) INCREASE IN AMOUNT OF GROSS INCOME PERMITTED.—Section 25 (b) (1) (D) (relating to exemptions for dependents of taxpayer) is hereby amended by striking out "$500" and inserting in lieu thereof "$600".

62 Stat. 112.
26 U. S. C. § 25 (b) (1) (D).

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall be applicable only with respect to taxable years beginning after December 31, 1950.

SEC. 311. CREDIT FOR DIVIDENDS RECEIVED.

(a) DIVIDENDS FROM FOREIGN CORPORATION ENGAGED IN TRADE OR BUSINESS IN THE UNITED STATES.—Section 26 (b) (relating to dividends received credit) is hereby amended by inserting after paragraph (2) the following new paragraph:

64 Stat. 919.
26 U. S. C. § 26 (b).
Ante, p. 469.

"(3) DIVIDENDS RECEIVED FROM CERTAIN FOREIGN CORPORATIONS.—In the case of dividends received from a foreign corporation (other than a foreign personal holding company) which is subject to taxation under this chapter, if, for an uninterrupted period of not less than 36 months ending with the close of such foreign corporation's taxable year in which such dividends are paid (or, if the corporation has not been in existence for 36 months at the close of such taxable year, for the period the foreign corporation has been in existence as of the close of such taxable year) such foreign corporation has been engaged in trade or business within the United States and has derived 50 per centum or more of its gross income from sources within the United States—

"(A) an amount equal to 85 per centum of the dividends received out of its earnings or profits specified in clause (2) of the first sentence of section 115 (a), but such amount shall not exceed an amount which bears the same ratio to 85 per centum of such dividends received out of such earnings or profits as the gross income of such foreign corporation for the taxable year from sources within the United States bears to its gross income from all sources for such taxable year, and

53 Stat. 46.
26 U. S. C. § 115 (a).

"(B) an amount equal to 85 per centum of the dividends received out of that part of its earnings or profits specified in

clause (1) of the first sentence of section 115 (a) accumulated after the beginning of such uninterrupted period, but such amount shall not exceed an amount which bears the same ratio to 85 per centum of such dividends received out of such accumulated earnings or profits as the gross income of such foreign corporation from sources within the United States for the portion of such uninterrupted period ending at the beginning of such taxable year bears to its gross income from all sources for such portion of such uninterrupted period.

For determination of earnings or profits distributed in any taxable year, see section 115 (b)."

53 Stat. 46.
26 U. S. C. § 115 (b).
53 Stat. 53.
26 U. S. C. § 119.

(b) TECHNICAL AMENDMENT.—Section 119 (a) (2) (B) (relating to rules as to source of income in the case of dividends) is hereby amended by inserting before the semicolon at the end thereof the following: "to the extent exceeding the amount which is 100/85ths of the amount of the credit allowable under section 26 (b) in respect of such dividends".

Ante, p. 487.

(c) EFFECTIVE DATE.—The amendments made by this section shall be applicable only with respect to taxable years beginning after December 31, 1950.

SEC. 312. JOINT RETURN AFTER FILING SEPARATE RETURN.

53 Stat. 27.
26 U. S. C. § 51.
Ante, p. 482.

(a) CHANGE OF ELECTION.—Section 51 of the Internal Revenue Code (relating to making of individual returns) is hereby amended by adding at the end thereof the following new subsection:

"(g) JOINT RETURN AFTER FILING SEPARATE RETURN.—

"(1) IN GENERAL.—If an individual has filed a separate return for a taxable year for which a joint return could have been made by him and his spouse under subsection (b) of this section, and the time prescribed by law for filing the return for such taxable year has expired, such individual and his spouse may nevertheless make a joint return for such taxable year. A joint return filed by the husband and wife in such a case shall constitute the return of the husband and wife for such taxable year, and all payments, credits, refunds, or other repayments made or allowed with respect to the separate return of either spouse for such taxable year shall be taken into account in determining the extent to which the tax based upon the joint return has been paid.

"(2) PAYMENTS REQUIRED BEFORE JOINT RETURN CAN BE MADE.—A joint return can be made under paragraph (1) only if there is paid in full at or before the time of the filing of the joint return—

"(A) all amounts previously assessed with respect to either spouse for such taxable year;

"(B) all amounts shown as the tax by either spouse upon his separate return for such taxable year; and

"(C) any amount determined, at the time of the filing of the joint return, as a deficiency with respect to either spouse for such taxable year if, prior to such filing, a notice under section 272 (a) of such deficiency has been mailed.

53 Stat. 82.
26 U. S. C. § 272 (a).

"(3) TIME FOR MAKING JOINT RETURN.—A joint return cannot be made under paragraph (1)—

"(A) after the expiration of three years from the last date prescribed by law for filing the return for such taxable year (determined without regard to any extension of time granted to either spouse);

"(B) after there has been mailed to either spouse, with respect to such taxable year, a notice of deficiency under section 272 (a), if the spouse, as to such notice, files a petition

with the Tax Court of the United States within the time prescribed in such section;

"(C) after either spouse has commenced a suit in any court for the recovery of any part of the tax for such taxable year; or

"(D) after either spouse has entered into a closing agreement under section 3760 with respect to such taxable year, or after any civil or criminal case arising against either spouse with respect to such taxable year has been compromised under section 3761.

53 Stat. 462.
26 U. S. C. § 3760.

"(4) ELECTIONS MADE IN SEPARATE RETURN.—If a joint return is made under this subsection, any election (other than the election to file a separate return) made by either spouse in his separate return for such taxable year with respect to the treatment of any income, deduction, or credit of such spouse shall not be changed in the making of the joint return where such election would have been irrevocable if the joint return had not been made.

"(5) DEATH OF SPOUSE.—If a joint return is made under this subsection after the death of either spouse, such return with respect to the decedent can be made only by his executor or administrator.

"(6) ADDITIONS TO THE TAX.—Where the amount shown as the tax by the husband and wife on a joint return made under this subsection exceeds the aggregate of the amounts shown as the tax upon the separate return of each spouse—

"(A) Negligence.—If any part of such excess is attributable to negligence or intentional disregard of rules and regulations (but without intent to defraud) at the time of the making of such separate return, then 5 per centum of the total amount of such excess shall be assessed, collected, and paid in the same manner as if it were a deficiency;

"(B) Fraud.—If any part of such excess is attributable to fraud with intent to evade tax at the time of the making of such separate return, then 50 per centum of the total amount of such excess shall be so assessed, collected, and paid, in lieu of the 50 per centum addition to the tax provided in section 3612 (d) (2).

53 Stat. 437.
26 U. S. C. § 3612 (d) (2).

"(7) RULES FOR APPLICATION OF SECTIONS 275 AND 291.—For the purposes of section 275 (relating to period of limitations upon assessment and collection), and for the purposes of section 291 (relating to delinquent returns), a joint return made under this subsection shall be deemed to have been filed—

53 Stat. 86, 88.
26 U. S. C. §§ 275, 291.

"(A) where both spouses filed separate returns prior to making the joint return—on the date the last separate return was filed (but not earlier than the last date prescribed by law for filing the return of either spouse);

"(B) where only one spouse filed a separate return prior to the making of the joint return, and the other spouse had less than $600 of gross income for such taxable year—on the date of the filing of such separate return (but not earlier than the last date prescribed by law for the filing of such separate return); or

"(C) where only one spouse filed a separate return prior to the making of the joint return, and the other spouse had gross income of $600 or more for such taxable year—on the date of the filing of such joint return.

"(8) RULE FOR APPLICATION OF SECTION 322.—For the purposes of section 322 (relating to refunds and credits), a joint return

53 Stat. 91.
26 U. S. C. § 322.

made under this subsection shall be deemed to have been filed on the last date prescribed by law for filing the return for such taxable year (determined without regard to any extension of time granted to either spouse).

"(9) ADDITIONAL TIME FOR ASSESSMENT.—If a joint return is made under this subsection, the period of limitations provided in sections 275 and 276 on the making of assessments and the beginning of distraint or a proceeding in court for collection shall with respect to such return include one year immediately after the date of the filing of such joint return (computed without regard to the provisions of paragraph (7) of this subsection).

53 Stat. 86. 26 U. S. C. §§ 275, 276.
Post, p. 497.

"(10) RULE FOR APPLICATION OF SECTION 3809 (a).—For the purposes of section 3809 (a) (relating to criminal penalties in the case of fraudulent returns) the term 'return' includes a separate return filed by a spouse with respect to a taxable year for which a joint return is made under this subsection after the filing of such separate return."

63 Stat. 667. 26 U. S. C. § 3809 (a).

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall be applicable only with respect to taxable years beginning after December 31, 1950.

SEC. 313. MUTUAL SAVINGS BANKS, BUILDING AND LOAN ASSOCIATIONS, COOPERATIVE BANKS.

53 Stat. 33. 26 U. S. C. § 101.

(a) MUTUAL SAVINGS BANKS.—Section 101 (2) (relating to exemption from tax of mutual savings banks) is hereby repealed.

(b) BUILDING AND LOAN ASSOCIATIONS AND COOPERATIVE BANKS.—Section 101 (4) (relating to exemption from tax of building and loan associations and cooperative banks) is hereby amended to read as follows:

"(4) Credit unions without capital stock organized and operated for mutual purposes and without profit; and corporations or associations without capital stock organized prior to September 1, 1951, and operated for mutual purposes and without profit for the purpose of providing reserve funds for, and insurance of, shares or deposits in—

"(A) domestic building and loan associations,

"(B) cooperative banks without capital stock organized and operated for mutual purposes and without profit, or

"(C) mutual savings banks not having capital stock represented by shares;".

64 Stat. 1184. 26 U. S. C. § 454.

(c) EXEMPTIONS FROM EXCESS PROFITS TAX.—Section 454 (corporations exempt from the excess profits tax) is hereby amended by adding at the end thereof the following:

"(h) Any mutual savings bank not having capital stock represented by shares, any domestic building and loan association (as defined in section 3797 (a) (19)), and any cooperative bank without capital stock organized and operated for mutual purposes and without profit."

Post, p. 491.

(d) FEDERAL SAVINGS AND LOAN ASSOCIATIONS.—Section 5 (h) of the Home Owners' Loan Act of 1933, as amended (12 U. S. C. 1464 (h)), is hereby amended by striking out "date)" and inserting in lieu thereof the following: "date, and except, in the case of taxable years beginning after December 31, 1951, income, war-profits, and excess-profits taxes)".

48 Stat. 132.

53 Stat. 12. 26 U. S. C. § 23 (k) (1).

(e) BAD DEBT RESERVES.—Section 23 (k) (1) (relating to deduction from gross income of bad debts) is hereby amended by adding at the end thereof the following: "In the case of a mutual savings bank not having capital stock represented by shares, a domestic building and loan association, and a cooperative bank without capital stock organ-

ized and operated for mutual purposes and without profit, the reasonable addition to a reserve for bad debts shall be determined with due regard to the amount of the taxpayer's surplus or bad debt reserves existing at the close of December 31, 1951. In the case of a taxpayer described in the preceding sentence, the reasonable addition to a reserve for bad debts for any taxable year shall in no case be less than the amount determined by the taxpayer as the reasonable addition for such year; except that the amount determined by the taxpayer under this sentence shall not be greater than the lesser of (A) the amount of its net income for the taxable year, computed without regard to this subsection, or (B) the amount by which 12 per centum of the total deposits or withdrawable accounts of its depositors at the close of such year exceeds the sum of its surplus, undivided profits, and reserves at the beginning of the taxable year."

(f) DIVIDENDS PAID TO DEPOSITORS.—Section 23 (r) (relating to the deduction from gross income of certain dividends paid by banking corporations) is hereby amended to read as follows: 53 Stat. 16. 26 U. S. C. § 23 (r).

"(r) DIVIDENDS PAID BY BANKING CORPORATIONS.—

"(1) In the case of mutual savings banks, cooperative banks, and domestic building and loan associations, amounts paid to, or credited to the accounts of, depositors or holders of accounts as dividends on their deposits or withdrawable accounts, if such amounts paid or credited are withdrawable on demand subject only to customary notice of intention to withdraw.

"(2) For deduction of dividends paid by certain other banking corporations, see section 121." 53 Stat. 56. 26 U. S. C. § 121.

(g) DEDUCTION FOR REPAYMENT OF CERTAIN LOANS.—Section 23 (relating to deductions from gross income) is hereby amended by adding at the end thereof the following: 53 Stat. 12. 26 U. S. C. § 23. *Ante*, pp. 485, 486, 490. *Post*, pp. 499, 515.

"(dd) REPAYMENT BY MUTUAL SAVINGS BANKS, ETC., OF CERTAIN LOANS.—In the case of a mutual savings bank not having capital stock represented by shares, a domestic building and loan association, or a cooperative bank without capital stock organized and operated for mutual purposes and without profit, amounts paid by the taxpayer during the taxable year in repayment of loans made prior to September 1, 1951, by (1) the United States or any agency or instrumentality thereof which is wholly owned by the United States, or (2) any mutual fund established under the authority of the laws of any State."

(h) DEFINITION OF BANK.—Section 104 (a) (relating to definition of bank) is hereby amended by inserting at the end thereof the following: "Such term also means a domestic building and loan association." 53 Stat. 36. 26 U. S. C. § 104 (a).

(i) DEFINITION OF DOMESTIC BUILDING AND LOAN ASSOCIATION.—Section 3797 (a) (relating to definitions for the purposes of the Internal Revenue Code) is hereby amended by adding at the end thereof the following new paragraph: 63 Stat. 469. 26 U. S. C. § 3797 (a).

"(19) DOMESTIC BUILDING AND LOAN ASSOCIATION.—The term 'domestic building and loan association' means a domestic building and loan association, a domestic savings and loan association, and a Federal savings and loan association, substantially all the business of which is confined to making loans to members."

(j) EFFECTIVE DATE.—The amendments made by this section shall be applicable only with respect to taxable years beginning after December 31, 1951.

SEC. 314. INCOME TAX TREATMENT OF EXEMPT COOPERATIVES.

(a) AMENDMENT OF SECTION 101 (12).—Section 101 (12) is hereby amended as follows: 53 Stat. 33. 26 U. S. C. § 101 (12).

(1) By inserting after "(12)" the following: "(A)".

(2) By inserting after such paragraph the following:

"(B) An organization exempt from taxation under the provisions of subparagraph (A) shall be subject to the taxes imposed by sections 13 and 15, or section 117 (c) (1), except that in computing the net income of such an organization there shall be allowed as deductions from gross income (in addition to other deductions allowable under section 23)—

Ante, pp. 465, 468, 470.
Post, p. 518.

53 Stat. 12.
26 U. S. C. § 23.
Ante, pp. 485, 486, 490, 491.
Post, pp. 499, 515.

"(i) amounts paid as dividends during the taxable year upon its capital stock, and

"(ii) amounts allocated during the taxable year to patrons with respect to its income not derived from patronage (whether or not such income was derived during such taxable year) whether paid in cash, merchandise, capital stock, revolving fund certificates, retain certificates, certificates of indebtedness, letters of advice, or in some other manner that discloses to each patron the dollar amount allocated to him. Allocations made after the close of the taxable year and on or before the fifteenth day of the ninth month following the close of such year shall be considered as made on the last day of such taxable year to the extent the allocations are attributable to income derived before the close of such year.

Patronage dividends, refunds, and rebates to patrons with respect to their patronage in the same or preceding years (whether paid in cash, merchandise, capital stock, revolving fund certificates, retain certificates, certificates of indebtedness, letters of advice, or in some other manner that discloses to each patron the dollar amount of such dividend, refund, or rebate) shall be taken into account in computing net income in the same manner as in the case of a cooperative organization not exempt under subparagraph (A). Such dividends, refunds, and rebates made after the close of the taxable year and on or before the 15th day of the ninth month following the close of such year shall be considered as made on the last day of such taxable year to the extent the dividends, refunds, or rebates, are attributable to patronage occurring before the close of such year."

(b) TECHNICAL AMENDMENTS.—

53 Stat. 33.
26 U. S. C. § 101.
Ante, pp. 490, 491.
Supra.

(1) Section 101 is hereby amended by striking out "Except as provided in supplement U" and inserting in lieu thereof the following: "Except as provided in paragraph (12) (B) and in supplement U".

57 Stat. 149.
26 U. S. C. §§ 421–424.
Ante, p. 468.
Post, pp. 510, 518.

(2) The last sentence of section 101 is hereby amended by striking out "Notwithstanding supplement U" and inserting in lieu thereof "Notwithstanding paragraph (12) (B) and supplement U".

53 Stat. 65.
26 U. S. C. § 148.

(c) INFORMATION RETURNS.—Section 148 (relating to information by corporations) is hereby amended by adding at the end thereof the following:

"(f) PATRONAGE DIVIDENDS.—Any corporation allocating amounts as patronage dividends, rebates, or refunds (whether in cash, merchandise, capital stock, revolving fund certificates, retain certificates, certificates of indebtedness, letters of advice, or in some other manner that discloses to each patron the amount of such dividend, refund, or rebate) shall render a correct return stating (1) the name and address of each patron to whom it has made such allocations amounting to $100 or more during the calendar year, and (2) the amount of such allocations to each patron. If required by the Secretary, any such corporation shall render a correct return of all patronage dividends, rebates, or refunds made during the calendar year to its patrons. This subsection shall not apply in the case of any corporation (includ-

ing any cooperative or nonprofit corporation engaged in rural electrification) exempt from taxation under section 101 (10) or (11) or in the case of any corporation subject to a tax imposed by supplement G."

53 Stat. 33.
26 U. S. C. § 101.
53 Stat. 71.
26 U. S. C. §§ 201-210.
Ante, pp. 466, 467.
Post, pp. 507, 508.

(d) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) of this section shall be applicable only with respect to taxable years beginning after December 31, 1951. The amendment made by subsection (c) shall be applicable to the calendar year 1951 and subsequent calendar years.

SEC. 315. SURTAX ON CORPORATIONS IMPROPERLY ACCUMULATING SURPLUS.

(a) LONG-TERM CAPITAL GAINS.—Section 102 (d) (1) (relating to definition of section 102 net income) is hereby amended by adding at the end thereof the following new subparagraph:

53 Stat. 35.
26 U. S. C. § 102.

"(D) Long-Term Capital Gains.—The excess of the net long-term capital gain for the taxable year over the net short-term capital loss for such year, minus the taxes imposed by this chapter attributable to such excess. The taxes attributable to such excess shall be an amount equal to the difference between (i) the taxes imposed by this chapter (except the tax imposed by this section) for such year and (ii) such taxes computed for such year without including such excess in net income."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall be applicable only with respect to taxable years beginning after December 31, 1950.

SEC. 316. ELECTION AS TO RECOGNITION OF GAIN IN CERTAIN CORPORATE LIQUIDATIONS.

(a) AMENDMENT OF SECTION 112 (b) (7).—Section 112 (b) (7) (relating to recognition of gain in certain corporate liquidations) is hereby amended by striking out in subparagraph (A) (ii) "1951" and by inserting in lieu thereof "1951 or 1952".

58 Stat. 40; 64 Stat. 931.
26 U. S. C. § 112 (b) (7).

(b) BASIS OF PROPERTY.—Section 113 (a) (18) (relating to basis of property received in certain corporate liquidations) is amended by striking out "the Revenue Act of 1950" and by inserting in lieu thereof "any revenue act".

53 Stat. 44.
26 U. S. C. § 113 (a) (18).

(c) EFFECTIVE DATE.—The amendments made by this section shall be applicable only to taxable years ending after December 31, 1951.

SEC. 317. CERTAIN DISTRIBUTIONS OF STOCK ON REORGANIZATION.

(a) DISTRIBUTIONS NOT IN LIQUIDATION.—Section 112 (b) (relating to nonrecognition of gain or loss in the case of certain exchanges) is hereby amended by adding at the end thereof the following new paragraph:

53 Stat. 37.
26 U. S. C. § 112 (b).
Supra.

"(11) DISTRIBUTION OF STOCK NOT IN LIQUIDATION.—If there is distributed, in pursuance of a plan of reorganization, to a shareholder of a corporation which is a party to the reorganization, stock (other than preferred stock) in another corporation which is a party to the reorganization, without the surrender by such shareholder of stock, no gain to the distributee from the receipt of such stock shall be recognized unless it appears that (A) any corporation which is a party to such reorganization was not intended to continue the active conduct of a trade or business after such reorganization, or (B) the corporation whose stock is distributed was used principally as a device for the distribution of earnings and profits to the shareholders of any corporation a party to the reorganization."

(b) BASIS OF STOCK.—Section 113 (a) (relating to unadjusted basis for determining gain or loss) is hereby amended by adding at the end thereof the following new paragraph:

53 Stat. 40.
26 U. S. C. § 113 (a).
Ante, p. 483.
Post, p. 496.

"(23) TAX-FREE DISTRIBUTIONS.—If the property consists of stock distributed after the date of the enactment of the Revenue Act of 1951 to a taxpayer in connection with a transaction described in section 112 (b) (11) (hereinafter in this paragraph called 'new stock'), or consists of stock in respect of which such distribution was made (hereinafter in this paragraph called 'old stock'), then the basis of the new stock and of the old stock, respectively, shall, in the shareholder's hands, be determined by allocating between the old stock and the new stock the adjusted basis of the old stock; such allocation to be made under regulations prescribed by the Secretary."

Ante, p. 493.

(c) EFFECTIVE DATE.—The amendments made by this section shall be applicable with respect to taxable years ending after the date of the enactment of this Act, but shall apply only with respect to distributions of stock made after such date.

SEC. 318. GAIN FROM SALE OR EXCHANGE OF TAXPAYER'S RESIDENCE.

(a) NONRECOGNITION OF GAIN IN CERTAIN CASES.—Section 112 (relating to recognition of gain or loss) is hereby amended by adding at the end thereof the following new subsection:

53 Stat. 37.
26 U. S. C. § 112.
Ante, p. 493.
Post, p. 496.

"(n) GAIN FROM SALE OR EXCHANGE OF RESIDENCE.—

"(1) NONRECOGNITION OF GAIN.—If property (hereinafter in this subsection called 'old residence') used by the taxpayer as his principal residence is sold by him and, within a period beginning one year prior to the date of such sale and ending one year after such date, property (hereinafter in this subsection called 'new residence') is purchased and used by the taxpayer as his principal residence, gain (if any) from such sale shall be recognized only to the extent that the taxpayer's selling price of the old residence exceeds the taxpayer's cost of purchasing the new residence.

"(2) RULES FOR APPLICATION OF SUBSECTION.—For the purposes of this subsection:

"(A) An exchange by the taxpayer of his residence for other property shall be considered as a sale of such residence, and the acquisition of a residence upon the exchange of property shall be considered as a purchase of such residence.

"(B) If the taxpayer's residence (as a result of its destruction in whole or in part, theft, or seizure) is compulsorily or involuntarily converted into property or into money, such destruction, theft, or seizure shall be considered as a sale of the residence; and if the residence is so converted into property which is used by the taxpayer as his residence, such conversion shall be considered as a purchase of such property by the taxpayer.

"(C) In the case of an exchange or conversion described in subparagraph (A) or (B), in determining the extent to which the selling price of the old residence exceeds the taxpayer's cost of purchasing the new residence, the amount realized by the taxpayer upon such exchange or conversion shall be considered the selling price of the old residence.

"(D) A residence any part of which was constructed or reconstructed by the taxpayer shall be considered as purchased by the taxpayer. In determining the taxpayer's cost of purchasing a residence, there shall be included only so much of his cost as is attributable to the acquisition, construction, reconstruction, and improvements made which are properly chargeable to capital account, during the period specified in paragraph (1).

"(E) If a residence is purchased by the taxpayer prior to the date of his sale of the old residence, the purchased residence shall not be treated as his new residence if sold or otherwise disposed of by him prior to the date of the sale of the old residence.

"(F) If the taxpayer, during the period described in paragraph (1), purchases more than one residence which is used by him as his principal residence at some time within one year after the date of the sale of the old residence, only the last of such residences so used by him after the date of such sale shall constitute the new residence. If within the one year referred to in the preceding sentence property used by the taxpayer as his principal residence is destroyed, stolen, seized, requisitioned, or condemned, or is sold or exchanged under threat or imminence thereof, then for the purposes of the preceding sentence such one year shall be considered as ending with the date of such destruction, theft, seizure, requisition, condemnation, sale, or exchange. *Ante*, p. 494.

"(G) In the case of a new residence the construction of which was commenced by the taxpayer prior to the expiration of one year after the date of the sale of the old residence, the period specified in paragraph (1), and the one year referred to in subparagraph (F) of this paragraph, shall be considered as including a period of 18 months beginning with the date of the sale of the old residence.

"(3) LIMITATION.—The provisions of paragraph (1) shall not be applicable with respect to the sale of the taxpayer's residence if within one year prior to the date of such sale the taxpayer sold at a gain other property used by him as his principal residence, and any part of such gain was not recognized by reason of the provisions of paragraph (1). For the purposes of this paragraph, the destruction, theft, seizure, requisition, or condemnation of property or the sale or exchange of property under threat or imminence thereof, shall not be considered as a sale of such property.

"(4) BASIS OF NEW RESIDENCE.—Where the purchase of a new residence results, under paragraph (1), in the nonrecognition of gain upon the sale of an old residence, in determining the adjusted basis of the new residence as of any time following the sale of the old residence, the adjustments to basis shall include a reduction by an amount equal to the amount of the gain not so recognized upon the sale of the old residence. For this purpose, the amount of the gain not so recognized upon the sale of the old residence includes only so much of such gain as is not recognized by reason of the cost, up to such time, of purchasing the new residence.

"(5) TENANT-STOCKHOLDER IN A COOPERATIVE APARTMENT CORPORATION.—For the purposes of this subsection, section 113 (b) (1) (K), and section 117 (h) (7), references to property used by the taxpayer as his principal residence, and references to the residence of a taxpayer, shall include stock held by a tenant-stockholder (as defined in section 23 (z) (2)) in a cooperative apartment (as defined in such section) if— *Post*, p. 497. 56 Stat. 826. 26 U. S. C. § 23 (z) (2).

"(A) in the case of stock sold, the apartment which the taxpayer was entitled to occupy as such stockholder was used by him as his principal residence, and

"(B) in the case of stock purchased, the taxpayer used as his principal residence the apartment which he was entitled to occupy as such stockholder.

"(6) HUSBAND AND WIFE.—If the taxpayer and his spouse, in accordance with regulations which shall be prescribed by the Sec-

retary pursuant to this paragraph, consent to the application of subparagraph (B) of this paragraph, then—

"(A) for the purposes of this subsection, the words 'taxpayer's selling price of the old residence' shall mean the selling price (of the taxpayer, or of the taxpayer and his spouse) of the old residence, and the words 'taxpayer's cost of purchasing the new residence' shall mean the cost (to the taxpayer, his spouse, or both) of purchasing the new residence (whether held by the taxpayer, his spouse, or the taxpayer and his spouse); and

"(B) so much of the gain upon the sale of the old residence as is not recognized solely by reason of this paragraph, and so much of the adjustment under paragraph (4) to the basis of the new residence as results solely from this paragraph, shall be allocated between the taxpayer and his spouse as provided in such regulations.

This paragraph shall apply only if the old residence and the new residence are each used by the taxpayer and his spouse as their principal residence. In case the taxpayer and his spouse do not consent to the application of subparagraph (B) of this paragraph, then the recognition of gain upon the sale of the old residence shall be determined under this subsection without regard to the rules provided in this paragraph.

"(7) STATUTE OF LIMITATIONS.—If the taxpayer during a taxable year sells at a gain property used by him as his principal residence, then—

"(A) the statutory period for the assessment of any deficiency attributable to any part of such gain shall not expire prior to the expiration of three years from the date the Secretary is notified by the taxpayer (in such manner as the Secretary may by regulations prescribe) of—

"(i) the taxpayer's cost of purchasing the new residence which the taxpayer claims results in nonrecognition of any part of such gain,

"(ii) the taxpayer's intention not to purchase a new residence within the period specified in paragraph (1), or

"(iii) a failure to make such purchase within such period; and

"(B) such deficiency may be assessed prior to the expiration of such three-year period notwithstanding the provisions of any other law or rule of law which would otherwise prevent such assessment."

(b) TECHNICAL AMENDMENTS.—

53 Stat. 39.
26 U. S. C. § 112 (f).

(1) Section 112 (f) (relating to involuntary conversions) is hereby amended by adding at the end thereof the following: "This subsection shall not apply, in the case of property used by the taxpayer as his principal residence, if the destruction, theft, seizure, requisition, or condemnation of the residence, or the sale or exchange of such residence under threat or imminence thereof, occurred after December 31, 1950."

53 Stat. 42.
26 U. S. C. § 113 (a) (9).

(2) Section 113 (a) (9) (relating to basis of property acquired as a result of involuntary conversions) is hereby amended by adding at the end thereof the following: "This paragraph shall not apply in respect of property acquired as a result of a compulsory or involuntary conversion of property used by the taxpayer as his principal residence if the destruction, theft, seizure, requisition, or condemnation of such residence, or the sale or exchange of such residence under threat or imminence thereof, occurred after December 31, 1950."

(3) Section 113 (b) (1) (relating to adjusted basis of property) is hereby amended by adding at the end thereof the following new subparagraph: 53 Stat. 44. 26 U. S. C. § 113 (b) (1). *Ante*, p. 487.

"(K) in the case of a residence the acquisition of which resulted, under the provisions of section 112 (n), in the nonrecognition of any part of the gain realized upon the sale, exchange, or involuntary conversion of another residence, to the extent provided in section 112 (n) (4)." *Ante*, p. 494.

(4) Section 117 (h) (relating to determination of holding period) is hereby amended by adding at the end thereof the following new paragraph: 53 Stat. 52. 26 U. S. C. § 117 (h).

"(7) In determining the period for which the taxpayer has held a residence, the acquisition of which resulted under section 112 (n) in the nonrecognition of any part of the gain realized on the sale, exchange, or involuntary conversion of another residence, there shall be included the period for which such other residence had been held as of the date of such sale, exchange, or involuntary conversion."

(5) Section 276 (relating to period of limitation upon assessment and collection) is hereby amended by adding at the end thereof the following: 53 Stat. 87. 26 U. S. C. § 276.

"(e) GAIN UPON SALE OR EXCHANGE OF RESIDENCE.—In the case of a deficiency described in section 112 (n) (7), such deficiency may be assessed at any time prior to the expiration of the time therein provided." *Ante*, p. 494.

(c) EFFECTIVE DATE.—The amendments made by this section shall be applicable to taxable years ending after December 31, 1950, but the provisions of section 112 (n) (1) and (6) of the Internal Revenue Code shall apply only with respect to residences sold (within the meaning of such section) after such date.

SEC. 319. PERCENTAGE DEPLETION.

(a) ALLOWANCE OF PERCENTAGE DEPLETION.—So much of paragraph (4) of section 114 (b) as precedes the last sentence of subparagraph (A) is hereby amended to read as follows: 58 Stat. 44. 26 U. S. C. § 114 (b) (4).

"(4) PERCENTAGE DEPLETION FOR COAL AND METAL MINES AND FOR CERTAIN OTHER MINES AND NATURAL MINERAL DEPOSITS.—

"(A) IN GENERAL.—The allowance for depletion under section 23 (m) in the case of the following mines and other natural deposits shall be— 53 Stat. 14. 26 U. S. C. § 23 (m).

"(i) in the case of sand, gravel, slate, stone (including pumice and scoria), brick and tile clay, shale, oyster shell, clam shell, granite, marble, sodium chloride, and, if from brine wells, calcium chloride, magnesium chloride, and bromine, 5 per centum,

"(ii) in the case of coal, asbestos, brucite, dolomite, magnesite, perlite, wollastonite, calcium carbonates, and magnesium carbonates, 10 per centum,

"(iii) in the case of metal mines, aplite, bauxite, fluorspar, flake graphite, vermiculite, beryl, garnet, feldspar, mica, talc (including pyrophyllite), lepidolite, spodumene, barite, ball clay, sagger clay, china clay, phosphate rock, rock asphalt, trona, bentonite, gilsonite, thenardite, borax, fuller's earth, tripoli, refractory and fire clay, quartzite, diatomaceous earth, metallurgical grade limestone, chemical grade limestone, and potash, 15 per centum, and

"(iv) in the case of sulfur, 23 per centum,

of the gross income from the property during the taxable year, excluding from such gross income an amount equal to any rents or royalties paid or incurred by the taxpayer in respect of the property."

53 Stat. 45. 26 U. S. C. § 114 (b) (2).

(b) TECHNICAL AMENDMENT.—So much of paragraph (2) of section 114 (b) as precedes "discovered by the taxpayer after February 28, 1913" is hereby amended to read as follows:

"(2) DISCOVERY VALUE IN THE CASE OF MINES.—In the case of mines (except mines in respect of which percentage depletion is allowable under paragraph (4) of this subsection)".

Ante, p. 497.

(c) EFFECTIVE DATE.—The amendments made by this section shall be applicable only with respect to taxable years beginning after December 31, 1950.

SEC. 320. REDEMPTION OF STOCK TO PAY DEATH TAXES.

64 Stat. 932. 26 U. S. C. § 115 (g) (3).

(a) AMENDMENT OF SECTION 115 (g) (3).—Section 115 (g) (3) (relating to redemption of stock to pay death taxes) is hereby amended by striking out "50 per centum of the value of the net estate" and inserting in lieu thereof "35 per centum of the value of the gross estate".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall be applicable to taxable years ending on or after the date of the enactment of this Act, but shall apply only to amounts distributed on or after such date.

SEC. 321. EARNED INCOME FROM SOURCES WITHOUT THE UNITED STATES.

56 Stat. 841. 26 U. S. C. § 116 (a).

(a) EXCLUSION FROM GROSS INCOME.—Section 116 (a) (relating to earned income from sources without the United States) is hereby amended by striking out paragraphs (1) and (2) and inserting in lieu thereof the following:

"(1) BONA FIDE RESIDENT OF FOREIGN COUNTRY.—In the case of an individual citizen of the United States, who establishes to the satisfaction of the Secretary that he has been a bona fide resident of a foreign country or countries for an uninterrupted period which includes an entire taxable year, amounts received from sources without the United States (except amounts paid by the United States or any agency thereof) if such amounts constitute earned income (as defined in paragraph (3)) attributable to such period; but such individual shall not be allowed as a deduction from his gross income any deductions properly allocable to or chargeable against amounts excluded from gross income under this paragraph.

58 Stat. 32. 26 U. S. C. § 116 (a) (3).

"(2) PRESENCE IN FOREIGN COUNTRY FOR 17 MONTHS.—In the case of an individual citizen of the United States, who during any period of 18 consecutive months is present in a foreign country or countries during at least 510 full days in such period, amounts received from sources without the United States (except amounts paid by the United States or any agency thereof) if such amounts constitute earned income (as defined in paragraph (3)) attributable to such period; but such individual shall not be allowed as a deduction from his gross income any deductions properly allocable to or chargeable against amounts excluded from gross income under this paragraph."

61 Stat. 918. 26 U. S. C. § 1621 (a) (8) (A).

(b) WITHHOLDING OF TAX ON WAGES.—Section 1621 (a) (8) (A) (relating to definition of wages) is hereby amended to read as follows:

"(A) for services for an employer (other than the United States or any agency thereof) performed in a foreign country by a citizen of the United States, if at the time of the payment of such remuneration the employer is required by the law of any foreign country to withhold income tax upon such

remuneration, or it is reasonable to believe that such remuneration will be excluded from gross income under the provisions of section 116 (a) (1) or (2), or".

Ante, p. 498.

(c) EFFECTIVE DATES.—The amendment made by subsection (a) shall be applicable to taxable years beginning after December 31, 1950. The amendment made by subsection (b) shall be applicable with respect to wages paid on or after January 1, 1952.

SEC. 322. CAPITAL GAINS AND LOSSES.

(a) TREATMENT OF LONG-TERM CAPITAL GAINS AND LOSSES.—

(1) AMENDMENT OF SECTION 23.—Section 23 (relating to deductions from gross income) is hereby amended by adding at the end thereof the following new subsection:

53 Stat. 12.
26 U. S. C. § 23.
Ante, pp. 485, 486, 490, 491.
Post, p. 515.

"(ee) LONG-TERM CAPITAL GAINS.—In the case of a taxpayer other than a corporation, the deduction for long-term capital gains provided in section 117 (b)."

(2) AMENDMENT OF SECTION 117 (b).—Section 117 (b) (relating to treatment of long-term capital gains and losses) is hereby amended to read as follows:

53 Stat. 51.
26 U. S. C. § 117 (b).

"(b) DEDUCTION FROM GROSS INCOME.—In the case of a taxpayer other than a corporation, if for any taxable year the net long-term capital gain exceeds the net short-term capital loss, 50 per centum of the amount of such excess shall be a deduction from gross income. In the case of an estate or trust, the deduction shall be computed by excluding the portion (if any), of the gains for the taxable year from sales or exchanges of capital assets, which, under section 162 (b) or (c), is includible by the income beneficiaries as gain derived from the sale or exchange of capital assets."

53 Stat. 66.
22 U. S. C. § 162.

(b) ALTERNATIVE TAX.—Section 117 (c) (2) (relating to alternative tax) is hereby amended to read as follows:

53 Stat. 51.
26 U. S. C. § 117 (c) (2).

"(2) OTHER TAXPAYERS.—If for any taxable year the net long-term capital gain of any taxpayer (other than a corporation) exceeds the net short-term capital loss, there shall be levied, collected, and paid, in lieu of the tax imposed by sections 11 and 12 (or, in the case of certain tax-exempt trusts, in lieu of the tax imposed by section 421), a tax determined as follows, if and only if such tax is less than the tax imposed by such sections:

53 Stat. 5.
26 U. S. C. §§ 11, 12.
Ante, pp. 459, 461, 480.
64 Stat. 948.
26 U. S. C. § 421.
Ante, p. 468.
Post, p. 510.

"(A) A partial tax shall first be computed upon the net income reduced by an amount equal to 50 per centum of such excess, at the rates and in the manner as if this subsection had not been enacted.

"(B) There shall then be ascertained an amount equal to 25 per centum of the excess of the net long-term capital gain over the net short-term capital loss. In the case of any taxable year beginning after October 31, 1951, and before November 1, 1953, there shall be ascertained, in lieu of the amount computed under the preceding sentence, an amount equal to 26 per centum of the excess of the net long-term capital gain over the net short-term capital loss.

"(C) The total tax shall be the partial tax computed under subparagraph (A) plus the amount computed under subparagraph (B)."

(c) TECHNICAL AMENDMENTS.—

(1) AMENDMENT OF SECTION 22 (n).—Section 22 (n) (relating to the definition of adjusted gross income) is hereby amended by striking out the word "and" at the end of paragraph (5), by striking out the period at the end of paragraph (6) and inserting in lieu thereof "; and", and by inserting after paragraph (6) the following new paragraph:

58 Stat. 235.
26 U. S. C. § 22 (n).

"(7) LONG-TERM CAPITAL GAINS.—The deduction allowed by section 23 (ee)."

Supra.

53 Stat. 50.
26 U. S. C. § 117 (a).

(2) AMENDMENT OF SECTION 117 (a).—Paragraphs (2) and (4) of section 117 (a) (relating to definitions of short-term capital gain and long-term capital gain) are each hereby amended by striking out "net income" and inserting in lieu thereof "gross income".

56 Stat. 846.
26 U. S. C. § 117 (j) (2) (A).

(3) AMENDMENT OF SECTION 117 (j).—Section 117 (j) (2) (A) (relating to gains and losses from involuntary conversion and from the sale or exchange of certain property used in the trade or business) is hereby amended to read as follows:

"(A) In determining under this paragraph whether gains exceed losses, the gains described therein shall be included only if and to the extent taken into account in computing gross income and the losses described therein shall be included only if and to the extent taken into account in computing net income, except that subsection (d) shall not apply."

53 Stat. 52.
26 U. S. C. § 117 (d).
53 Stat. 867.
26 U. S. C. § 122 (d) (4).

(4) AMENDMENT OF SECTION 122 (d) (4).—Section 122 (d) (4) (relating to computation of net operating loss deduction) is hereby amended to read as follows:

"(4) The amount deductible on account of losses from sales or exchanges of capital assets shall not exceed the amount includible on account of gains from such sales or exchanges. The deduction provided in section 23 (ee) shall not be allowed."

Ante, p. 499.

53 Stat. 66.
26 U. S. C. § 162 (a).

(5) AMENDMENT OF SECTION 162 (a).—Section 162 (a) (relating to computation of net income of estates and trusts) is hereby amended by striking out the semicolon and inserting in lieu thereof a period and the following: "Where any amount of the income so paid or set aside is attributable to gain from the sale or exchange of capital assets held for more than six months, proper adjustment of the deduction otherwise allowable under this subsection shall be made for any deduction allowable to the trust under section 23 (ee);".

Ante, p. 499.

(d) EFFECTIVE DATE.—The amendments made by this section shall be applicable only with respect to taxable years beginning on or after the date of the enactment of this Act. In determining under section 117 (e) of the Internal Revenue Code the amount of the carryover to a taxable year beginning on or after such date, of the capital loss for a taxable year beginning before such date, such amendments shall not affect the computation of the amount of the net capital loss or of the net capital gain for any taxable year beginning before such date.

53 Stat. 52.
26 U. S. C. § 117 (e).

SEC. 323. SALE OF LAND WITH UNHARVESTED CROP.

56 Stat. 846.
26 U. S. C. § 117 (j).
Supra.

(a) TREATMENT OF GAIN OR LOSS.—Section 117 (j) (relating to sale or exchange of property used in the trade or business) is hereby amended—

(1) By inserting immediately before the period at the end of the second sentence of paragraph (1) thereof the following: "and unharvested crops to which paragraph (3) is applicable"; and

(2) By adding at the end thereof a new paragraph to read as follows:

"(3) SALE OF LAND WITH UNHARVESTED CROP.—In the case of an unharvested crop on land used in the trade or business and held for more than 6 months, if the crop and the land are sold or exchanged (or compulsorily or involuntarily converted as described in paragraph (2)) at the same time and to the same person, the crop shall be considered as 'property used in the trade or business'."

(b) TREATMENT OF DEDUCTIONS.—

53 Stat. 16.
26 U. S. C. § 24.
Ante, p. 487.

(1) AMENDMENT OF SECTION 24.—Section 24 (relating to items not deductible) is hereby amended by adding at the end thereof a new subsection to read as follows:

"(f) SALE OF LAND WITH UNHARVESTED CROP.—Where an unharvested crop sold by the taxpayer is considered under the provisions of section 117 (j) (3) as 'property used in the trade or business', in computing net income no deduction (whether or not for the taxable year of the sale and whether for expenses, depreciation, or otherwise) attributable to the production of such crop shall be allowed." *Ante*, p. 500.

(2) AMENDMENT OF SECTION 113 (b) (1).—Section 113 (b) (1) (relating to adjustments to basis) is hereby amended by adding at the end thereof a new subparagraph to read as follows: 53 Stat. 44. 26 U. S. C. § 113 (b) (1). *Ante*, pp. 487, 497.

"(L) for deductions to the extent disallowed under section 24 (f), notwithstanding the provisions of any other subparagraph of this paragraph." *Ante*, p. 500.

(c) EFFECTIVE DATE.—The amendment made by subsection (a) shall be applicable only with respect to sales, exchanges, and conversions, occurring in taxable years beginning after December 31, 1950. The amendments made by subsection (b) shall be applicable to any taxable year for which a deduction is disallowed by reason of sales, exchanges, or conversions to which subsection (a) is applicable.

SEC. 324. SALES OF LIVESTOCK.

Section 117 (j) (1) is hereby amended by adding at the end thereof the following new sentences: "Such term also includes livestock, regardless of age, held by the taxpayer for draft, breeding, or dairy purposes, and held by him for 12 months or more from the date of acquisition. Such term does not include poultry." The first sentence added to section 117 (j) (1) by the amendment made by this section shall be applicable with respect to taxable years beginning after December 31, 1941, except that the extension of the holding period from 6 to 12 months shall be applicable only with respect to taxable years beginning after December 31, 1950. The second sentence added to section 117 (j) (1) by the amendment made by this section shall be applicable only with respect to taxable years beginning after December 31, 1950. *Ante*, p. 500.

SEC. 325. TAX TREATMENT OF COAL ROYALTIES.

(a) DEFINITION OF PROPERTY USED IN THE TRADE OR BUSINESS.—Section 117 (j) (1) (relating to the definition of property used in the trade or business) is hereby amended by adding after the word "timber" in the second sentence thereof the following: "or coal". *Ante*, p. 500.

(b) GAIN OR LOSS UPON CERTAIN DISPOSALS OF TIMBER OR COAL.—Section 117 (k) (2) (relating to the disposal of timber) is hereby amended to read as follows: 58 Stat. 46. 26 U. S. C. § 117 (k) (2).

"(2) In the case of the disposal of timber or coal (including lignite), held for more than 6 months prior to such disposal, by the owner thereof under any form or type of contract by virtue of which the owner retains an economic interest in such timber or coal, the difference between the amount received for such timber or coal and the adjusted depletion basis thereof shall be considered as though it were a gain or loss, as the case may be, upon the sale of such timber or coal. Such owner shall not be entitled to the allowance for percentage depletion provided for in section 114 (b) (4) with respect to such coal. This paragraph shall not apply to income realized by the owner as a co-adventurer, partner, or principal in the mining of such coal. The date of disposal of such coal shall be deemed to be the date such coal is mined. In determining the gross income, the adjusted gross income, or the net income of the lessee, the deductions allowable with respect to rents and royalties shall be determined without regard to the provisions of this paragraph. This paragraph shall have no application, in the case of coal, for the purposes of applying sec- *Ante*, p. 497.

53 Stat. 35, 104. 26 U. S. C. §§ 102, 500 *et seq.* *Ante*, p. 470.

tion 102 or subchapter A of chapter 2 (including the computation under section 117 (c) (1) of a tax in lieu of the tax imposed by section 500)."

58 Stat. 46. 26 U. S. C. § 117 (k). *Ante*, p. 501.

(c) CLERICAL AMENDMENT.—The heading to section 117 (k) (relating to the gain or loss upon the cutting of timber) is hereby amended to read as follows: "(k) GAIN OR LOSS IN THE CASE OF TIMBER OR COAL.—".

64 Stat. 541. 26 U. S. C. § 481 (a) (4).

(d) TECHNICAL AMENDMENT.—Section 481 (a) (4) is hereby amended by striking out "cutting or disposal of timber" and inserting in lieu thereof "cutting of timber, or the disposal of timber or coal,".

(e) CONFORMING AMENDMENTS.—

64 Stat. 1139. 26 U. S. C. § 433.

(1) Section 433 (relating to computation of excess profits net income) is hereby amended by inserting at the end thereof the following new subsection:

"(d) GAIN OR LOSS UPON CERTAIN DISPOSALS OF COAL IN BASE PERIOD.—For the purpose of subsection (b), the excess profits net income shall be computed as if the provisions of section 117 (j) and (k) (2) which relate to disposals of coal were a part of the law applicable to the taxable year for which excess profits net income is computed."

Ante, pp. 500, 501.

64 Stat. 1161. 26 U. S. C. § 440 (a) (1).

(2) Section 440 (a) (1) (relating to definition of "inadmissible assets") is hereby amended by striking out "and" at the end of subparagraph (A); by striking out the period at the end of subparagraph (B) and inserting in lieu thereof "; and"; and by adding at the end thereof the following new subparagraph:

"(C) The economic interest referred to in the provisions of section 117 (k) (2) relating to coal if the taxpayer is subject to such provisions with respect to the income from such coal."

Ante, p. 501.

64 Stat. 1137. 26 U. S. C. § 430 *et seq.*

(3) The amendments made by this subsection shall be applicable in computing the tax under subchapter D of chapter 1 for taxable years ending after December 31, 1950.

(f) EFFECTIVE DATE.—Except as provided in subsection (e), the amendments made by this section shall be applicable only with respect to taxable years ending after December 31, 1950 (whether the contract was made on, before, or after such date), but shall apply only with respect to amounts received or accrued after such date.

SEC. 326. COLLAPSIBLE CORPORATIONS.

64 Stat. 934. 26 U. S. C. § 117 (m) (2).

(a) Definitions with Respect to Collapsible Corporations.—Section 117 (m) (2) (relating to definitions with respect to collapsible corporations) is hereby amended to read as follows:

"(2) DEFINITIONS.—

"(A) For the purposes of this subsection, the term 'collapsible corporation' means a corporation formed or availed of principally for the manufacture, construction, or production of property, for the purchase of property which (in the hands of the corporation) is property described in subsection (a) (1) (A), or for the holding of stock in a corporation so formed or availed of, with a view to—

64 Stat. 932. 26 U. S. C. § 117 (a) (1) (A).

"(i) the sale or exchange of stock by its shareholders (whether in liquidation or otherwise), or a distribution to its shareholders, prior to the realization by the corporation manufacturing, constructing, producing, or purchasing the property of a substantial part of the net income to be derived from such property, and

"(ii) the realization by such shareholders of gain attributable to such property.

"(B) For the purposes of subparagraph (A), a corporation shall be deemed to have manufactured, constructed, produced, or purchased property, if—

"(i) it engaged in the manufacture, construction, or production of such property to any extent,

"(ii) it holds property having a basis determined, in whole or in part, by reference to the cost of such property in the hands of a person who manufactured, constructed, produced, or purchased the property, or

"(iii) it holds property having a basis determined, in whole or in part, by reference to the cost of property manufactured, constructed, produced, or purchased by the corporation."

(b) LIMITATIONS ON APPLICATION OF SECTION 117 (m).—Subparagraphs (A), (B), and (C) of section 117 (m) (3) (relating to the limitations on the application of section 117 (m)) are hereby amended to read as follows: 64 Stat. 934. 26 U. S. C. § 117 (m) (3).

"(A) this subsection shall not apply unless, at any time after the commencement of the manufacture, construction, or production of the property, or at the time of the purchase of the property described in subsection (a) (1) (A) or at any time thereafter, such shareholder (i) owned (or was considered as owning) more than 10 per centum in value of the outstanding stock of the corporation, or (ii) owned stock which was considered as owned at such time by another shareholder who then owned (or was considered as owning) more than 10 per centum in value of the outstanding stock of the corporation; 64 Stat. 932. 26 U. S. C. § 117 (a) (1) (A).

"(B) this subsection shall not apply to the gain recognized during a taxable year unless more than 70 per centum of such gain is attributable to the property so manufactured, constructed, produced, or purchased; and

"(C) this subsection shall not apply to gain realized after the expiration of three years following the completion of such manufacture, construction, production, or purchase."

(c) EFFECTIVE DATE.—The amendments made by this section shall be applicable to taxable years ending after August 31, 1951, but shall be applicable only with respect to gains realized after such date. The determination of the tax treatment of gains realized prior to September 1, 1951, shall be made as if this section had not been enacted and without inferences drawn from the fact that the amendments to section 117 (m) made by this section are not expressly made applicable to gains realized prior to September 1, 1951, and without inferences drawn from the limitations contained in section 117 (m), as amended by this section.

SEC. 327. DEALERS IN SECURITIES—CAPITAL GAINS AND ORDINARY LOSSES.

Effective with respect to sales or exchanges made after the expiration of the thirtieth day after the date of the enactment of this Act, section 117 is hereby amended by adding at the end thereof the following new subsection: 53 Stat. 50. 26 U. S. C. § 117. *Supra.*

"(n) DEALERS IN SECURITIES.—

"(1) CAPITAL GAINS.—Gain by a dealer in securities from the sale or exchange of any security shall in no event be considered as gain from the sale or exchange of a capital asset unless—

"(A) the security was, prior to the expiration of the thirtieth day after the date of its acquisition or after the date of the enactment of the Revenue Act of 1951 (whichever is

the later), clearly identified in the dealer's records as a security held for investment; and

"(B) the security was not, at any time after the expiration of such thirtieth day, held by such dealer primarily for sale to customers in the ordinary course of his trade or business.

"(2) ORDINARY LOSSES.—Loss by a dealer in securities from the sale or exchange of any security shall, except as otherwise provided in subsection (i) (relating to bond, etc., losses of banks), in no event be considered as loss from the sale or exchange of property which is not a capital asset if at any time after the thirtieth day following the date of the enactment of the Revenue Act of 1951 the security was clearly identified in the dealer's records as a security held for investment.

56 Stat. 844.
26 U. S. C. § 117 (i).

"(3) DEFINITION OF SECURITY.—For the purposes of this subsection the term 'security' means any share of stock in any corporation, certificate of stock or interest in any corporation, note, bond, debenture, or evidence of indebtedness, or any evidence of an interest in or right to subscribe to or purchase any of the foregoing."

SEC. 328. TREATMENT OF GAIN ON SALES OF CERTAIN PROPERTY BETWEEN SPOUSES AND BETWEEN AN INDIVIDUAL AND A CONTROLLED CORPORATION.

53 Stat. 50.
26 U. S. C. § 117.
Ante, p. 503.

(a) DISALLOWANCE OF CAPITAL GAIN TREATMENT.—Section 117 (relating to capital gains and losses) is hereby amended by adding at the end thereof the following new subsection:

"(o) GAIN FROM SALE OF CERTAIN PROPERTY BETWEEN SPOUSES OR BETWEEN AN INDIVIDUAL AND A CONTROLLED CORPORATION.—

"(1) TREATMENT OF GAIN AS ORDINARY INCOME.—In the case of a sale or exchange, directly or indirectly, of property described in paragraph (2)—

"(A) between a husband and wife; or

"(B) between an individual and a corporation more than 80 per centum in value of the outstanding stock of which is owned by such individual, his spouse, and his minor children and minor grandchildren;

any gain recognized to the transferor from the sale or exchange of such property shall be considered as gain from the sale or exchange of property which is neither a capital asset nor property described in subsection (j).

Ante, pp. 500, 501.

"(2) SUBSECTION APPLICABLE ONLY TO SALES OR EXCHANGES OF DEPRECIABLE PROPERTY.—This subsection shall apply only in the case of a sale or exchange of property by a transferor which in the hands of the transferee is property of a character which is subject to the allowance for depreciation provided in section 23 (l)."

53 Stat. 14.
26 U. S. C. § 23 (l).

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall be applicable with respect to taxable years ending after April 30, 1951, but shall apply only with respect to sales or exchanges made after May 3, 1951.

SEC. 329. RECEIPTS OF CERTAIN TERMINATION PAYMENTS BY EMPLOYEE.

Supra.

(a) TAXABILITY TO EMPLOYEE AS CAPITAL GAIN.—Section 117 of the Internal Revenue Code is hereby amended by adding at the end thereof the following subsection:

"(p) TAXABILITY TO EMPLOYEE OF TERMINATION PAYMENTS.—Amounts received from the assignment or release by an employee, after more than twenty years' employment, of all his rights to receive, after termination of his employment and for a period of not less than five years (or for a period ending with his death), a percentage of future profits or receipts of his employer shall be considered an amount

received from the sale or exchange of a capital asset held for more than six months, if such rights were included in the terms of the employment of such employee for not less than twelve years, and if the total of the amounts received for such assignment or release are received in one taxable year and after the termination of such employment."

(b) EFFECTIVE DATE.—The amendment made by this section shall be applicable with respect to taxable years beginning after December 31, 1950.

SEC. 330. NET OPERATING LOSS CARRY-OVER.

(a) LOSS FOR TAXABLE YEAR BEGINNING BEFORE 1948.—So much of subparagraph (A) of section 122 (b) (2) (relating to the amount of carry-overs) as precedes "the taxpayer" is hereby amended to read as follows: 64 Stat. 937. 26 U. S. C. § 122 (b) (2).

"(A) Loss for Taxable Year Beginning Before 1948.—Except as provided in subparagraph (D), if for any taxable year beginning before January 1, 1948,". *Infra.*

(b) ALLOWANCE OF THREE-YEAR LOSS CARRY-OVER FROM TAXABLE YEARS 1948–1949.—Section 122 (b) (2) (relating to the amount of carry-over) is hereby amended by adding after subparagraph (B) the following new subparagraphs:

"(C) Loss for Taxable Year Beginning After December 31, 1947, and Before January 1, 1950.—If for any taxable year beginning after December 31, 1947, and before January 1, 1950, the taxpayer has a net operating loss, such net operating loss shall be a net operating loss carry-over for each of the three succeeding taxable years, except that the carry-over in the case of each such succeeding taxable year (other than the first succeeding taxable year) shall be the excess, if any, of the amount of such net operating loss over the sum of the net income for each of the intervening years computed—

"(i) with the exceptions, additions, and limitations provided in subsection (d) (1), (2), (4), and (6), and 53 Stat. 867; 56 Stat. 807.

"(ii) by determining the net operating loss deduction for each intervening taxable year without regard to such net operating loss or to the net operating loss for any succeeding taxable year and without regard to any reduction specified in subsection (c). 26 U. S. C. § 122 (d).

For the purpose of the preceding sentence, the net operating loss for any taxable year beginning after December 31, 1947, and before January 1, 1950, shall be reduced by the sum of the net income for each of the two preceding taxable years computed—

"(iii) with the exceptions, additions, and limitations provided in subsection (d) (1), (2), (4), and (6), and

"(iv) by determining the net operating loss deduction without regard to such net operating loss or to the net operating loss for the succeeding taxable year, and without regard to any reduction specified in subsection (c).

"(D) Loss for Taxable Year Beginning After December 31, 1946, and Before January 1, 1948, in the Case of a Corporation Which Commenced Business After December 31, 1945.—If for any taxable year beginning after December 31, 1946, and before January 1, 1948, a corporation which commenced business after December 31, 1945, has a net operating loss, such net operating loss shall be a net operating loss carry-over for each of the three succeeding taxable years, except that the carry-over in the case of each such succeeding taxable year (other than the first succeeding taxable year)

shall be the excess, if any, of the amount of such net operating loss over the sum of the net income for each of the intervening years computed—

"(i) with the exceptions, additions, and limitations provided in subsection (d) (1), (2), (4), and (6), and

"(ii) by determining the net operating loss deduction for each intervening taxable year without regard to such net operating loss or to the net operating loss for any succeeding taxable year and without regard to any reduction specified in subsection (c).

53 Stat. 867.
26 U. S. C. § 122 (c).

For the purpose of the preceding sentence, the net operating loss for any taxable year beginning after December 31, 1946, shall be reduced by the sum of the net income for each of the two preceding taxable years computed—

"(iii) with the exceptions, additions, and limitations provided in subsection (d) (1), (2), (4), and (6), and

"(iv) by determining the net operating loss deduction without regard to such net operating loss or to the net operating loss for the succeeding taxable year, and without regard to any reduction specified in subsection (c)."

(c) EFFECTIVE DATE.—The amendments made by this section shall be applicable in computing the net operating loss deduction for taxable years beginning after December 31, 1948.

SEC. 331. STOCK OPTIONS.

64 Stat. 942.
26 U. S. C. § 130A (d).

(a) OPTION SUBJECT TO STOCKHOLDER APPROVAL.—Section 130A (d) (relating to definition of restricted stock option) is hereby amended by striking out "As used in" and inserting "For the purposes of" and by adding at the end thereof the following:

"(5) STOCKHOLDER APPROVAL.—If the grant of an option is subject to approval by stockholders, the date of grant of the option shall be determined as if the option had not been subject to such approval."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall be effective as if it had been enacted as part of section 218 of the Revenue Act of 1950.

64 Stat. 942.
26 U. S. C. § 130A and note.

SEC. 332. CREDIT FOR TAXES OF FOREIGN CORPORATIONS.

(a) FOREIGN SUBSIDIARY OF A DOMESTIC CORPORATION.—Effective with respect to dividends received by a domestic corporation from a foreign corporation during taxable years beginning after December 31, 1950, the first sentence of section 131 (f) (1) is hereby amended by striking out "a majority" and inserting in lieu thereof "at least 10 per centum".

56 Stat. 857.
26 U. S. C. § 131 (f) (1).

(b) FOREIGN SUBSIDIARY OF A FOREIGN CORPORATION.—Effective with respect to dividends received by a foreign corporation from another foreign corporation in taxable years beginning after December 31, 1950, section 131 (f) (2) is hereby amended by striking out "all the voting stock (except qualifying shares)" and inserting in lieu thereof "50 per centum or more of the voting stock".

(c) CLERICAL AMENDMENT.—So much of section 131 (f) (1) as precedes the first sentence thereof is hereby amended to read as follows:

"(f) TAXES OF FOREIGN CORPORATION.—

"(1) TREATMENT OF TAXES PAID BY FOREIGN CORPORATION.—".

SEC. 333. INFORMATION AT SOURCE ON PAYMENTS OF INTEREST.

53 Stat. 64.
26 U. S. C. § 147.

Section 147 (a) is hereby amended by striking out "interest," in the first sentence. Section 147 (b) is hereby amended to read as follows:

"(b) RETURNS REGARDLESS OF AMOUNT OF PAYMENT.—Such returns may be required, regardless of amounts, (1) in the case of payments of

interest, and (2) in the case of collections of items (not payable in the United States) of interest upon the bonds of foreign countries and interest upon the bonds of and dividends from foreign corporations by persons undertaking as a matter of business or for profit the collection of foreign payments of such interest or dividends by means of coupons, checks, or bills of exchange."

SEC. 334. ABATEMENT OF INCOME TAX FOR CERTAIN MEMBERS OF ARMED FORCES UPON DEATH.

Supplement D of chapter 1 of the Internal Revenue Code (relating to returns and payment of tax) is hereby amended by adding at the end thereof the following new section: 53 Stat. 58. 26 U. S. C. §§ 141-153. *Ante*, pp. 465, 506, 492.

"SEC. 154. INCOME TAXES OF MEMBERS OF ARMED FORCES UPON DEATH.

"In the case of any individual who dies after June 24, 1950, and prior to January 1, 1954, while in active service as a member of the Armed Forces of the United States, if such death occurred while serving in a combat zone (as determined under section 22 (b) (13)) or as a result of wounds, disease, or injury incurred while so serving— *Ante*, p. 484.

"(a) the tax imposed by this chapter shall not apply with respect to the taxable year in which falls the date of his death, or with respect to any prior taxable year ending on or after the first day he so served in a combat zone after June 24, 1950; and

"(b) the tax under this chapter and under the corresponding title of each prior revenue law for taxable years preceding those specified in clause (a) which is unpaid at the date of his death (including interest, additions to the tax, and additional amounts) shall not be assessed, and if assessed the assessment shall be abated, and if collected shall be credited or refunded as an overpayment."

SEC. 335. EMPLOYEES' TRUSTS.

(a) AMENDMENT OF SECTION 165 (b).—Section 165 (b) (relating to taxability of beneficiary on distributions from an employees' trust) is hereby amended by adding at the end thereof the following new sentence: "Where such total distributions include securities of the employer corporation, there shall be excluded from such excess the net unrealized appreciation attributable to that part of the total distributions which consists of the securities of the employer corporation so distributed. The amount of such net unrealized appreciation and the resulting adjustments to basis of the securities of the employer corporation so distributed shall be determined in accordance with regulations which shall be prescribed by the Secretary. For purposes of this subsection, the term 'securities' means only shares of stock and bonds or debentures issued by a corporation with interest coupons or in registered form, and the term 'securities of the employer corporation' includes securities of a parent or subsidiary corporation (as defined in section 130A (d) (2) and (3)) of the employer corporation." 56 Stat. 862. 26 U. S. C. § 165 (b). 64 Stat. 942. 26 U. S. C. § 130A (d).

(b) EFFECTIVE DATE.—The amendment made by this section shall be applicable with respect to distributions made after December 31, 1950.

SEC. 336. LIFE INSURANCE COMPANIES.

(a) TAX FOR 1951.—Section 201 (a) (1) (relating to imposition of tax on life insurance companies) is hereby amended by adding at the end thereof the following: "In lieu of the taxes imposed by the preceding sentence, there shall be levied, collected, and paid for taxable years beginning in 1951 upon the 1951 adjusted normal-tax net income (as defined in section 203A) of every life insurance company a tax equal to the sum of the following: 53 Stat. 71. 26 U. S. C. § 201 (a) (1). *Post*, p. 508.

"3¾ per centum of the amount thereof not in excess of $200,000, plus

"6½ per centum of the amount thereof in excess of $200,000."

53 Stat. 71. 26 U. S. C. § 203.

(b) ADJUSTED NORMAL-TAX NET INCOME FOR 1951.—Chapter 1 is hereby amended by inserting after section 203 the following new section:

"SEC. 203A. 1951 ADJUSTED NORMAL-TAX NET INCOME.

Ante, p. 507.

"(a) 1951 ADJUSTED NORMAL-TAX NET INCOME.—For the purposes of section 201, the term '1951 adjusted normal-tax net income' means the normal-tax net income plus eight times the amount of the adjustment for certain reserves provided in section 202 (c) and minus the reserve interest credit, if any, provided in subsection (b) of this section.

56 Stat. 870. 26 U. S. C. § 202 (c).

"(b) RESERVE INTEREST CREDIT.—For the purposes of subsection (a), the reserve interest credit shall be an amount determined as follows:

"(1) Divide the amount of the adjusted net income (as defined in subsection (c)) by the amount of the required interest (as defined in subsection (d)).

"(2) If the quotient obtained in paragraph (1) is 1.05 or more, the reserve interest credit shall be zero.

"(3) If the quotient obtained in paragraph (1) is 1.00 or less, the reserve interest credit shall be an amount equal to 50 per centum of the normal-tax net income.

"(4) If the quotient obtained in paragraph (1) is more than 1.00 but less than 1.05, the reserve interest credit shall be the amount obtained by multiplying the normal-tax net income by 10 times the difference between the figures 1.05 and such quotient.

"(c) ADJUSTED NET INCOME.—For the purposes of subsection (b) (1), the term 'adjusted net income' means the net income computed without any deduction for tax-free interest minus 50 per centum of the amount of the adjustment for certain reserves provided in section 202 (c).

"(d) REQUIRED INTEREST.—For the purposes of subsection (b) (1), the term 'required interest' means the total of—

"(1) The sum of the amounts obtained by multiplying (A) each rate of interest assumed in computing the taxpayer's life insurance reserves by (B) the means of the amounts of the taxpayer's adjusted reserves computed at that rate at the beginning and end of the taxable year,

"(2) 2 per centum of the reserve for deferred dividends, and

"(3) Interest paid."

(c) TECHNICAL AMENDMENTS.—

64 Stat. 1139. 26 U. S. C. § 433 (a) (1) (H).

(1) Section 433 (a) (1) (H) (relating to excess profits net income of life insurance companies) is hereby amended by changing the semicolon at the end thereof to a period and by inserting thereafter the following: "In the case of taxable years beginning in 1951, there shall be used, in lieu of the figure referred to in clause (i) of the first sentence of this subparagraph, the figure .87;".

56 Stat. 869. 26 U. S. C. § 201 (f).

Supra.

(2) Section 201 (f) (relating to disallowance of double deductions) is hereby amended by striking out "or 203" and inserting in lieu thereof ", 203, or 203A".

(d) EFFECTIVE DATE.—The amendments made by this section shall be applicable to taxable years beginning in 1951.

SEC. 337. TAX TREATMENT OF CERTAIN INVESTMENT COMPANIES.

(a) INCLUSION OF CERTAIN REGISTERED MANAGEMENT COMPANIES IN THE DEFINITION OF REGULATED INVESTMENT COMPANY.—Section 361 (relating to definition of regulated investment companies) is hereby amended by adding at the end thereof the following new subsection:

53 Stat. 98.
26 U. S. C. § 361.

"(c) CERTAIN INVESTMENT COMPANIES.—If the Securities and Exchange Commission determines in accordance with regulations issued by it, and certifies to the Secretary not more than 60 days prior to the close of the taxable year of a registered management investment company, that such investment company is principally engaged in the furnishing of capital to other corporations which are principally engaged in the development or exploitation of inventions, technological improvements, new processes, or products not previously generally available, such investment company may, in the computation of 50 per centum of the value of its assets under subparagraph (A) of subsection (b) (3) for any quarter of such taxable year, include the value of any securities of an issuer, notwithstanding the fact that such investment company holds more than 10 per centum of the outstanding voting securities of such issuer, but only if the investment company has not continuously held any security of such issuer (or of any predecessor company of such issuer as determined under regulations prescribed by the Secretary) for 10 or more years preceding such quarter of such taxable year. The provisions of this subsection shall not apply at the close of any quarter of a taxable year to an investment company if at the close of such quarter more than 25 per centum of the value of its total assets is represented by securities of issuers with respect to each of which the investment company holds more than 10 per centum of the outstanding voting securities of such issuer and in respect of each of which or any predecessor thereof the investment company has continuously held any security for 10 or more years preceding such quarter unless the value of its total assets so represented is reduced to 25 per centum or less within 30 days after the close of such quarter. The terms used in this subsection shall have the same meaning as in subsection (b) (3) of this section. For the purposes of this subsection, unless the Securities and Exchange Commission determines otherwise, a corporation shall be considered to be principally engaged in the development or exploitation of inventions, technological improvements, new processes, or products not previously generally available, for at least 10 years after the date of the first acquisition of any security in such corporation or any predecessor thereof by such investment company if at the date of such acquisition the corporation or its predecessor was principally so engaged, and an investment company shall be considered at any date to be furnishing capital to any company whose securities it holds if within 10 years prior to such date it has acquired any of such securities, or any securities surrendered in exchange therefor, from such other company or predecessor thereof. For the purposes of the certification hereunder, the Securities and Exchange Commission shall have authority to issue such rules, regulations and orders, and to conduct such investigations and hearings, either public or private, as it may deem appropriate."

Infra.

(b) TECHNICAL AMENDMENT.—Section 361 (b) (3) (A) is hereby amended by inserting after "the total assets of the taxpayer and" the following: ", except and to the extent provided in subsection (c),".

56 Stat. 878.
26 U. S. C. § 361 (b) (3) (A).

(c) EFFECTIVE DATE.—The amendments made by this section shall be applicable only with respect to taxable years beginning after December 31, 1950.

SEC. 338. EXCHANGES AND DISTRIBUTIONS IN OBEDIENCE TO ORDERS OF SECURITIES AND EXCHANGE COMMISSION.

53 Stat. 373. 26 U. S. C. § 373 (d) (1).

(a) DEFINITION OF SYSTEM GROUP.—Section 373 (d) (1) (relating to the definition of the term "system group") is hereby amended to read as follows:

"(1) At least 90 per centum of each class of the stock (other than (A) stock which is preferred as to both dividends and assets, and (B) stock which is limited and preferred as to dividends but which is not preferred as to assets but only if the total value of such stock is less than 1 per centum of the aggregate value of all classes of stock which are not preferred as to both dividends and assets) of each of the corporations (except the common parent corporation) is owned directly by one or more of the other corporations; and".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall be applicable with respect to taxable years affected by an exchange or distribution made after December 31, 1947.

SEC. 339. TAXATION OF BUSINESS INCOME OF STATE COLLEGES AND UNIVERSITIES.

64 Stat. 948. 26 U. S. C. § 421 (b) (1).

(a) AMENDMENT OF SECTION 421 (b).—Section 421 (b) (1) (organizations subject to tax under Supplement U) is hereby amended to read as follows:

"(1) ORGANIZATIONS TAXABLE AS CORPORATIONS.—

53 Stat. 33. 26 U. S. C. § 101.

"(A) Organizations Exempt Under Section 101 (1), (6), (7) and (14).—The taxes imposed by subsection (a) (1) shall apply in the case of any organization (other than a church, a convention or association of churches, or a trust described in paragraph (2)) which is exempt, except as provided in this supplement, from taxation under this chapter by reason of paragraph (1), (6), or (7) of section 101. Such taxes shall also apply in the case of a corporation described in section 101 (14) if the income is payable to an organization which itself is subject to the tax imposed by subsection (a) or to a church or to a convention or association of churches.

"(B) State Colleges and Universities.—The taxes imposed by subsection (a) (1) shall apply in the case of any college or university which is an agency or instrumentality of any government or any political subdivision thereof, or which is owned or operated by a government or any political subdivision thereof or by any agency or instrumentality of any one or more governments or political subdivisions. Such taxes shall also apply in the case of any corporation wholly owned by one or more such colleges or universities."

Post, p. 518.

(b) UNRELATED TRADE OR BUSINESS.—Section 422 (b) (definition of unrelated trade or business) is hereby amended as follows:

Supra.

(1) By inserting after "under section 101" the following: "(or, in the case of an organization described in section 421 (b) (1) (B), to the exercise or performance of any purpose or function described in section 101 (6))".

(2) By inserting in paragraph (2) thereof after "section 101 (6)" the following: "or in the case of a college or university described in section 421 (b) (1) (B)".

(c) EFFECTIVE DATE.—The amendments made by this section shall be applicable only with respect to taxable years beginning after December 31, 1951.

SEC. 340. FAMILY PARTNERSHIPS.

(a) DEFINITION OF PARTNER.—Section 3797 (a) (2) is hereby amended by adding at the end thereof the following: "A person shall be recognized as a partner for income tax purposes if he owns a capital interest in a partnership in which capital is a material income-producing factor, whether or not such interest was derived by purchase or gift from any other person." 53 Stat. 469. 26 U. S. C. § 3797 (a) (2).

(b) ALLOCATION OF PARTNERSHIP INCOME.—Supplement F of chapter 1 is hereby amended by adding at the end thereof the following new section: 53 Stat. 69. 26 U. S. C. §§ 181-190.

"SEC. 191. FAMILY PARTNERSHIPS.

"In the case of any partnership interest created by gift, the distributive share of the donee under the partnership agreement shall be includible in his gross income, except to the extent that such share is determined without allowance of reasonable compensation for services rendered to the partnership by the donor, and except to the extent that the portion of such share attributable to donated capital is proportionately greater than the share of the donor attributable to the donor's capital. The distributive share of a partner in the earnings of the partnership shall not be diminished because of absence due to military service. For the purpose of this section, an interest purchased by one member of a family from another shall be considered to be created by gift from the seller, and the fair market value of the purchased interest shall be considered to be donated capital. The 'family' of any individual shall include only his spouse, ancestors, and lineal descendants, and any trust for the primary benefit of such persons."

(c) EFFECTIVE DATE.—The amendments made by this section shall be applicable with respect to taxable years beginning after December 31, 1950. The determination as to whether a person shall be recognized as a partner for income tax purposes for any taxable year beginning before January 1, 1951, shall be made as if this section had not been enacted and without inferences drawn from the fact that this section is not expressly made applicable with respect to taxable years beginning before January 1, 1951. In applying this subsection where the taxable year of any family partner is different from the taxable year of the partnership—

(1) if a taxable year of the partnership beginning in 1950 ends within or with, as to all of the family partners, taxable years which begin in 1951, then the amendments made by this section shall be applicable with respect to all distributive shares of income derived by the family partners from such taxable year of the partnership beginning in 1950, and

(2) if a taxable year of the partnership ending in 1951 ends within or with a taxable year of any family partner which began in 1950, then the amendments made by this section shall not be applicable with respect to any of the distributive shares of income derived by the family partners from such taxable year of the partnership.

SEC. 341. WAR LOSSES.

(a) TAX UPON WAR LOSS RECOVERY.—Section 127 (c) (relating to recoveries included in gross income) is hereby amended to read as follows: 56 Stat. 853. 26 U. S. C. § 127 (c).

"(c) RECOVERIES.—

"(1) GENERAL RULE.—Upon the recovery in the taxable year of any money or property in respect of property considered under subsection (a) as destroyed or seized in any prior taxable year,

the amount of such recovery shall be included in gross income to the extent provided in paragraph (2), unless the provisions of paragraph (3) are applicable to the taxable year pursuant to an election made by the taxpayer under the provisions of paragraph (5).

"(2) INCLUSION IN GROSS INCOME.—

"(A) Amount of Recovery.—The amount of the recovery of any money or property in respect of property considered under subsection (a) as destroyed or seized in any prior taxable year shall be an amount equal to the aggregate of such money and the fair market value of such property, determined as of the date of the recovery.

56 Stat. 852.
26 U. S. C. § 127 (a).

"(B) Amount of Gain Includible.—To the extent that the amount of the recovery plus the aggregate of the amounts of previous such recoveries do not exceed that part of the aggregate of the allowable deductions in prior taxable years on account of the destruction or seizure of property described in subsection (a) which did not result in a reduction of any tax of the taxpayer under this chapter or chapter 2, such amount shall not be includible in gross income and shall not be deemed gain upon the involuntary conversion of property as a result of its destruction or seizure. To the extent that such amount plus the aggregate of the amounts of previous such recoveries exceed that part of the aggregate of such deductions, which did not result in a reduction of any tax of the taxpayer under this chapter or chapter 2 and do not exceed that part of the aggregate of such deductions which did result in a reduction of any tax of the taxpayer under this chapter or chapter 2, such amount shall be included in gross income but shall not be deemed a gain upon the involuntary conversion of property as a result of its destruction or seizure. To the extent that such amount plus the aggregate of the amounts of previous such recoveries exceed the aggregate of the allowable deductions in prior taxable years on account of the destruction or seizure of property described in subsection (a), such amount shall be considered a gain upon the involuntary conversion of property as a result of its destruction or seizure and shall be recognized or not recognized as provided in section 112 (f). If for any previous taxable year the taxpayer chooses under subsection (b) to treat any obligations and liabilities as discharged or satisfied out of the property or interest described in subsection (a), and if such obligations and liabilities were not so discharged or satisfied, the amount of such obligations and liabilities treated as discharged or satisfied under subsection (b) shall be considered for the purposes of this section as a deduction by reason of this section which did not result in a reduction of any tax of the taxpayer under this chapter or chapter 2. For the purposes of this paragraph an allowable deduction for any taxable year on account of the destruction or seizure of property described in subsection (a) shall, to the extent not allowed in computing the tax of the taxpayer for such taxable year, be considered an allowable deduction which did not result in a reduction of any tax for the taxpayer under this chapter or chapter 2.

53 Stat. 104.
26 U. S. C. § 500 *et seq.*

Ante, p. 496.

"(3) TAX ADJUSTMENT MEASURED BY PRIOR BENEFITS.—If the provisions of this paragraph are applicable to the taxable year pursuant to an election made by the taxpayer under the provisions of paragraph (5)—

Post, p. 514.

"(A) Amount of Recovery.—The amount of the recovery in the taxable year of any money or property in respect of property considered under subsection (a) as destroyed or seized in any prior taxable year shall be an amount equal to the aggregate of such money and the fair market value of such property, determined as of the date of the recovery. For the purpose of this paragraph, in the case of the recovery of the same property or interest considered under subsection (a) as destroyed or seized, the fair market value of such property or interest shall, at the option of the taxpayer, be considered an amount equal to the adjusted basis (for determining loss) of such property or interest in the hands of the taxpayer on the date such property or interest was considered under subsection (a) as destroyed or seized. The amount of the recovery determined under this subparagraph shall be reduced for the purposes of subparagraphs (B) and (C) by the amount of the obligations or liabilities with respect to the property considered under subsection (a) as destroyed or seized in respect of which the recovery was received, if the taxpayer for any previous taxable year chose under subsection (b) (2) to treat such obligations or liabilities as discharged or satisfied out of such property, and such obligations or liabilities were not so discharged or satisfied prior to the date of the recovery.

56 Stat. 852.
26 U. S. C. § 127 (a).

"(B) Adjustment for Prior Tax Benefits.—That part of the amount of the recovery, in respect of any property considered under subsection (a) as destroyed or seized, which is not in excess of the allowable deductions in prior taxable years on account of such destruction or seizure of the property (the amount of such allowable deductions being first reduced by the aggregate amount of any prior recoveries in respect of the same property) shall be excluded from gross income for the taxable year of the recovery for the purpose of computing the tax under this chapter and chapter 2; but there shall be added to, and assessed and collected as a part of, the tax under this chapter for the taxable year of the recovery the total increase in the tax under this chapter and chapter 2 for all taxable years which would result by decreasing, in an amount equal to such part of the recovery so excluded, such deductions allowable in the prior taxable years with respect to the destruction or seizure of the property. Such increase in the tax for each such year so resulting shall be computed in accordance with regulations prescribed by the Secretary. Such regulations shall give effect to previous recoveries of any kind (including recoveries described in section 22 (b) (12)) with respect to any prior year, and shall provide for the case where there was no tax for the prior year, but shall otherwise treat the tax previously determined for any year in accordance with the principles set forth in section 3801 (d). All credits allowable against the tax for any year and all carry-overs and carry-backs affected by so decreasing the allowable deductions shall be taken into account in computing the increase in the tax, except that the computation of the excess profits credit under chapter 2 E for any taxable year shall not be affected.

56 Stat. 812.
26 U. S. C. § 22 (b) (12).

53 Stat. 473.
26 U. S. C. § 3801 (d).

"(C) Gain Upon Recovery.—The amount of any recovery or part thereof, in respect of property considered under subsection (a) as destroyed or seized, which is not excluded from gross income under the provisions of subparagraph (B) shall

be considered for the taxable year of the recovery as gain on the involuntary conversion of property as a result of its destruction or seizure and shall be recognized or not recognized as provided in section 112 (f).

Ante, p. 496.

"(D) Recoveries Treated as Gross Income for Certain Purposes.—For the purposes of sections 51, 52, and 3801 (b) the recovery in the taxable year of any money or property in respect of property considered under subsection (a) as destroyed or seized in any prior taxable year shall be deemed to be an item includible in gross income for the taxable year in which the recovery is made.

53 Stat. 27, 471.
26 U. S. C. §§ 51, 52, 3801 (b).
Ante, pp. 482, 488.

"(4) RESTORATION OF VALUE OF INVESTMENTS REFERABLE TO DESTROYED OR SEIZED PROPERTY.—For the purpose of this subsection the restoration in whole or in part of the value of any interest described in subsection (a) (3) by reason of any recovery of money or property in respect of property to which such interest related and which was considered under subsection (a) (1) or (2) as destroyed or seized shall be deemed a recovery of property in respect of property considered under subsection (a) as destroyed or seized. In applying paragraph (3) of this subsection such restoration shall be treated as the recovery of the same interest considered under subsection (a) as destroyed or seized.

56 Stat. 852.
26 U. S. C. § 127 (a).

"(5) ELECTION BY TAXPAYER FOR APPLICATION OF PARAGRAPH (3).—If the taxpayer elects to have the provisions of paragraph (3) applicable to any taxable year in which he recovered any money or property in respect of property considered under subsection (a) as destroyed or seized, the provisions of paragraph (3) shall be applicable to all taxable years of the taxpayer beginning after December 31, 1941, and such election, once made, shall be irrevocable. The election shall be made in such manner and at such time as the Secretary may by regulations prescribe, except that no election under this paragraph may be made after December 31, 1952, unless the taxpayer recovers money or property (in respect of property considered under subsection (a) as destroyed or seized) during a taxable year ending after the date of the enactment of the Revenue Act of 1951. If pursuant to such election the provisions of paragraph (3) are applicable to any taxable year—

"(A) the period of limitations provided in sections 275 and 276 on the making of assessments and the beginning of distraint or a proceeding in court for collection shall not, with respect to—

53 Stat. 86.
26 U. S. C. §§ 275, 276.
Ante, p. 497.

"(i) the amount to be added to the tax for such taxable year under the provisions of paragraph (3), and

"(ii) any deficiency for such taxable year or for any other taxable year, to the extent attributable to the basis of the recovered property being determined under the provisions of subsection (d) (2),

Post, p. 515.

expire prior to the expiration of two years following the date of the making of such election, and such amount and such deficiency may be assessed at any time prior to the expiration of such period notwithstanding any law or rule of law which would otherwise prevent such assessment and collection, and

"(B) in case refund or credit of any overpayment resulting from the application of the provisions of paragraph (3) to such taxable year is prevented on the date of the making of such election, or within one year from such date, by the operation of any law or rule of law (other than section 3761, relating to compromises), refund or credit of such overpay-

53 Stat. 462.
26 U. S. C. § 3761.

ment may, nevertheless, be made or allowed if claim therefor is filed within one year from such date.

In the case of any taxable year ending before the date of the making by the taxpayer of an election under this paragraph, no interest shall be paid on any overpayment resulting from the application of the provisions of paragraph (3) to such taxable year, and no interest shall be assessed or collected with respect to any amount or any deficiency specified in clause (A), for any period prior to the expiration of six months following the date of the making of such election by the taxpayer."

(b) BASIS OF RECOVERED PROPERTY.—Section 127 (d) (relating to basis of recovered property) is hereby amended to read as follows: 56 Stat. 854. 26 U. S. C. § 127 (d).

"(d) BASIS OF RECOVERED PROPERTY.—

"(1) IN GENERAL.—The unadjusted basis of property recovered in respect of property considered as destroyed or seized under subsection (a) shall be determined under this subsection. Such basis shall be an amount equal to the fair market value of such property, determined as of the date of the recovery, reduced by an amount equal to the excess of the aggregate of such fair market value and the amounts of previous recoveries of money or property in respect of property considered under subsection (a) as destroyed or seized over the aggregate of the allowable deductions in prior taxable years on account of the destruction or seizure of property described in subsection (a), and increased by that portion of the amount of the recovery which under subsection (c) is treated as a recognized gain from the involuntary conversion of property. Upon application of the taxpayer, the aggregate of the bases (determined under the preceding sentence) of any properties recovered in respect of properties considered under subsection (a) as destroyed or seized may be allocated among the properties so recovered in such manner as the Secretary may determine under regulations prescribed by him, and the amounts so allocated to any such property so recovered shall be the unadjusted basis of such property in lieu of the unadjusted basis of such property determined under the preceding sentence. *Ante*, p. 511.

"(2) PROPERTY RECOVERED IN TAXABLE YEAR TO WHICH SUBSECTION (c) (3) IS APPLICABLE.—In the case of a taxpayer who has made an election under the provisions of subsection (c) (5), the basis of property recovered shall be an amount equal to the value at which such property is included in the amount of the recovery under subsection (c) (3) (A) (determined without regard to the last sentence thereof), reduced by such part of the gain under subsection (c) (3) (C) which is not recognized as provided in section 112 (f)." *Ante*, p. 496.

(c) CREDIT FOR FOREIGN TAXES.—Section 131 (a) (relating to allowance of credit for taxes of foreign countries and possessions of the United States) is hereby amended by inserting after "section 102" the following: "and except the additional tax imposed for the taxable year under the provisions of section 127 (c) (3)". 53 Stat. 56. 26 U. S. C. § 131 (a). *Ante*, p. 511.

(d) EFFECTIVE DATES.—The amendments made by this section shall be applicable to taxable years beginning after December 31, 1941.

SEC. 342. DEDUCTION OF EXPENDITURES FOR MINE EXPLORATION.

(a) DEDUCTION OF MINE EXPLORATION EXPENDITURES.—Section 23 (relating to deductions from gross income) is hereby amended by adding at the end thereof the following new subsection: 53 Stat. 12. 26 U. S. C. § 23. *Ante*, pp. 485, 486, 490, 491, 499.

"(ff) DEDUCTION OF EXPLORATION EXPENDITURES.—

"(1) IN GENERAL.—In the case of expenditures paid or incurred during the taxable year for the purpose of ascertaining the existence, location, extent, or quality of any deposit of ore or other

mineral, and paid or incurred prior to the beginning of the development stage of the mine or deposit, so much of such expenditures as does not exceed $75,000. This subsection shall apply only with respect to the amount of such expenditures which, but for this subsection, would not be allowable as a deduction for the taxable year. This subsection shall not apply to expenditures for the acquisition or improvement of property of a character which is subject to the allowance for depreciation provided in section 23 (l), but allowances for depreciation shall be considered, for the purposes of this subsection, as expenditures paid or incurred. In no case shall this subsection apply with respect to amounts paid or incurred for the purpose of ascertaining the existence, location, extent, or quality of any deposit of oil or gas.

53 Stat. 14.
26 U. S. C. § 23 (*l*).

"(2) ELECTION OF TAXPAYER.—If the taxpayer elects, in accordance with regulations prescribed by the Secretary, to treat as deferred expenses any portion of the amount deductible for the taxable year under paragraph (1), such portion shall not be deductible under paragraph (1) but shall be deductible on a ratable basis as the units of produced ores or minerals discovered or explored by reason of such expenditures are sold. An election made under this paragraph for any taxable year shall be binding for such year.

"(3) LIMITATION.—This subsection shall not apply to any amounts paid or incurred in any taxable year if in any four preceding years the taxpayer, or any individual or corporation who has transferred to the taxpayer any mineral property under circumstances which make the provisions of paragraph (7), (8), (11), (13), (15), (17), (20), or (22) of section 113 (a) applicable to such transfer, has either (A) been allowed a deduction under paragraph (1) of this subsection or (B) made the election provided under paragraph (2) of this subsection.

53 Stat. 40, 872; 56 Stat. 839; 58 Stat. 42.
26 U. S. C. § 113 (a).

"(4) ADJUSTED BASIS OF MINE OR DEPOSIT.—The amount of expenditures which are treated under paragraph (2) as deferred expenses shall be taken into account in computing the adjusted basis of the mine or deposit, but such amounts, and the adjustments to basis provided in section 113 (b) (1) (M) shall be disregarded in determining the adjusted basis of the property for the purpose of computing a deduction for depletion under section 114."

Infra.

53 Stat. 45.
26 U. S. C. § 114.
Ante, pp. 497, 498.

(b) ADJUSTED BASIS FOR DETERMINING GAIN OR LOSS UPON SALE OR EXCHANGE.—Section 113 (b) (1) (relating to adjusted basis of property) is hereby amended by adding at the end thereof the following:

53 Stat. 44.
26 U. S. C. § 113 (b).
Ante, pp. 487, 497, 501.

"(M) for amounts allowed as deductions as deferred expenses under section 23 (ff) (2) (relating to certain exploration expenditures) and resulting in a reduction of the taxpayer's taxes under this chapter, but not less than the amounts allowable under such section for the taxable year and prior years."

Ante, p. 515.

(c) EFFECTIVE DATE.—The amendments made by this section shall be applicable to taxable years ending after December 31, 1950.

SEC. 343. DEFINITION OF EMPLOYEE.

53 Stat. 469.
26 U. S. C. § 3797 (a).
Ante, pp. 491, 511.

(a) AMENDMENT OF SECTION 3797 (a).—Section 3797 (a) is amended by adding at the end thereof the following new paragraph:

"(20) EMPLOYEE.—For the purpose of applying the provisions of chapter 1 with respect to contributions to or under a stock bonus, pension, profit-sharing, or annuity plan, and with respect to distributions under such a plan or by a trust forming part of such a plan, the term 'employee' shall include a full-time life insurance salesman who is considered an employee for the purpose

of subchapter A of chapter 9, or, in the case of services performed before January 1, 1951, who would be considered an employee if his services were performed during 1951."

53 Stat. 175. 26 U. S. C. § 1400 *et seq.*

(b) EFFECTIVE DATE.—The amendment made by this section shall be applicable with respect to taxable years beginning after December 31, 1938.

SEC. 344. NONBUSINESS CASUALTY LOSSES.

(a) REMOVAL OF LIMITATION.—Section 122 (d) (5) (relating to net operating loss deduction) is hereby amended by inserting at the end thereof the following new sentence: "This paragraph shall not apply with respect to deductions allowable for losses sustained after December 31, 1950, in respect of property, if the losses arise from fire, storm, shipwreck, or other casualty, or from theft."

53 Stat. 867. 26 U. S. C. § 122 (d) (5).

(b) EFFECTIVE DATE.—The amendment made by this section shall be applicable in computing the net operating loss deduction for taxable years ending after December 31, 1948.

SEC. 345. ABATEMENT OF TAX ON CERTAIN TRUSTS FOR MEMBERS OF ARMED FORCES DYING IN SERVICE.

In the case of a trust which accumulated income for a beneficiary who died on or after December 7, 1941, and before January 1, 1948, while in active service as a member of the military or naval forces of the United States or of any of the other United Nations, there shall be allowed as a deduction in computing the net income of such trust (in addition to other deductions allowable under sections 23 and 162 of the Internal Revenue Code) income of the trust for any taxable year (before diminution for income tax) which was accumulated for such beneficiary if—

53 Stat. 12, 66. 26 U. S. C. §§ 23, 162. *Ante*, pp. 485, 486, 490, 491, 499, 515, 500.

(1) the income accumulated was for a taxable year of the trust which ended with or within a taxable year (ending on or after December 7, 1941) of such beneficiary during any part of which he was a member of such military or naval forces, or, in the case of the taxable year of the trust during which such beneficiary died, the income accumulated was for the period in such taxable year prior to the death of such beneficiary; and

(2) the amount of such accumulated income was, without regard to this section, taxable to the trust, and

(3) the income for such taxable year accumulated for the beneficiary, if not distributed to him prior to his death, was payable by the trust at or after his death only to his estate, spouse, or lineal ancestors or descendants.

SEC. 346. LIFE INSURANCE DEPARTMENTS OF MUTUAL SAVINGS BANKS.

(a) COMPUTATION OF TAX.—Supplement A of chapter 1 is hereby amended by adding at the end thereof the following new section:

53 Stat. 33. 26 U. S. C. § 101 *et seq.*

"SEC. 110. MUTUAL SAVINGS BANKS CONDUCTING LIFE INSURANCE BUSINESS.

"(a) ALTERNATIVE TAX.—In the case of a mutual savings bank not having capital stock represented by shares, authorized under State law to engage in the business of issuing life insurance contracts, and which conducts a life insurance business in a separate department the accounts of which are maintained separately from the other accounts of the mutual savings bank, there shall be levied, collected, and paid, in lieu of the taxes imposed by sections 13 and 15, or section 117 (c) (1), a tax consisting of the sum of the partial taxes determined under paragraphs (1) and (2):

Ante, pp. 465, 468, 470. *Post*, p. 518.

"(1) A partial tax computed upon the net income determined without regard to any items of gross income or deductions properly allocable to the business of the life insurance department, at the rates and in the manner as if this section has not been enacted; and

"(2) a partial tax computed upon the net income (as defined in section 201 (c) (7)) of the life insurance department determined without regard to any items of gross income or deductions not properly allocable to such department, at the rates and in the manner provided in Supplement G with respect to life insurance companies.

56 Stat. 867.
26 U. S. C. § 201 (c) (7).

53 Stat. 71.
26 U. S. C. § 201 *et seq.*

"(b) LIMITATIONS OF SECTION.—The provisions of subsection (a) shall be applicable only if the life insurance department would, if it were treated as a separate corporation, qualify as a life insurance company under section 201 (b)."

53 Stat. 71.
26 U. S. C. § 201 (b).
Ante, p. 465.

(b) TECHNICAL AMENDMENT.—Section 13 (relating to normal tax on corporations) is hereby amended by adding at the end thereof the following new subsection:

"(f) MUTUAL SAVINGS BANKS CONDUCTING LIFE INSURANCE BUSINESS.—For special tax, in lieu of the taxes imposed by this section and section 15, in the case of a mutual savings bank conducting a life insurance business, see section 110."

Ante, p. 468.
Ante, p. 517.

(c) EFFECTIVE DATE.—The amendments made by this section shall be applicable only with respect to taxable years beginning after December 31, 1951.

SEC. 347. PUBLISHING BUSINESS CARRIED ON BY TAX-EXEMPT ORGANIZATION.

64 Stat. 948.
26 U. S. C. § 422 (b).
Ante, p. 510.

(a) TREATMENT AS RELATED TRADE OR BUSINESS.—Section 422 (b) (relating to definition of unrelated trade or business) is hereby amended by adding at the end thereof the following: "If a publishing business carried on by an organization during a taxable year beginning before January 1, 1953, is, without regard to this sentence, an unrelated trade or business, but before the beginning of the third succeeding taxable year the business is carried on by it (or by a successor who acquired such business in a liquidation which would constitute a tax-free exchange under section 112 (b) (6)) in such manner that the conduct thereof is substantially related to the exercise or performance by such organization (or such successor) of its educational or other purpose or function described in section 101 (6), such publishing business shall not be considered, for the taxable year, as an unrelated trade or business."

53 Stat. 37.
26 U. S. C. § 112 (b) (6).

53 Stat. 33.
26 U. S. C. § 101 (6).

(b) EFFECTIVE DATE.—The amendment made by this section shall be applicable with respect to taxable years beginning after December 31, 1950, and prior to January 1, 1953.

SEC. 348. DEDUCTION WITH RESPECT TO CERTAIN UNRELATED BUSINESS NET INCOME.

64 Stat. 948.
26 U. S. C. § 422 (a).

(a) UNRELATED BUSINESS NET INCOME.—Section 422 (a) (relating to unrelated business net income) is hereby amended by adding at the end thereof the following: "In the case of an organization described in section 3813 (a) (2) which is a member of a partnership all of whose members are organizations described in section 3813 (a) (2), if a trade or business regularly carried on by such partnership is an unrelated trade or business with respect to such organization, such organization shall, for taxable years beginning before January 1, 1954, be allowed a deduction in an amount equal to the portion of the gross income of such partnership from such unrelated trade or business which such organization is required (by a provision of a written contract executed by

64 Stat. 957.
26 U. S. C. § 3813 (a) (2).

such organization prior to January 1, 1950, which provision expressly deals with the disposition of the gross income of the partnership) to pay within the taxable year in discharge of indebtedness incurred by such organization in acquiring its share of such trade or business, or to irrevocably set aside within the taxable year for the discharge of such indebtedness (to the extent that such amount has been so paid or set aside) if (i) such partnership was formed prior to January 1, 1950, for the purpose of carrying on such trade or business, and (ii) substantially all the assets used in carrying on such trade or business were acquired by it or by its members prior to such date. As used in the preceding sentence, the word 'indebtedness' does not include indebtedness incurred after January 1, 1950."

(b) EFFECTIVE DATE.—The amendment made by this section shall be applicable with respect to taxable years beginning after December 31, 1950, and prior to January 1, 1954.

SEC. 349. NONDISTRIBUTABLE INCOME OF PERSONAL HOLDING COMPANIES.

Effective for taxable years beginning after December 31, 1939, section 504 is hereby amended by adding at the end thereof the following new subsection: 53 Stat. 107; 56 Stat. 895. 26 U. S. C. § 504.

"(e) The amount by which the undistributed subchapter A net income determined without reference to this subsection exceeds the amount which could be distributed on the last day of the taxable year as a dividend (1) without violating any action, regulation, rule, order, or proclamation taken, promulgated, made, or issued by, or pursuant to the direction of, the President or any agency that he may designate, under the Trading With the Enemy Act of October 16, 1917, as amended, or the First War Powers Act of 1941, and (2) not subject to a lien in favor of the United States." 40 Stat. 411. 50 U. S. C. app. § 1. 55 Stat. 838. 50 U. S. C. app. § 622.

TITLE IV—EXCISE TAXES

Part I—Tax on Admissions and Cabarets

SEC. 401. REMOVAL OF TAX ON FREE ADMISSIONS.

Section 1700 (a) (1) (relating to tax on single or season tickets) is hereby amended by striking out the second, fourth, and fifth sentences thereof. 53 Stat. 189. 26 U. S. C. § 1700 (a) (1).

SEC. 402. EXEMPTIONS FROM ADMISSIONS TAX.

(a) REINSTATEMENT OF PREWAR EXEMPTIONS.—Notwithstanding section 541 (b) of the Revenue Act of 1941, the provisions of section 1701 (relating to exemptions from the admissions tax) shall apply to amounts paid on or after the effective date specified in section 403 of this Act for admissions on or after such date. 55 Stat. 710; 53 Stat. 190. 26 U. S. C. § 1701 and note.

(b) AMENDMENT OF SECTION 1701 (a) AND (b).—Subsections (a) and (b) of section 1701 (relating to exemptions from admissions tax) are hereby amended to read as follows:

"(a) CERTAIN RELIGIOUS, EDUCATIONAL, OR CHARITABLE ENTERTAINMENTS, ETC.—

"(1) IN GENERAL.—Except as provided in paragraph (2), any admissions all the proceeds of which inure—

"(A) exclusively to the benefit of—

"(i) a church or a convention or association of churches;

"(ii) an educational institution which is exempt under section 101 (6) or which is an educational institution of a government or political subdivision thereof, if such organization normally maintains a regular faculty and 53 Stat. 33. 26 U. S. C. § 101 (6).

curriculum and normally has a regularly organized body of pupils or students in attendance at the place where its educational activities are regularly carried on;

"(iii) a corporation or any community chest, fund, or foundation organized and operated exclusively for charitable purposes, exempt under section 101 (6), if such corporation or organization is supported, in whole or in part, by funds contributed by the United States or any State or political subdivision thereof, or is primarily supported by contributions from the general public;

53 Stat. 33.
26 U. S. C. § 101 (6).

"(iv) a society or organization conducted for the sole purpose of maintaining symphony orchestras or operas and receiving substantial support from voluntary contributions;

"(v) an organization (organized prior to October 1, 1951) which is exempt under section 101 (6) and which is operated for the purpose of conducting an annual chautauqua program of educational, cultural, and religious activities at a permanent location—

if no part of the net earnings thereof inures to the benefit of any private stockholder or individual;

"(B) exclusively to the benefit of National Guard organizations, Reserve officers' associations or organizations, posts or organizations of war veterans, or auxiliary units or societies of any such posts or organizations, if such posts, organizations, units, or societies are organized in the United States or any of its possessions, and if no part of their net earnings inures to the benefit of any private stockholder or individual; or

"(C) exclusively to the benefit of a police or fire department of any city, town, village, or any municipality or exclusively to a retirement, pension, or disability fund for the sole benefit of members of such a police or fire department or to a fund for the heirs of such members.

"(2) NONEXEMPT ADMISSIONS.—The exemption provided under paragraph (1) shall not apply in the case of admissions to (A) any athletic game or exhibition unless the proceeds inure exclusively to the benefit of an elementary or secondary school or unless in the case of an athletic game between two elementary or secondary schools, the entire gross proceeds from such game inure to the benefit of a hospital for crippled children, (B) wrestling matches, prize fights, or boxing, sparring, or other pugilistic matches or exhibitions, (C) carnivals, rodeos, or circuses in which any professional performer or operator participates for compensation, or (D) any motion picure exhibition.

"(b) AGRICULTURAL FAIRS.—Any admissions to agricultural fairs if no part of the net earnings thereof inures to the benefit of any stockholders or members of the association conducting the same—if the proceeds therefrom are used exclusively for the improvement, maintenance, and operation of such agricultural fairs; or".

(c) ADMISSIONS TO MUNICIPAL SWIMMING POOLS, ETC.—Section 1701 is hereby amended by striking out the period at the end of subsection (c) and inserting in lieu thereof "; or" and by adding at the end of such section the following new subsections:

53 Stat. 190.
26 U. S. C. § 1701.
Ante, p. 519.

"(d) MUNICIPAL SWIMMING POOLS, ETC.—Any admissions to swimming pools, bathing beaches, skating rinks, or other places providing facilities for physical exercise, operated by any State or political subdivision thereof or by the United States or any agency or instrumentality thereof—if the proceeds therefrom inure exclusively to

the benefit of the State, political subdivision, United States, agency, or instrumentality. For the purposes of this subsection the term 'State' includes Alaska, Hawaii, and the District of Columbia; or

"(e) (1) HOME AND GARDEN TOURS.—Any admission to a home or garden which is temporarily opened to the general public as part of a program conducted by a society or organization to permit the inspection of historical homes and gardens—if no part of the net earnings thereof inures to the benefit of any private stockholder or individual.

"(2) HISTORIC SITES.—Any admissions to historic sites, houses, and shrines, and museums conducted in connection therewith, maintained and operated by a society or organization devoted to the preservation and maintenance of such historic sites, houses, shrines, and museums—if no part of the net earnings thereof inures to the benefit of any private stockholder or individual."

SEC. 403. EFFECTIVE DATE OF AMENDMENTS RELATING TO ADMISSIONS.

The amendments made by sections 401 and 402 shall be applicable with respect to amounts paid on or after the first day of the first month which begins more than ten days after the date of the enactment of this Act for admissions on or after such date.

Ante, p. 519.

SEC. 404. TAX ON CABARETS, ROOF GARDENS, ETC.

(a) BALLROOMS AND DANCE HALLS.—Section 1700 (e) (1) (relating to tax on cabarets, roof gardens, etc.) is hereby amended by inserting after the second sentence thereof the following new sentence: "In no case shall such term include any ballroom, dance hall, or other similar place where the serving or selling of food, refreshment, or merchandise is merely incidental, unless such place would be considered, without the application of the preceding sentence, as a 'roof garden, cabaret, or other similar place'."

53 Stat. 190. 26 U. S. C. § 1700 (e) (1).

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall be applicable only with respect to periods after 10 antemeridian on the first day of the first month which begins more than ten days after the date of the enactment of this Act.

Part II—Tax on Cigarettes

SEC. 421. TAX ON CIGARETTES.

(a) INCREASE IN RATE.—Section 2000 (c) (2) (tax on cigarettes) is hereby amended by striking out "$3.50 per thousand" and inserting in lieu thereof "$4 per thousand until April 1, 1954, and $3.50 per thousand on and after April 1, 1954".

56 Stat. 974. 26 U. S. C. § 2000 (c) (2).

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on the first day of the first month which begins more than 10 days after the date of the enactment of this Act.

SEC. 422. FLOOR STOCKS TAX AND FLOOR STOCKS REFUND ON CIGARETTES.

Section 2000 (relating to tax on tobacco, etc.) is hereby amended by adding at the end thereof the following new subsections:

53 Stat. 219; 56 Stat. 974. 26 U. S. C. § 2000.

"(f) 1951 FLOOR STOCKS TAX.—

"(1) TAX.—Upon cigarettes subject to tax under this section weighing not more than three pounds per thousand, which on the effective date of section 421 of the Revenue Act of 1951 are held by any person for sale, there shall be levied, assessed, collected, and paid a floor stocks tax at a rate equal to the increase in rate of tax made applicable to such cigarettes by the Revenue Act of 1951.

Supra.

"(2) RETURNS.—Every person required by this subsection to pay any floor stocks tax shall, on or before the end of the month

next following the month in which section 421 (a) of the Revenue Act of 1951 takes effect, under such regulations as the Secretary shall prescribe, make a return and pay such tax, except that in the case of such cigarettes held by manufacturers and importers, the Secretary may collect the tax with respect to such cigarettes by means of stamps rather than return, and in such case may make an assessment against such manufacturer or importer having cigarette tax stamps on hand on the effective date of such section for the difference between the amount paid for such stamps and the increased rate imposed by such section.

Ante, p. 521.

"(3) LAWS APPLICABLE.—All provisions of law, including penalties, applicable in respect of the taxes imposed by section 2000, shall, insofar as applicable and not inconsistent with this subsection, be applicable with respect to the floor stocks tax imposed by this subsection.

Ante, p. 521.

"(g) FLOOR STOCKS REFUNDS ON CIGARETTES.—

"(1) IN GENERAL.—With respect to cigarettes, weighing not more than three pounds per thousand, upon which the tax imposed by subsection (c) (2), or upon which floor stocks tax imposed by subsection (f), has been paid, and which, on April 1, 1954, are held by any person and intended for sale, or are in transit from foreign countries or insular possessions of the United States to any person in the United States for sale, there shall be credited or refunded to such person (without interest), subject to such regulations as may be prescribed by the Secretary, an amount equal to the difference between the tax paid on such cigarettes and the tax made applicable to such articles on April 1, 1954, if claim for such credit or refund is filed with the Secretary prior to July 1, 1954.

Ante, p. 521.

"(2) LIMITATIONS ON ELIGIBILITY FOR CREDIT OR REFUND.—No person shall be entitled to credit or refund under paragraph (1) unless (A) such person, for such period or periods both before and after April 1, 1954 (but not extending beyond one year thereafter), as the Secretary shall by regulations prescribe, makes and keeps, and files with the Secretary such records of inventories, sales, and purchases as may be prescribed in such regulations; and (B) such person establishes to the satisfaction of the Secretary, with respect to the cigarettes for which credit or refund is claimed by him under this section, that on and after April 1, 1954, and until the expiration of three months thereafter, the price at which cigarettes of such class were sold (until a number equal at least to the number on hand on April 1, 1954, were sold) reflected, in such manner as the Secretary may by regulations prescribe, the amount of the tax reduction.

"(3) PENALTY AND ADMINISTRATIVE PROCEDURES.—All provisions of law, including penalties, applicable in respect of internal revenue taxes on cigarettes shall, insofar as applicable and not inconsistent with this subsection, be applicable in respect of the credits and refunds provided for in this subsection to the same extent as if such credits or refunds constituted credits or refunds of such taxes."

SEC. 423. REDUCTION OF TAX ON TOBACCO AND SNUFF.

53 Stat. 219.
26 U. S. C. § 2000 (a).

(a) REDUCTION IN RATE.—Section 2000 (a) (relating to tax on tobacco and snuff) is hereby amended by striking out "18 cents per pound", wherever it appears therein, and inserting in lieu thereof "10 cents per pound".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on the first day of the first month which begins more than ten days after the date of the enactment of this Act.

Part III—Retailers' Excise Taxes

SEC. 431. RETAILERS' EXCISE TAX ON TOILET PREPARATIONS.

(a) BABY OILS, ETC.—Section 2402 (a) is hereby amended by adding at the end thereof the following new sentence: "The tax imposed by this subsection shall not apply to lotion, oil, powder, or other article intended to be used or applied only in the care of babies." 55 Stat. 718. 26 U. S. C. § 2402.

(b) SALES TO BARBER SHOPS, ETC.—Section 2402 (b) is hereby amended to read as follows:

"(b) BEAUTY PARLORS, ETC.—For the purposes of subsection (a), the sale of any article described in such subsection to any person operating a barber shop, beauty parlor, or similar establishment for use in the operation thereof, or for resale, and the sale of miniature samples of any such article for demonstration use only to a house-to-house salesman by the manufacturer or distributor, shall not be considered as a sale at retail. The resale of such article at retail by such person, or the resale of such sample at retail by such house-to-house salesman, shall be subject to the provisions of subsection (a)."

SEC. 432. EFFECTIVE DATE OF PART III.

The amendments made by this part shall apply only to articles sold on or after the first day of the first month which begins more than ten days after the date of the enactment of this Act.

Part IV—Diesel Fuel

SEC. 441. DIESEL FUEL USED IN HIGHWAY VEHICLES.

(a) IMPOSITION OF TAX.—The Internal Revenue Code is hereby amended by adding after chapter 19 the following new chapter: 55 Stat. 718. 26 U. S. C. § 2400 *et seq.*

"CHAPTER 20—DIESEL FUEL

"SEC. 2450. TAX ON DIESEL FUEL.

"There is hereby imposed a tax of 2 cents a gallon upon any liquid (other than any product taxable under section 3412)—

"(1) sold by any person to an owner, lessee, or other operator of a diesel-powered highway vehicle, for use as a fuel in such vehicle, or

"(2) used by any person as a fuel in a diesel-powered highway vehicle unless there was a taxable sale of such liquid under clause (1).

On and after April 1, 1954, the tax imposed by this section shall be 1½ cents a gallon in lieu of 2 cents a gallon.

"SEC. 2451. RETURNS AND PAYMENT.

"(a) REQUIREMENT.—Every person liable for tax under this chapter shall make returns and pay the taxes due to the collector for the district in which is located his principal place of business, or if he has no principal place of business in the United States, then to the collector at Baltimore, Maryland. Such returns shall contain such information and be made at such times and in such manner as the Secretary may by regulations prescribe.

"(b) INTEREST.—The tax shall, without assessment or notice, be due and payable to the collector at the time prescribed for filing the return. If the tax is not paid when due, there shall be added as part of the tax interest at the rate of 6 per centum per annum from the time when the tax became due until paid.

"SEC. 2452. CREDITS AND REFUNDS.

"(a) NON-TAXABLE USE OR SALE BY VENDEE.—A credit against tax under this chapter, or a refund, may be allowed or made to a person in the amount of tax paid by him under this chapter with respect to his sale of any liquid to a vendee for use as fuel in a diesel-powered highway vehicle, if such person establishes, in accordance with regulations prescribed by the Secretary, that—

"(1) the vendee used such liquid otherwise than as fuel in such a vehicle or resold such liquid, and

"(2) such person has repaid or agreed to repay the amount of such tax to such vendee, or has obtained the consent of the vendee to the allowance of the credit or refund.

No interest shall be allowed with respect to any amount of tax credited or refunded under the provisions of this subsection.

"(b) PROOF REQUIRED IN CASE OF CERTAIN OVERPAYMENTS.—No overpayment of tax under this chapter shall be credited or refunded (otherwise than under subsection (a)) in pursuance of a court decision or otherwise, unless the person who paid the tax establishes, in accordance with regulations prescribed by the Secretary, (1) that he has not included the tax in the price of the article with respect to which it was imposed, or collected the amount of tax from the vendee, or (2) that he has repaid the amount of the tax to the ultimate purchaser of the article, or files with the Secretary written consent of such ultimate purchaser to the allowance of the credit or refund.

"SEC. 2453. TAX-FREE SALES.

"Under regulations prescribed by the Secretary, no tax under this chapter shall be imposed with respect to the sale of any liquid for the exclusive use of any State, Territory of the United States, or any political subdivision of the foregoing, or the District of Columbia, or with respect to the use by any of the foregoing of any liquid as fuel in a diesel-powered highway vehicle.

"SEC. 2454. APPLICABILITY OF ADMINISTRATIVE PROVISIONS.

"All provisions of law (including penalties) applicable in respect of the taxes imposed by section 2700 shall, insofar as applicable and not inconsistent with this chapter, be applicable in respect of the taxes imposed by this chapter.

53 Stat. 288.
26 U. S. C. § 2700.

"SEC. 2455. RULES AND REGULATIONS.

"The Secretary shall prescribe and publish all needful rules and regulations for the enforcement of this chapter."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on the first day of the first month which begins more than ten days after the date of the enactment of this Act.

Part V—Liquor

SEC. 451. INCREASE IN TAX ON DISTILLED SPIRITS FROM $9 TO $10.50 PER GALLON.

56 Stat. 970.
26 U. S. C. § 2800 (a).

(a) DISTILLED SPIRITS GENERALLY.—Section 2800 (a) (1) is hereby amended by striking out "$6" and inserting in lieu thereof "$10.50", and by inserting after the first sentence the following new sentence: "On and after April 1, 1954, the rate of tax imposed by this paragraph shall be $9 in lieu of $10.50.".

(b) IMPORTED PERFUMES CONTAINING DISTILLED SPIRITS.—Section 2800 (a) (3) is hereby amended by striking out "$6" and inserting in lieu thereof "$10.50", and by adding at the end thereof the following new sentence: "On and after April 1, 1954, the rate of tax imposed by this paragraph shall be $9 in lieu of $10.50.".

(c) FLOOR STOCKS TAX.—Section 2800 is amended by inserting at the end thereof the following new subsection: 53 Stat. 298; 58 Stat. 67. 26 U. S. C. § 2800. *Ante*, p. 524.

"(l) 1951 FLOOR STOCKS TAX.—

"(1) TAX.—Upon all distilled spirits upon which the internal revenue tax imposed by law has been paid, and which on the effective date of section 451 (a) of the Revenue Act of 1951, are held and intended for sale or for use in the manufacture or production of any article intended for sale, there shall be levied, assessed, collected, and paid a floor stocks tax of $1.50 on each proof-gallon, and a proportionate tax at a like rate on all fractional parts of such proof-gallon. *Post*, p. 528.

"(2) RETURNS.—Under such regulations as the Secretary shall prescribe, every person required by paragraph (1) to pay any floor stocks tax shall, on or before the end of the thirtieth day following the effective date of section 451 (a) of the Revenue Act of 1951 make a return and shall, on or before the first day of the third month following such effective date, pay such tax. Payment of the tax shown to be due may be extended to a date not later than the first day of the tenth month following the effective date of such section upon the filing of a bond for payment thereof in such form and amount and with such surety or sureties as the Secretary may prescribe.

"(3) LAWS APPLICABLE.—All provisions of law, including penalties, applicable in respect of internal revenue taxes on distilled spirits shall, insofar as applicable and not inconsistent with this subsection, be applicable in respect of the floor stocks tax imposed hereunder. For the purposes of this subsection the term 'distilled spirits' shall include products produced in such manner that the person producing them is a rectifier within the meaning of section 3254 (g)." 53 Stat. 391. 26 U. S. C. § 3254 (g).

SEC. 452. WINES.

(a) INCREASE IN RATE OF TAX.—

(1) STILL WINES.—So much of section 3030 (a) (1) (A) (tax on still wines, etc.) as precedes the second sentence thereof is hereby amended to read as follows: 53 Stat. 347. 26 U. S. C. § 3030 (a) (1) (A).

"(A) Imposition.—Upon all still wines, including vermouth, and all artificial or imitation wines or compounds sold as still wine, produced in or imported into the United States on or after the effective date of section 452 (a) of the Revenue Act of 1951, or which on such date were on any winery premises or other bonded premises or in transit thereto or at any custom house, there shall be levied, collected, and paid taxes at rates as follows, when sold, or removed for consumption or sale:

"On wines containing not more than 14 per centum of absolute alcohol, 17 cents per wine-gallon, the per centum of alcohol under this section to be reckoned by volume and not by weight, except that on and after April 1, 1954, the rate shall be 15 cents per wine-gallon;

"On wines containing more than 14 per centum and not exceeding 21 per centum of absolute alcohol, 67 cents per wine-gallon, except that on and after April 1, 1954, the rate shall be 60 cents per wine-gallon;

"On wines containing more than 21 per centum and not exceeding 24 per centum of absolute alcohol, $2.25 per wine-gallon, except that on and after April 1, 1954, the rate shall be $2 per wine-gallon;

"All such wines containing more than 24 per centum of absolute alcohol by volume shall be classed as distilled spirits and shall pay tax accordingly."

53 Stat. 347. 26 U. S. C. § 3030 (a) (2).

(2) SPARKLING WINES, LIQUEURS, AND CORDIALS.—Section 3030 (a) (2) (tax on sparkling wines, liqueurs, and cordials) is hereby amended as follows:

(A) By striking out "after June 30, 1940, or which on July 1, 1940" and inserting in lieu thereof "on or after the effective date of section 452 (a) of the Revenue Act of 1951, or which on such date";

(B) by striking out "10 cents on each one-half pint or fraction thereof" and inserting in lieu thereof "17 cents on each one-half pint or fraction thereof, except that on and after April 1, 1954, the rate shall be 15 cents on each one-half pint or fraction thereof"; and

(C) by striking out "5 cents on each one-half pint or fraction thereof" each place that it occurs and inserting in lieu thereof "12 cents on each one-half pint or fraction thereof, except that on and after April 1, 1954, the rate shall be 10 cents on each one-half pint or fraction thereof".

54 Stat. 525. 26 U. S. C. § 3190 *et seq.*

(b) FLOOR STOCKS.—Subchapter F of chapter 26 is hereby amended by inserting at the end thereof the following new section:

"SEC. 3195. 1951 FLOOR STOCKS TAX ON WINES.

"(a) Upon all wines upon which the internal revenue tax imposed by law has been paid, and which on the effective date of section 452 (a) of the Revenue Act of 1951 are held and intended for sale or for use in the manufacture or production of an article intended for sale, there shall be levied, assessed, collected, and paid a floor stocks tax at rates equal to the increases in rates of tax made applicable to such articles by section 452 (a) of the Revenue Act of 1951.

Ante, p. 525.

"(b) RETURNS.—Under such regulations as the Secretary shall prescribe, every person required by subsection (a) to pay any floor stocks tax shall, on or before the end of the thirtieth day following the effective date of section 452 (a) of the Revenue Act of 1951 make a return and shall, on or before the first day of the third month following such effective date, pay such tax. Payment of the tax shown to be due may be extended to a date not later than the first day of the tenth month following the effective date of section 452 (a) of the Revenue Act of 1951, upon the filing of a bond for payment thereof in such form and amount and with such surety or sureties as the Secretary may prescribe.

"(c) LAWS APPLICABLE.—All provisions of law, including penalties, applicable in respect of the taxes imposed by section 3030 (a) shall, insofar as applicable and not inconsistent with this section, be applicable with respect to the floor stocks tax imposed by subsection (a)."

Ante, p. 525.

SEC. 453. FERMENTED MALT LIQUOR.

53 Stat. 365; 56 Stat. 972. 26 U. S. C. § 3150 (a).

(a) INCREASE IN TAX ON FERMENTED MALT LIQUORS FROM $8 TO $9 PER BARREL.—Section 3150 (a) (tax on fermented malt liquors) is hereby amended (1) by striking out "$7" and inserting in lieu thereof "$9", and (2) by striking out the second sentence and inserting in lieu thereof the following: "On and after April 1, 1954, the tax imposed by the preceding sentence shall be at the rate of $8 in lieu of $9.".

58 Stat. 67. 26 U. S. C. § 3150.

(b) FLOOR STOCKS TAX.—Section 3150 is hereby amended by inserting at the end thereof the following new subsection:

"(g) 1951 FLOOR STOCKS TAX.—

"(1) TAX.—Upon all fermented malt liquors upon which the internal revenue tax imposed by law has been paid, and which

on the effective date of section 453 (a) of the Revenue Act of 1951 are held by any person and intended for sale there shall be levied, assessed, collected, and paid a floor stocks tax at a rate of $1 per barrel of 31 gallons.

"(2) RETURNS.—Under such regulations as the Secretary shall prescribe, every person required by paragraph (1) to pay any floor stocks tax shall, on or before the end of the thirtieth day following the effective date of section 453 (a) of the Revenue Act of 1951 make a return and shall, on or before the first day of the third month following such effective date, pay such tax. Payment of the tax shown to be due may be extended to a date not later than the first day of the tenth month following the effective date of section 453 (a) of the Revenue Act of 1951, upon the filing of a bond for payment thereof in such form and amount and with such surety or sureties as the Secretary may prescribe.

"(3) LAWS APPLICABLE.—All provisions of law, including penalties, applicable in respect of the taxes imposed by subsection (a) shall, insofar as applicable and not inconsistent with this subsection, be applicable with respect to the floor stocks tax imposed by this subsection."

SEC. 454. FLOOR STOCKS REFUNDS.

(a) AMENDMENT OF SECTION 1656 (a).—Section 1656 (a) (relating to floor stocks refunds on distilled spirits, etc.) is amended to read as follows: 59 Stat. 575. 26 U. S. C. § 1656.

"(a) IN GENERAL.—With respect to any article upon which tax is imposed under section 2800 (a), 3030 (a), or 3150 (a), upon which internal revenue tax (including floor stocks tax) at the applicable rate prescribed by such section has been paid, and which, on April 1, 1954, is held by any person and intended for sale or for use in the manufacture or production of any article intended for sale, there shall be credited or refunded to such person (without interest), subject to such regulations as may be prescribed by the Secretary, an amount equal to the difference between the tax so paid and the rate made applicable to such articles on and after April 1, 1954, by such section, if claim for such credit or refund is filed with the Secretary prior to May 1, 1954." *Ante*, pp. 524-526.

(b) AMENDMENT OF SECTION 1656 (b).—Section 1656 (b) (relating to limitations on eligibility for floor stocks refunds on distilled spirits, etc.) is amended by striking out "the rate reduction date" wherever it appears therein and inserting in lieu thereof "April 1, 1954".

SEC. 455. CLERICAL AMENDMENT.

The table contained in section 1650 (relating to the war tax rates of certain miscellaneous taxes) is hereby amended by striking out the following: 54 Stat. 523; 58 Stat. 61. 26 U. S. C. § 1650. *Post*, p. 538.

"2800 (a) (1)	Distilled Spirits	$6 per gallon	$9 per gallon.
2800 (a) (3)	Imported Perfumes Containing Distilled Spirits.	$6 per gallon	$9 per gallon.
3030 (a) (1)	Still Wines:		
	(1) Not over 14% of Alcohol	10 cents per gallon	15 cents per gallon.
	(2) Over 14% and not over 21% of Alcohol.	40 cents per gallon	60 cents per gallon.
	(3) Over 21% and not over 24% of Alcohol.	$1 per gallon	$2 per gallon.
3030 (a) (2)	Sparkling Wines, Liqueurs, and Cordials:		
	(1) Champagne or Sparkling Wine.	10 cents per half-pint or fraction thereof.	15 cents per half-pint or fraction thereof.
	(2) Artificially Carbonated Wine.	5 cents per half-pint or fraction thereof.	10 cents per half-pint or fraction thereof.
	(3) Liqueurs, Cordials, Etc.	5 cents per half-pint or fraction thereof.	10 cents per half-pint or fraction thereof.
3150	Fermented Malt Liquors	$7 per barrel	$8 per barrel."

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SEC. 456. EFFECTIVE DATE OF PART V.

The amendments made by this part shall take effect on the first day of the first month which begins more than 10 days after the date of the enactment of this Act.

Part VI—Occupational Taxes

SEC. 461. DEALERS IN LIQUORS.

55 Stat. 707. 26 U. S. C. § 3250.

(a) WHOLESALE DEALERS IN LIQUORS.—Section 3250 (a) (1) (relating to occupational tax on wholesale dealers in liquors) is hereby amended by striking out "$110" and inserting in lieu thereof "$200".

(b) RETAIL DEALERS IN LIQUORS.—Section 3250 (b) (1) (relating to occupational tax on retail dealers in liquors) is hereby amended by striking out "$27.50" and inserting in lieu thereof "$50".

(c) WHOLESALE DEALERS IN MALT LIQUORS.—Section 3250 (d) (1) (relating to tax on wholesale dealers in malt liquors) is hereby amended by striking out "$55" and inserting in lieu thereof "$100".

SEC. 462. DRAWBACK IN THE CASE OF DISTILLED SPIRITS USED IN THE MANUFACTURE OF CERTAIN NONBEVERAGE PRODUCTS.

56 Stat. 972. 26 U. S. C. § 3250 (*l*) (5).

(a) DRAWBACK.—Section 3250 (l) (5) (relating to manufacturers or producers of designated nonbeverage products) is amended to read as follows:

Infra.

"(5) DRAWBACK.—In the case of distilled spirits tax-paid and used as provided in this subsection, a drawback shall be allowed—

"(A) at the rate of $6 on each proof gallon upon which tax is paid at a rate of $9 per proof gallon prior to the effective date of section 462 of the Revenue Act of 1951,

"(B) at the rate of $9.50 on each proof gallon upon which tax is paid at a rate of $10.50 per proof gallon on and after the effective date of section 462 of the Revenue Act of 1951, and

"(C) at the rate of $8 on each proof gallon upon which tax is paid at a rate of $9 per proof gallon after March 31, 1954.

Such drawback shall be due and payable quarterly upon filing of a proper claim with the Secretary. No claim under this subsection shall be allowed unless filed with the Secretary within the three months next succeeding the quarter for which the drawback is claimed."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall be applicable only with respect to distilled spirits used on or after the first day of the first month which begins more than ten days after the date of the enactment of this Act.

SEC. 463. TAX ON COIN-OPERATED GAMING DEVICES.

64 Stat. 964. 26 U. S. C. § 3267 (a).

Section 3267 (a) (tax on coin-operated gaming devices) is hereby amended by striking out "$150" wherever appearing therein and inserting in lieu thereof "$250".

SEC. 464. EFFECTIVE DATE OF PART VI.

Supra.

The amendments made by sections 461 and 463 shall take effect on the first day of the first month which begins more than ten days after the date of the enactment of this Act. In the case of the year beginning July 1, 1951, where the trade or business on which the tax is imposed was commenced prior to the first day of the month specified in the preceding sentence, the increase in tax resulting from such amendments shall be reckoned proportionately from the first day of such month to and including the thirtieth day of June following and shall be due on, and payable on or before, the last day of the month specified in the preceding sentence.

Part VII—Wagering

SEC. 471. WAGERING TAXES.

(a) IMPOSITION OF TAXES.—Subtitle B (relating to miscellaneous taxes) is hereby amended by inserting after chapter 27 the following new chapter: 53 Stat. 394. 26 U. S. C. § 3270 *et seq.*

"CHAPTER 27A—WAGERING TAXES

"Subchapter A—Tax on Wagers

"SEC. 3285. TAX.

"(a) WAGERS.—There shall be imposed on wagers, as defined in subsection (b), an excise tax equal to 10 per centum of the amount thereof.

"(b) DEFINITIONS.—For the purposes of this chapter—

"(1) The term 'wager' means (A) any wager with respect to a sports event or a contest placed with a person engaged in the business of accepting such wagers, (B) any wager placed in a wagering pool with respect to a sports event or a contest, if such pool is conducted for profit, and (C) any wager placed in a lottery conducted for profit.

"(2) The term 'lottery' includes the numbers game, policy, and similar types of wagering. The term does not include (A) any game of a type in which usually (i) the wagers are placed, (ii) the winners are determined, and (iii) the distribution of prizes or other property is made, in the presence of all persons placing wagers in such game, and (B) any drawing conducted by an organization exempt from tax under section 101, if no part of the net proceeds derived from such drawing inures to the benefit of any private shareholder or individual. 53 Stat. 33. 26 U. S. C. § 101. *Ante*, pp. 490–492.

"(c) AMOUNT OF WAGER.—In determining the amount of any wager for the purposes of this subchapter, all charges incident to the placing of such wager shall be included; except that if the taxpayer establishes, in accordance with regulations prescribed by the Secretary, that an amount equal to the tax imposed by this subchapter has been collected as a separate charge from the person placing such wager, the amount so collected shall be excluded.

"(d) PERSONS LIABLE FOR TAX.—Each person who is engaged in the business of accepting wagers shall be liable for and shall pay the tax under this subchapter on all wagers placed with him. Each person who conducts any wagering pool or lottery shall be liable for and shall pay the tax under this subchapter on all wagers placed in such pool or lottery.

"(e) EXCLUSIONS FROM TAX.—No tax shall be imposed by this subchapter (1) on any wager placed with, or on any wager placed in a wagering pool conducted by, a parimutuel wagering enterprise licensed under State law, and (2) on any wager placed in a coin-operated device with respect to which an occupational tax is imposed by section 3267.

"(f) TERRITORIAL EXTENT.—The tax imposed by this subchapter shall apply only to wagers (1) accepted in the United States, or (2) placed by a person who is in the United States (A) with a person who is a citizen or resident of the United States, or (B) in a wagering pool or lottery conducted by a person who is a citizen or resident of the United States.

"SEC. 3286. CREDITS AND REFUNDS.

"(a) No overpayment of tax under this subchapter shall be credited or refunded (otherwise than under subsection (b)), in pursuance of a court decision or otherwise, unless the person who paid the tax

establishes, in accordance with regulations prescribed by the Secretary, (1) that he has not collected (whether as a separate charge or otherwise) the amount of the tax from the person who placed the wager on which the tax was imposed, or (2) that he has repaid the amount of the tax to the person who placed such wager, or unless he files with the Secretary written consent of the person who placed such wager to the allowance of the credit or the making of the refund. In the case of any laid-off wager, no overpayment of tax under this subchapter shall be so credited or refunded to the person with whom such laid-off wager was placed unless he establishes, in accordance with regulations prescribed by the Secretary, that the provisions of the preceding sentence have been complied with both with respect to the person who placed the laid-off wager with him and with respect to the person who placed the original wager.

"(b) Where any taxpayer lays off part or all of a wager with another person who is liable for tax under this subchapter on the amount so laid off, a credit against the tax imposed by this subchapter shall be allowed, or a refund shall be made to, the taxpayer laying off such amount. Such credit or refund shall be in an amount which bears the same ratio to the amount of tax which such taxpayer paid under this subchapter on the original wager as the amount so laid off bears to the amount of the original wager. Credit or refund under this subsection shall be allowed or made only in accordance with regulations prescribed by the Secretary; and no interest shall be allowed with respect to any amount so credited or refunded.

"SEC. 3287. CERTAIN PROVISIONS MADE APPLICABLE.

"All provisions of law, including penalties, applicable with respect to any tax imposed by section 2700 shall, insofar as applicable and not inconsistent with the provisions of this subchapter, be applicable with respect to the tax imposed by this subchapter. In addition to all other records required pursuant to section 2709, each person liable for tax under this subchapter shall keep a daily record showing the gross amount of all wagers on which he is so liable.

53 Stat. 288.
26 U. S. C. § 2700.

53 Stat. 290.
26 U. S. C. § 2709.

"Subchapter B—Occupational Tax

"SEC. 3290. TAX.

"A special tax of $50 per year shall be paid by each person who is liable for tax under subchapter A or who is engaged in receiving wagers for or on behalf of any person so liable.

Ante, p. 529.

"SEC. 3291. REGISTRATION.

"(a) Each person required to pay a special tax under this subchapter shall register with the collector of the district—

"(1) his name and place of residence;

"(2) if he is liable for tax under subchapter A, each place of business where the activity which makes him so liable is carried on, and the name and place of residence of each person who is engaged in receiving wagers for him or on his behalf; and

"(3) if he is engaged in receiving wagers for or on behalf of any person liable for tax under subchapter A, the name and place of residence of each such person.

"(b) Where subsection (a) requires the name and place of residence of a firm or company to be registered, the names and places of residence of the several persons constituting the firm or company shall be registered.

"(c) In accordance with regulations prescribed by the Secretary, the collector may require from time to time such supplemental informa-

tion from any person required to register under this section as may be needful to the enforcement of this chapter.

"SEC. 3292. CERTAIN PROVISIONS MADE APPLICABLE.

"Sections 3271, 3273 (a), 3275, 3276, 3277, 3279, and 3280 shall extend to and apply to the special tax imposed by this subchapter and to the persons upon whom it is imposed, and for that purpose any activity which makes a person liable for special tax under this subchapter shall be considered to be a business or occupation described in chapter 27. No other provision of subchapter B of chapter 27 shall so extend or apply.

53 Stat. 394.
26 U. S. C. §§ 3271, 3273, 3275-3277, 3279, 3280.

53 Stat. 380, 394.
26 U. S. C. § 3200 *et seq.*

"SEC. 3293. POSTING.

"Every person liable for special tax under this subchapter shall place and keep conspicuously in his principal place of business the stamp denoting the payment of such special tax; except that if he has no such place of business, he shall keep such stamp on his person, and exhibit it, upon request, to any officer or employee of the Bureau of Internal Revenue.

"SEC. 3294. PENALTIES.

"(a) FAILURE TO PAY TAX.—Any person who does any act which makes him liable for special tax under this subchapter, without having paid such tax, shall, besides being liable to the payment of the tax, be fined not less than $1,000 and not more than $5,000.

"(b) FAILURE TO POST OR EXHIBIT STAMP.—Any person who, through negligence, fails to comply with section 3293, shall be liable to a penalty of $50, and the cost of prosecution. Any person who, through willful neglect or refusal, fails to comply with section 3293, shall be liable to a penalty of $100, and the cost of prosecution.

"(c) WILLFUL VIOLATIONS.—The penalties prescribed by section 2707 with respect to the tax imposed by section 2700 shall apply with respect to the tax imposed by this subchapter.

53 Stat. 290.
26 U. S. C. §§ 2707, 2700.

"Subchapter C—Miscellaneous Provisions

"SEC. 3297. APPLICABILITY OF FEDERAL AND STATE LAWS.

"The payment of any tax imposed by this chapter with respect to any activity shall not exempt any person from any penalty provided by a law of the United States or of any State for engaging in the same activity, nor shall the payment of any such tax prohibit any State from placing a tax on the same activity for State or other purposes.

"SEC. 3298. INSPECTION OF BOOKS.

"Notwithstanding section 3631, the books of account of any person liable for tax under this chapter may be examined and inspected as frequently as may be needful to the enforcement of this chapter."

53 Stat. 441.
26 U. S. C. § 3631.

(b) TECHNICAL AMENDMENT.—Section 3310 (f) (relating to discretion allowed the Commissioner with respect to returns and payment of tax) is hereby amended by inserting after "subchapter A of chapter 25," the following: "subchapter A of chapter 27A,".

63 Stat. 668.
26 U. S. C. § 3310 (f).

Ante, p. 529.

SEC. 472. EFFECTIVE DATE OF PART VII.

The tax imposed by subchapter A of chapter 27A, as added by section 471, shall apply only with respect to wagers placed on or after the first day of the first month which begins more than 10 days after the date of enactment of this Act. No tax shall be payable under subchapter B of chapter 27A, as added by section 471, with respect to any period prior to the first day of the first month which begins more than 10 days after the date of enactment of this Act. In the case of

Ante, p. 529.

Ante, p. 530.

Ante, p. 529.

any person who is liable for tax under subchapter A of chapter 27A, as added by section 471, or who is engaged in receiving wagers for or on behalf of any person so liable, and who commenced the activity which makes him subject to such tax, or who was engaged in receiving such wagers, prior to the first day of the first month specified in the preceding sentence, the tax under subchapter B of chapter 27A, as added by section 471, shall be reckoned proportionately from the first day of such month to and including the thirtieth day of June following and shall be due on, and payable on or before, the last day of the month specified in the preceding sentence.

Part VIII—Manufacturers' Excise Taxes

SEC. 481. AUTOMOBILES, TRUCKS, AND PARTS OR ACCESSORIES.

53 Stat. 410; 55 Stat. 711.
26 U. S. C. § 3403.

(a) INCREASE IN TAX ON TRUCKS.—Section 3403 (a) (tax on trucks, busses, etc.) is hereby amended by striking out "5 per centum" and inserting in lieu thereof "8 per centum, except that on and after April 1, 1954, the rate shall be 5 per centum".

(b) INCREASE IN TAX ON PASSENGER AUTOMOBILES AND MOTORCYCLES.—Section 3403 (b) (tax on automobile chassis and bodies, etc.) is hereby amended to read as follows:

"(b) OTHER CHASSIS AND BODIES, ETC.—Other automobile chassis and bodies, chassis and bodies for trailers and semitrailers (other than house trailers) suitable for use in connection with passenger automobiles, and motorcycles (including in each case parts or accessories therefor sold on or in connection therewith or with the sale thereof), except tractors, 10 per centum, except that on and after April 1, 1954, the rate shall be 7 per centum. A sale of an automobile, trailer, or semitrailer shall, for the purposes of this subsection, be considered to be a sale of the chassis and of the body."

(c) INCREASE IN TAX ON PARTS OR ACCESSORIES.—Section 3403 (c) (tax on parts or accessories for automobiles, etc.) is hereby amended by striking out "5 per centum" and inserting in lieu thereof "8 per centum, except that on and after April 1, 1954, the rate shall be 5 per centum".

(d) REBUILT PARTS OR ACCESSORIES.—Section 3403 (c) (tax on parts or accessories) is hereby amended by adding at the end thereof the following: "In determining the sale price of a rebuilt automobile part or accessory there shall be excluded from the price, in accordance with regulations prescribed by the Secretary, the value of a like part or accessory accepted in exchange."

(e) TECHNICAL AMENDMENT.—Section 3403 (e) (relating to certain credits against the tax imposed by section 3403) is hereby amended by striking out "in the case of an article taxable under subsection (a), 5 per centum, and in the case of an article taxable under subsection (b), 7 per centum" and inserting in lieu thereof "in the case of an article taxable under subsection (a) or subsection (b), the applicable percentage rate of tax provided in such subsections".

53 Stat. 417; 55 Stat. 721.
26 U. S. C. § 3443 (a).
Post, p. 533.

(f) PARTS OR ACCESSORIES FOR FARM EQUIPMENT.—Section 3443 (a) (3) (A) is hereby amended by striking out the period at the end of clause (v) and inserting in lieu thereof a semicolon, and by inserting after clause (v) the following:

Supra.

"(vi) in the case of articles taxable under section 3403 (c) (other than spark plugs, storage batteries, leaf springs, coils, timers, and tire chains), used or resold for use as repair or replacement parts or accessories for farm equipment (other than equipment taxable under subsection (a) or (b) of section 3403);".

(g) EFFECTIVE DATE OF SUBSECTION (f).—The amendment made by subsection (f) shall be effective with respect to articles purchased (by

the user thereof) on or after the first day of the first month which begins more than ten days after the date of the enactment of this Act.

(h) REMOVAL OF TAX ON TIRES FOR TOYS, ETC.—Paragraph (1) of section 3400 (a) (relating to tax on tires) is hereby amended by adding at the end thereof the following: "The tax imposed by this paragraph shall not apply to (A) tires which are not more than 20 inches in diameter and not more than one and three-fourths inches in cross-section, if such tires are of all-rubber construction (whether hollow center or solid) without fabric or metal reinforcement, or (B) tires of extruded tiring with internal wire fastening agent."

53 Stat. 409.
26 U. S. C. § 3400 (a) (1).

SEC. 482. NAVIGATION RECEIVERS SOLD TO THE UNITED STATES.

(a) EXEMPTION ON SALES TO UNITED STATES OF CERTAIN RADIO SETS.—Section 3404 (a) (relating to manufacturers' excise tax on radio receiving sets, etc.) is hereby amended by adding at the end thereof the following new sentence: "No tax shall be imposed under this subsection with respect to the sale to the United States for its exclusive use of a communication, detection, or navigation receiver of the type used in commercial, military, or marine installations."

55 Stat. 712.
26 U. S. C. § 3404.

(b) TAX-FREE SALES OF RADIO PARTS.—Section 3404 (b) (relating to manufacturers' excise tax on component parts of radio receiving sets, etc.) is hereby amended by adding at the end thereof the following new sentence: "Under regulations prescribed by the Secretary, no tax shall be imposed under this subsection with respect to the sale of any article for use by the vendee as material in the manufacture or production of, or as a component part of, communication, detection, or navigation receivers of the type used in commercial, military, or marine installations if such receivers are to be sold by the vendee to the Unted States for its exclusive use. If any article sold tax-free to such vendee is not so used by him, or being so used the receiver is not so sold, the vendee shall be considered as the manufacturer or producer of such article."

(c) REFUND IN CASE OF USE OF PARTS.—Section 3443 (a) (1) (relating to credits and refunds) is hereby amended to read as follows:

53 Stat. 417.
26 U. S. C. § 3443 (a) (1).

"(1) to a manufacturer or producer, in the amount of any tax under this chapter which has been paid with respect to the sale of—

"(A) any article (other than a tire, inner tube, or automobile radio or television receiving set taxable under section 3404) purchased by him and used by him as material in the manufacture or production of, or as a component part of, an article with respect to which tax under this chapter has been paid, or which has been sold free of tax by virtue of section 3442, relating to tax-free sales;

Supra.

53 Stat. 416.
26 U. S. C. § 3442.
Supra.

"(B) any article described in section 3404 (b) purchased by him and used by him as material in the manufacture or production of, or as a component part of, communication, detection, or navigation receivers of the type used in commercial, military, or marine installations if such receivers have been sold by him to the United States for its exclusive use."

(d) REFUND IN CASE OF RESALE TO UNITED STATES.—Section 3443 (a) (3) (A) is hereby amended by adding at the end thereof the following:

Ante, p. 532.

"(vii) in the case of a communication, detection, or navigation receiver of the type used in commercial, military, or marine installations, resold to the United States for its exclusive use."

53 Stat. 418.
26 U. S. C. § 3444 (b).

(e) USE BY MANUFACTURER OF TAXABLE PARTS.—Section 3444 (b) (relating to tax on use by manufacturer of taxable articles) is hereby amended to read as follows:

"(b) This section shall not apply with respect to the use by the manufacturer, producer, or importer of articles described in section 3404 (b) if such articles are used by him as material in the manufacture or production of, or as a component part of, communication, detection, or navigation receivers of the type used in commercial, military, or marine installations if such receivers are to be sold to the United States for its exclusive use."

Ante, p. 533.

(f) EFFECTIVE DATES.—The amendments made by subsections (a) and (b) shall take effect as provided in section 490. The amendments made by subsections (c) and (e) shall be applicable with respect to articles used in receivers sold to the United States on or after the first day of the first month which begins more than ten days after the date of the enactment of this Act, and the amendment made by subsection (d) shall be applicable with respect to articles resold to the United States on or after such first day.

Post, p. 537.

SEC. 483. TAX-FREE SALES OF REFRIGERATOR COMPONENTS TO WHOLESALERS FOR RESALE TO MANUFACTURERS.

53 Stat. 412.
26 U. S. C. § 3405 (b).

Section 3405 (b) is hereby amended by inserting "(hereinafter referred to as 'refrigerating equipment')" before the period at the end of the first sentence and by striking out the second and third sentences and inserting in lieu thereof the following: "Under regulations prescribed by the Secretary, the tax under this subsection shall not apply in the case of sales of any such refrigerator components by the manufacturer, producer, or importer to (1) a manufacturer or producer of refrigerating equipment, or (2) a vendee for resale to a manufacturer or producer of refrigerating equipment if such components are in due course so resold. If any such refrigerator components are resold by the manufacturer or producer to whom sold or resold otherwise than on or in connection with, or with the sale of, complete refrigerating equipment manufactured or produced by him, then for the purposes of this section such manufacturer or producer shall be considered the manufacturer or producer of the refrigerator components so resold by him."

SEC. 484. SPORTING GOODS.

55 Stat. 716.
26 U. S. C. § 3406 (a) (1).

Section 3406 (a) (1) (relating to manufacturers' excise tax on sporting goods) is hereby amended to read as follows:

"(1) SPORTING GOODS.—Badminton nets; badminton rackets (measuring 22 inches over all or more in length); badminton racket frames (measuring 22 inches over all or more in length); badminton racket string; badminton shuttlecocks; badminton standards; billiard and pool tables (measuring 45 inches over all or more in length); billiard and pool balls and cues for such tables; bowling balls and pins; clay pigeons and traps for throwing clay pigeons; cricket balls; cricket bats; croquet balls and mallets; curling stones; deck tennis rings, nets, and posts; golf bags (measuring 26 inches or more in length); golf balls; golf clubs (measuring 30 inches or more in length); lacrosse balls; lacrosse sticks; polo balls; polo mallets; skis; ski poles; snowshoes; snow toboggans and sleds (measuring more than 60 inches over all in length); squash balls; squash rackets (measuring 22 inches over all or more in length); squash racket frames (measuring 22 inches over all or more in length); squash racket string; table tennis tables, balls, nets, and paddles; tennis balls; tennis nets; tennis rackets (measuring 22 inches over all or more in length); tennis

racket frames (measuring 22 inches over all or more in length); tennis racket string; 15 per centum, except that on and after April 1, 1954, the rate shall be 10 per centum; fishing rods, creels, reels, and artificial lures, baits, and flies; 10 per centum."

SEC. 485. ELECTRIC, GAS, AND OIL APPLIANCES.

Section 3406 (a) (3) (relating to manufacturers' excise tax on electric, gas, and oil appliances) is hereby amended (1) by striking out "Electric direct motor-driven fans and air circulators;" and inserting in lieu thereof "Electric direct motor-driven fans and air circulators (not of the industrial type); and the following appliances of the household type:", (2) by striking out "electric heating pads and blankets" and inserting in lieu thereof "electric blankets, sheets, and spreads", and (3) by inserting after "juicers;" the following: "electric belt-driven fans; electric exhaust blowers; electric or gas clothes driers; electric door chimes; electric dehumidifiers; electric dishwashers; electric floor polishers and waxers; electric food choppers and grinders; electric hedge trimmers; electric ice cream freezers; electric mangles; electric motion or still picture projectors; electric pants pressers; electric garbage disposal units; and power lawn mowers;". 55 Stat. 716. 26 U. S. C. § 3406 (a) (3).

SEC. 486. ADJUSTMENTS OF TAX RATES ON PHOTOGRAPHIC APPARATUS AND FILM; REPEAL OF TAX ON CERTAIN ITEMS.

(a) ITEMS SUBJECT TO TAX.—Section 3406 (a) (4) (relating to the manufacturers' excise tax on photographic apparatus) is hereby amended to read as follows: 55 Stat. 716. 26 U. S. C. § 3406 (a) (4).

"(4) PHOTOGRAPHIC APPARATUS.—Cameras and camera lenses, and unexposed photographic film in rolls (including motion picture film), 20 per centum. The tax imposed under this paragraph shall not apply to X-ray cameras, to cameras weighing more than four pounds exclusive of lens and accessories, to still camera lenses having a focal length of more than one hundred and twenty millimeters, to motion picture camera lenses having a focal length of more than thirty millimeters, to X-ray film, to film more than one hundred and fifty feet in length, or to film more than twenty-five feet in length and more than thirty millimeters in width. Any person who acquires unexposed photographic film not subject to tax under this paragraph and sells such unexposed film in form and dimensions subject to tax hereunder (or in connection with a sale cuts such film to form and dimensions subject to tax hereunder) shall for the purposes of this subsection be considered the manufacturer of the film so sold by him."

(b) FLOOR STOCKS REFUNDS ON BULBS.—

(1) With respect to any photo-flash or other bulb upon which the tax imposed under section 3406 (a) (4) of the Internal Revenue Code has been paid, and which on the effective date specified in section 489 of this Act is held by any person and intended for sale, or for use in the manufacture or production of any article intended for sale, there shall be credited or refunded to the manufacturer or producer of such bulb (without interest), subject to such regulations as may be prescribed by the Secretary, an amount equal to so much of the tax so paid as has been paid by such manufacturer or producer to such person as reimbursement for the elimination on such effective date of the tax on such bulb, if claim for such credit or refund is filed with the Secretary prior to the expiration of three months after such effective date. No credit or refund shall be allowable under this paragraph for any bulb held by any person for sale which was purchased by such person as a component part of any other article. *Post*, p. 536.

(2) No person shall be entitled to credit or refund under paragraph (1) unless he has in his possession such evidence of the inventories with respect to which he has made the reimbursements described in paragraph (1) as the regulations under paragraph (1) shall prescribe.

55 Stat. 716.
26 U. S. C. § 3406 (a) (4).

(3) All provisions of law, including penalties, applicable with respect to the tax imposed under section 3406 (a) (4) of the Internal Revenue Code shall, insofar as applicable and not inconsistent with this subsection, be applicable in respect of the credits and refunds provided for in this subsection to the same extent as if such credits or refunds constituted credits or refunds of such taxes.

SEC. 487. IMPOSITION OF TAX ON MECHANICAL PENCILS, FOUNTAIN AND BALL POINT PENS, AND MECHANICAL LIGHTERS FOR CIGARETTES, CIGARS, AND PIPES.

53 Stat. 412.
26 U. S. C. § 3407.

Chapter 29 (relating to manufacturers' excise and import taxes) is hereby amended by adding after section 3407 the following new section:

"SEC. 3408. TAX ON MECHANICAL PENCILS, FOUNTAIN AND BALL POINT PENS, AND MECHANICAL LIGHTERS FOR CIGARETTES, CIGARS, AND PIPES.

"(a) IMPOSITION OF TAX.—There shall be imposed on the following articles, sold by the manufacturer, producer, or importer, a tax equal to 15 per centum of the price for which so sold: Mechanical pencils, fountain pens, and ball point pens; mechanical lighters for cigarettes, cigars, and pipes.

"(b) EXEMPTION IF ARTICLE TAXABLE AS JEWELRY.—No tax shall be imposed under this section on any article taxable under section 2400 (relating to jewelry tax). If any article, on the sale of which tax has been paid under this section, is further manufactured or processed resulting in an article taxable under section 2400, the person who sells such article at retail shall, in the computation of the retailers' excise tax due on such sale, be entitled to a credit or refund in an amount equal to the tax paid under this section."

55 Stat. 718.
26 U. S. C. § 2400.

SEC. 488. REPEAL OF TAX ON ELECTRICAL ENERGY.

(a) REPEAL OF TAX.—Section 3411 (relating to tax on electrical energy for domestic or commercial consumption), and sections 3441 (d) and 3447 (c) (related provisions), are hereby repealed.

53 Stat. 412, 416, 419.
26 U. S. C. §§ 3411, 3441 (d), 3447 (c).

(b) EFFECTIVE DATE.—

(1) Except as provided in paragraph (2), the provisions of subsection (a) shall apply to electrical energy sold on or after the first day of the first month which begins more than ten days after the date of the enactment of this Act.

(2) In the case of electrical energy sold which is billed to the customer for a period beginning before the effective date specified in paragraph (1) and ending on or after such date, the provisions of subsection (a) shall apply to that portion of the amount billed for the electrical energy sold during such period which the number of days in such period on and after such effective date bears to the total number of days in such period. This section shall not apply to electrical energy sold before such effective date for which a bill was rendered prior to such date.

SEC. 489. TAX ON GASOLINE.

55 Stat. 707.
26 U. S. C. § 3412 (a).

(a) INCREASE IN RATE.—Section 3412 (a) is hereby amended by striking out "1½ cents" and inserting in lieu thereof "2 cents" and by adding at the end thereof the following new sentence: "On and

after April 1, 1954, the tax imposed by this section shall be 1½ cents a gallon in lieu of 2 cents a gallon."

(b) FLOOR STOCKS TAX AND REFUND.—Section 3412 is hereby amended by adding at the end thereof the following new subsections: 53 Stat. 413. 26 U. S. C. § 3412. *Ante*, p. 536.

"(f) 1951 FLOOR STOCKS TAX.—On gasoline subject to tax under this section which, on the effective date of section 489 (a) of the Revenue Act of 1951, is held and intended for sale, there shall be levied, assessed, collected, and paid a floor stocks tax at the rate of ½ cent per gallon. The tax shall not apply to gasoline in retail stocks held at the place where intended to be sold at retail, nor to gasoline held for sale by a producer or importer of gasoline. The provisions of section 3443 shall be applicable to the floor stocks tax imposed by this subsection so as to entitle, subject to all the provisions of such section, (1) any manufacturer or producer to a refund or credit of such tax under subsection (a) (1) of such section, and (2) any person paying such floor stocks tax to a refund or credit thereof where gasoline is by such person or any other person used or resold for any of the purposes specified in subparagraphs (A) (i), (ii), and (iii) of subsection (a) (3) of such section. 53 Stat. 417. 26 U. S. C. § 3443. *Ante*, pp. 532, 533. *Ante*, p. 533.

"(g) FLOOR STOCKS REFUNDS ON GASOLINE.—

"(1) IN GENERAL.—With respect to any gasoline taxable under this section, upon which tax (including floor stocks tax) at the applicable rate has been paid, and which, on April 1, 1954, is held and intended for sale by any person, there shall be credited or refunded (without interest) to the producer or importer who paid the tax, subject to such regulations as may be prescribed by the Secretary, an amount equal to so much of the difference between the tax so paid and the amount of tax made applicable to such gasoline on and after April 1, 1954, as has been paid by such producer or importer to such person as reimbursement for the tax reduction on such gasoline, if claim for such credit or refund is filed with the Secretary prior to July 1, 1954. No credit or refund shall be allowable under this subsection with respect to gasoline in retail stocks held at the place where intended to be sold at retail, nor with respect to gasoline held for sale by a producer or importer of gasoline.

"(2) LIMITATION ON ELIGIBILITY FOR CREDIT OR REFUND.—No producer or importer shall be entitled to a credit or refund under paragraph (1) unless he has in his possession satisfactory evidence of the inventories with respect to which he has made the reimbursements described in such paragraph, and establishes to the satisfaction of the Secretary with respect to the quantity of gasoline as to which credit or refund is claimed under such paragraph, that on or after April 1, 1954, such quantity of gasoline was sold to the ultimate consumer at a price which reflected the amount of the tax reduction.

"(3) PENALTY AND ADMINISTRATIVE PROCEDURES.—All provisions of law, including penalties, applicable in respect of the tax imposed under this section shall, insofar as applicable and not inconsistent with this subsection, be applicable in respect of the credits and refunds provided for in this subsection to the same extent as if such credits or refunds constituted credits or refunds of such taxes."

SEC. 490. EFFECTIVE DATE OF PART VIII.

Except as otherwise expressly provided in this part, the amendments made by this part shall take effect on the first day of the first month which begins more than 10 days after the date of the enactment of this Act.

Part IX—Miscellaneous Excise Tax Amendments

SEC. 491. REDUCTION OF TAX ON TELEGRAPH DISPATCHES.

58 Stat. 61.
26 U. S. C. § 1650
Ante, p. 527.

(a) REDUCTION OF TAX.—The table contained in section 1650 (relating to the war tax rates of certain miscellaneous taxes) is hereby amended by striking out the following:

"3465 (a) (1) (B) (insofar as it relates to domestic telegraph, cable, and radio dispatches).	Domestic Telegraph, Cable, or Radio Dispatches.	15 per centum	25 per centum."

(b) EFFECTIVE DATE.—Subject to the provisions of subsection (c), the amendments made by this section shall apply with respect to amounts paid on or after the rate reduction date (as defined in subsection (d)) for services rendered on or after such date.

(c) AMOUNTS PAID PURSUANT TO BILLS RENDERED.—The amendments made by this section shall not apply with respect to amounts paid pursuant to bills rendered prior to the rate reduction date. In the case of amounts paid pursuant to bills rendered on or after the rate reduction date for services for which no previous bill was rendered, the amendments made by this section shall apply except with respect to such services as were rendered more than 2 months before such date. In the case of services rendered more than 2 months before such date the provisions of sections 1650 and 3465 of the Internal Revenue Code in effect at the time such services were rendered shall be applicable to the amounts paid for such services.

Supra.
53 Stat. 422.
26 U. S. C. § 3465.

(d) RATE REDUCTION DATE.—For the purposes of this section the term "rate reduction date" means the first day of the first month which begins more than 10 days after the date of the enactment of this Act.

SEC. 492. EXEMPTION OF CERTAIN OVERSEAS TELEPHONE CALLS FROM THE TAX ON TELEPHONE FACILITIES.

55 Stat. 714.
26 U. S. C. § 3466.

(a) TELEPHONE CALLS FROM MEMBERS OF ARMED FORCES IN COMBAT ZONES.—Section 3466 is amended by redesignating subsection (c) thereof as subsection "(d)" and by inserting after subsection (b) the following new subsection:

55 Stat. 714.
26 U. S. C. § 3465 (a).

"(c) No tax shall be imposed under section 3465 (a) (1) (A) upon any payment received for any telephone or radio telephone message which originates within a combat zone, as defined in section 22 (b) (13), from a member of the Armed Forces of the United States performing service in such combat zone, as determined under such section, provided a certificate, setting forth such facts as the Secretary may by regulations prescribe, is furnished to the person receiving such payment."

Ante, p. 484.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to amounts paid on or after the first day of the first month which begins more than 10 days after the date of enactment of this Act for telephone or radio telephone messages made on or after such date.

SEC. 493. EXEMPTION OF FISHING TRIPS FROM TAX ON TRANSPORTATION.

55 Stat. 721.
26 U. S. C. § 3469 (b).

(a) EXEMPTION.—Section 3469 (b) (relating to exemption of certain trips from the tax of transportation of persons) is hereby amended by striking out "or to amounts" and inserting in lieu thereof "to amounts", and by inserting after the words "one month or less" the following ", or to amounts paid for transportation by boat for the purpose of fishing from such boat".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to amounts paid on or after the first day of the first month which begins more than 10 days after the date of the enactment of this Act for transportation on or after such first day.

SEC. 494. TAX ON TRANSPORTATION OF PERSONS.

(a) EXEMPTION OF CERTAIN FOREIGN TRAVEL.—Section 3469 (a) of the Internal Revenue Code (relating to tax on transportation of persons) is hereby amended by striking out the third sentence and inserting in lieu of such sentence the following: "In the case of transportation by water on a vessel which makes one or more intermediate stops at ports within the United States, Canada, or Mexico on a voyage which begins or ends in the United States and ends or begins outside the northern portion of the Western Hemisphere, no part of such transportation shall be considered for the purposes of the preceding sentence to be from any port within the United States, Canada, or Mexico to any other such port if the vessel in stopping at any such intermediate port is not authorized both to discharge and to take on passengers. A port or station within Newfoundland shall not, for the purposes of the preceding two sentences, be considered as a port or station within Canada."

55 Stat. 721.
26 U. S. C. § 3469 (a).

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to amounts paid on or after the first day of the first month which begins more than ten days after the date of the enactment of this Act for transportation on or after such first day.

SEC. 495. TRANSPORTATION OF MATERIAL EXCAVATED IN THE COURSE OF CONSTRUCTION WORK.

(a) AMENDMENT OF SECTION 3475.—Section 3475 (relating to tax on transportation of property) is hereby amended by adding at the end thereof the following: "The tax imposed by this section shall not apply to the transportation of earth, rock, or other material excavated within the boundaries of, and in the course of, a construction project and transported to any place within, or adjacent to, the boundaries of such project." The determination as to the applicability of the tax imposed by section 3475 in the case of the transportation of any excavated material, other than transportation to which the amendment made by this subsection applies, shall be made as if this subsection had not been enacted and without inferences drawn from the fact that the amendment made by this subsection is not expressly applicable to the transportation of such other excavated material.

56 Stat. 979.
26 U. S. C. § 3475.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to amounts paid on or after the first day of the first month which begins more than ten days after the date of enactment of this Act for transportation on or after such first day.

SEC. 496. ARTICLES FROM FOREIGN TRADE ZONES.

(a) IMPORTED ARTICLES.—Upon all articles specified in section 2000 (c) (2), 2800 (a), 3030 (a), or 3150 (a) of the Internal Revenue Code on which the internal revenue taxes imposed by law have been determined, pursuant to section 3 of the Act of June 18, 1934, as amended (U. S. C., title 19, sec. 81c), prior to the effective date of the rates of tax imposed on such articles by this Act, and which on or after such effective date are brought from foreign trade zones into customs territory of the United States, there shall be levied, assessed, collected, and paid on such articles, in addition to the tax so determined, an additional tax at rates equal to the increases in rates of tax made applicable to such articles by this Act. The tax imposed by this subsection shall be collected, paid, and accounted for at the same time and in the same manner as tax on such article is collected, paid, and accounted for when brought from the foreign trade zone into the customs territory.

Ante, pp. 521, 524–526.

48 Stat. 999.

(b) PREVIOUSLY TAXPAID ARTICLES.—Upon all taxpaid articles specified in section 2000 (c) (2), 2800 (a), 3030 (a), or 3150 (a) of the Internal Revenue Code which have been taken into foreign trade

zones from the customs territory of the United States and placed under the supervision of the collector of customs, pursuant to the second proviso of section 3 of the Act of June 18, 1934, as amended (U. S. C., title 19, sec. 81c), prior to the effective date of the rates of tax imposed on such articles by this Act, and which on or after such effective date are (without loss of identity) returned from foreign trade zones to customs territory of the United States, there shall be levied, assessed, collected, and paid on such articles an additional tax at rates equal to the increases in rates of tax made applicable to such articles by this Act. The tax imposed by this subsection on any article shall be collected, paid, and accounted for at the same time and in the same manner as if such article had been taken into the foreign trade zone free of tax.

48 Stat. 999.

SEC. 497. REFUNDS ON ARTICLES FROM FOREIGN TRADE ZONES.

(a) IMPORTED ARTICLES.—With respect to any article specified in section 2000 (c) (2), 2800 (a), 3030 (a), or 3150 (a) of the Internal Revenue Code on which internal revenue tax at the applicable rate prescribed in such section has been determined pursuant to section 3 of the Act of June 18, 1934, as amended (U. S. C., title 19, sec. 81c), prior to April 1, 1954, and which on or after such date is brought from a foreign trade zone into customs territory of the United States and the tax so determined thereon paid, there shall be credited or refunded (without interest) to the taxpayer, subject to such regulations as may be prescribed by the Secretary, an amount equal to the difference between the tax so paid and the amount of tax made applicable to such articles on and after April 1, 1954, if claim for such credit or refund is filed with the Secretary within thirty days after payment of the tax.

Ante, pp. 521, 524–526.

48 Stat. 999.

(b) PREVIOUSLY TAXPAID ARTICLES.—With respect to any article specified in section 2000 (c) (2), 2800 (a), 3030 (a), or 3150 (a) of the Internal Revenue Code, upon which internal revenue tax (including floor stocks tax) at the applicable rate prescribed in such section has been paid, and which was taken into a foreign trade zone from the customs territory of the United States and placed under the supervision of the collector of customs, pursuant to the second proviso of section 3 of the Act of June 18, 1934, as amended (U. S. C., title 19, sec. 81c), prior to April 1, 1954, and which on or after such date is (without loss of identity) returned from a foreign trade zone to customs territory of the United States, there shall be credited or refunded (without interest) to the person so returning such article, subject to such regulations as may be prescribed by the Secretary, an amount equal to the difference between the tax so paid and the amount of tax made applicable to such articles on and after April 1, 1954, if claim for such credit or refund is filed with the Secretary within thirty days after the return of the article to customs territory.

SEC. 498. TAX REFUNDS ON SPIRITS LOST IN FLOODS OF 1951.

(a) AUTHORIZATION.—The Secretary of the Treasury is authorized and directed to make refund, or allow credit in the case of a distiller or rectifier if he so elects, in the amount of the internal-revenue tax and customs duties paid on spirits previously withdrawn, and lost, or rendered unmarketable, by reason of the floods of 1951 while such spirits were in the possession of (1) the person originally paying such tax or such tax and duty on such spirits, (2) a rectifier for rectification or for bottling, or which have been used in the process of rectification, under Government supervision as provided by law and regulations, or (3) a wholesale or retail liquor dealer, all hereafter referred to as the possessor or possessors. The refunds and credits authorized by this section may be made to (1) any of the possessors, except a retail liquor

dealer, or (2) to any distiller, rectifier, importer, or wholesale liquor dealer who replaced for the possessor the full equivalent of the distilled spirits so destroyed or rendered unmarketable, without compensation, remuneration, payment, or credit of any kind in respect of the tax, or tax and duty on such distilled spirits. A claim for the amount of such tax, or such tax and duty, shall be filed with the Secretary of the Treasury within ninety days from the date of enactment of this Act. The claimant shall furnish proof to the Secretary's satisfaction that (1) the internal-revenue tax on such spirits, or the tax and duty if imported, was fully paid, (2) such spirits were lost, or rendered unmarketable, by reason of damage sustained as the result of the aforesaid flood conditions, (3) claimant was not indemnified by any valid claim of insurance or otherwise against loss of the tax (or tax and duty if imported) paid on the spirits, and (4) in those cases where applicable, that the claimant has replaced for the possessor the full equivalent of the distilled spirits so destroyed or rendered unmarketable, without compensation, remuneration, payment, or credit of any kind in respect of the tax, or tax and duty, on such distilled spirits.

(b) DESTRUCTION OF SPIRITS.—When the Secretary, pursuant to this section, makes refund, or allows credit, in the amount of the tax, or tax and duty, on spirits rendered unmarketable, such spirits shall be destroyed under the supervision of the Secretary.

(c) CREDIT.—Where credit is allowed to a distiller or rectifier for the internal-revenue tax previously paid as aforesaid, the Secretary is authorized and directed to provide for the issuance of stamps to cover the tax on spirits subsequently withdrawn or rectified to the extent of the credit so allowed.

(d) REGULATIONS.—The Secretary is authorized to make such rules and regulations as may be necessary to carry out the provisions of this section.

TITLE V—EXCESS PROFITS TAX

SEC. 501. MAXIMUM TAX FOR NEW CORPORATIONS.

Section 430 (relating to impositon of tax) is hereby amended as follows:

64 Stat. 1137.
26 U. S. C. § 430.
Ante, p. 473.

(1) By adding at the end of subsection (a) thereof, as amended by section 121 of this Act, the following:

Ante, p. 466.

"(3) in the case of a corporation for which an amount is determined for the taxable year under subsection (e), the amount determined under such subsection."

(2) By redesignating subsection (e) as subsection (f); and

(3) By inserting after subsection (d) the following new subsection:

"(e) NEW CORPORATIONS.—

"(1) ALTERNATIVE AMOUNT.—In the case of a taxpayer which commenced business after July 1, 1945, and whose fifth taxable year ends after June 30, 1950, the amount referred to in subsection (a) (3) shall be—

Supra.

"(A) If the taxable year is the first or second taxable year of the taxpayer, an amount equal to 5 per centum of the excess profits net income for the taxable year, except that if the excess profits net income exceeds $300,000, the amount shall be the sum of $15,000 plus the amount determined under subparagraph (E) of this paragraph.

"(B) If the taxable year is the third taxable year of the taxpayer, an amount equal to 8 per centum of the excess profits net income for the taxable year, except that if the excess profits net income exceeds $300,000, the amount shall

be the sum of $24,000 plus the amount determined under subparagraph (E) of this paragraph.

"(C) If the taxable year is the fourth taxable year of the taxpayer, an amount equal to 11 per centum of the excess profits net income for the taxable year, except that if the excess profits net income exceeds $300,000, the amount shall be the sum of $33,000 plus the amount determined under subparagraph (E) of this paragraph.

"(D) If the taxable year is the fifth taxable year of the taxpayer, an amount equal to 14 per centum of the excess profits net income for the taxable year, except that if the excess profits net income exceeds $300,000, the amount shall be the sum of $42,000 plus the amount determined under subparagraph (E) of this paragraph.

"(E) The amount determined under this subparagraph shall be—

"(i) if the taxable year ends before April 1, 1951, an amount equal to 15 per centum of the excess of the excess profits net income for the taxable year over $300,000.

"(ii) if the taxable year begins on January 1, 1951, and ends on December 31, 1951, an amount equal to 17¼ per centum of the excess of the excess profits net income for the taxable year over $300,000.

"(iii) if the taxable year (other than a taxable year described in clause (ii)) ends after March 31, 1951, an amount equal to 18 per centum of the excess of the excess profits net income for the taxable year over $300,000.

"(2) FIRST FIVE TAXABLE YEARS.—For the purpose of this subsection—

"(A) The taxable year in which the taxpayer commenced business and the first, second, third, and fourth succeeding taxable years shall be considered its first, second, third, fourth, and fifth taxable years, respectively.

"(B) The taxpayer shall be considered to have been in existence and to have had taxable years for any period during which it or any corporation described in any clause of this subparagraph was in existence, and the taxpayer shall be considered to have commenced business on the earliest date on which it or any such corporation commenced business:

"(i) Any corporation which during or prior to the taxable year was a party with the taxpayer to a transaction described in section 445 (g) (2) (A), (B), or (C), determined as if the date 'July 1, 1945' were substituted for the date 'December 1, 1950' in section 445 (g) (2) (C).

64 Stat. 1169.
26 U. S. C. § 445 (g).

"(ii) Any corporation if a group of not more than four persons who control the taxpayer at any time during the taxable year also controlled such corporation at any time during the period beginning twelve months preceding their acquisition of control of the taxpayer and ending with the close of the taxable year; but only if at any time during such period (and while such persons controlled such corporation) such corporation was engaged in a trade or business substantially similar to the trade or business of the taxpayer during the taxable year. For the purpose of this clause, the term 'control' means the ownership of more than 50 per centum of the total combined voting power of all classes of stock entitled to vote, or more than 50 per centum of the total value of shares of all classes of stock. A person shall not be considered a

member of the group referred to in this clause unless during the period referred to in this clause he owns stock in such corporation at a time when the members of the group control such corporation and he owns stock in the taxpayer at a time when the members of the group control the taxpayer. For the purpose of this clause, the ownership of stock shall be determined in accordance with the provisions of section 503, except that constructive ownership under section 503 (a) (2) shall be determined only with respect to the individual's spouse and minor children.

53 Stat. 106.
26 U. S. C. § 503.

"(iii) In case the taxpayer during or prior to the taxable year was a purchasing corporation (as defined in part IV), the selling corporation (as defined in such part) whose properties were acquired in the part IV transaction; but this clause shall not apply unless for the taxable year or for any preceding taxable year the conditions of paragraphs (1), (2), and (3) of section 474 (c) were satisfied with respect to such transaction.

Post, p. 558.

Post, p. 558.

"(iv) Any corporation which, under regulations prescribed by the Secretary, is determined by one or more additional applications of clauses (i) to (iii) to stand indirectly in the same relation to the taxpayer as though such corporation were described in any such clause.

If as of the beginning of December 1, 1950, the adjusted basis for determining gain upon sale or exchange of the aggregate assets theretofore acquired by the taxpayer in transactions described in clauses (i) and (iii) (or acquired in the ordinary course of business in replacement of such assets) and held by it at such time constituted less than 20 per centum of the adjusted basis for determining gain upon sale or exchange of its total assets held at such time, then transactions described in such clauses occurring prior to such date shall be disregarded in determining the date as of which the taxpayer shall be considered to have commenced business.

"(3) LIMITATION.—The provisions of paragraph (1) of this subsection shall not apply to a taxpayer which derives more than 50 per centum of its gross income (determined without regard to dividends and without regard to gains from sales or exchanges of capital assets) for the taxable year from contracts and subcontracts to which the provisions of title I of the Renegotiation Act of 1951 (or the provisions of any prior renegotiation act) are applicable."

Ante, p. 7.

SEC. 502. PAYMENTS FROM FOREIGN SOURCES FOR TECHNICAL ASSISTANCE, ETC.

(a) AMENDMENT OF SECTION 433 (a) (1).—Section 433 (a) (1) (relating to excess profits net income for taxable years ending after June 30, 1950) is hereby amended by adding at the end thereof the following new subparagraph:

64 Stat. 1139.
26 U. S. C. § 433 (a) (1).
Ante, p. 508.
Post, p. 549.

"(R) Payments From Foreign Sources for Technical Assistance, Etc.—In the case of a domestic corporation which renders to a related foreign corporation technical assistance, engineering services, scientific assistance, or similar services (such services or assistance being related to the production or improvement of products of the type manufactured by such domestic corporation), there shall be excluded the remuneration for such services or assistance if such remuneration constitutes income derived from sources without the United

States. Any deductions in connection with or properly allocable to the rendering of such services or assistance shall not be allowed. For the purpose of this subparagraph, a foreign corporation shall be considered to be a 'related foreign corporation' if the domestic corporation at the time it renders such services or assistance owns 10 per centum or more of the outstanding stock of such foreign corporation."

64 Stat. 1144.
26 U. S. C. § 433 (b).
Post, p. 549.

(b) AMENDMENT OF SECTION 433 (b).—Section 433 (b) (relating to taxable years in base period) is hereby amended by adding at the end thereof the following new paragraph:

"(16) PAYMENTS FROM FOREIGN SOURCES FOR TECHNICAL ASSISTANCE, ETC.—In the case of a domestic corporation which rendered to a related foreign corporation technical assistance, engineering services, scientific assistance, or similar services (such services or assistance being related to the production or improvement of products of the type manufactured by such domestic corporation), there shall be excluded the remuneration for such services or assistance if such remuneration constituted income derived from sources without the United States. Any deductions in connection with or properly allocable to the rendering of such services or assistance shall not be allowed. For the purpose of this paragraph, a foreign corporation shall be considered to be a 'related foreign corporation' if the domestic corporation at the time it rendered such services or assistance owned 10 per centum or more of the outstanding stock of such foreign corporation."

SEC. 503. AVERAGE BASE PERIOD NET INCOME IN CASE OF CERTAIN FISCAL YEAR TAXPAYERS.

64 Stat. 1149.
26 U. S. C. § 435 (d).

Section 435 (d) (relating to the general average method for the computation of average base period net income) is hereby amended by adding at the end thereof the following: "For the purpose of the computations under this subsection in the case of a taxpayer whose first taxable year under this subchapter is a taxable year which either began before January 1, 1950, or was preceded by a taxable year beginning before January 1, 1950, and ending after March 31, 1950, there shall be substituted for the base period of the taxpayer the period of 48 consecutive months ending March 31, 1950, if such substitution produces a lesser tax under this subchapter for the taxable year for which the tax is being computed. In computing the average base period net income for such substituted period, the excess profits net income for January, February, and March of 1950 shall be computed by use of the 'weighted excess profits net income', as defined in section 435 (e) (2) (E), for the taxable year in which such months fall."

SEC. 504. AVERAGE BASE PERIOD NET INCOME—ALTERNATIVE BASED ON GROWTH IN CASE OF NEW CORPORATIONS.

64 Stat. 1149.
26 U. S. C. § 435 (e) (1).

(a) GENERAL RULE.—Section 435 (e) (1) (relating to the alternative based on growth) is hereby amended by striking out the phrase "the beginning of its base period" and inserting in lieu thereof the following: "the end of its base period."

64 Stat. 1195.
26 U. S. C. § 462 (c).

(b) AMENDMENT OF PART II.—Section 462 (c) (relating to the use by an acquiring corporation in a Part II transaction of an alternative average base period net income based on growth) is hereby amended as follows:

(1) By amending paragraph (1) thereof to read as follows:

64 Stat. 1191.
26 U. S. C. § 461 (a).

"(1) In the case of a transaction described in section 461 (a), other than a transaction described in section 461 (a) (1) (E),—

"(A) The acquiring corporation shall not be denied the right to determine whether it is eligible for the benefits of section 435 (e) without reference to the recomputation of its

64 Stat. 1149.
26 U. S. C. § 435 (e).

excess profits net income provided for in section 462 (b) where the transaction occurred on or after July 1, 1950, but it shall be denied such right where the transaction occurred prior to July 1, 1950. 64 Stat. 1194. 26 U. S. C. § 462 (b).

"(B) Where, immediately prior to the date of the transaction, the acquiring corporation and all the component corporations (other than a corporation created incident to such transaction) met the requirements of section 435 (e) (1) (A) (i), and, in case the transaction occurred on or after July 1, 1950, had commenced business prior to the beginning of its base period (determined without reference to section 461 (d)), the acquiring corporation shall be entitled to compute its average base period net income under section 435 (e) with reference to the recomputation of its excess profits net income provided for in section 462 (b) if the tests of section 435 (e) are satisfied. For that purpose, the acquiring corporation shall combine with its total payroll and its total gross receipts for that portion of its base period which preceded such transaction the total payroll and total gross receipts of such component corporations for that portion of such period and it shall combine with its net sales for that portion of the period prior to January 1, 1951, which preceded such transaction the net sales of such component corporations for that portion of such period. The allocation of payroll and gross receipts amounts of a component corporation to any such portion of such period shall be made in accordance with the rules provided in section 435 (e) (4) and (5). For purposes of qualifying under section 435 (e) (1) (A) (i) (relating to total assets of the taxpayer), such acquiring corporation shall combine its total assets on the date specified in section 435 (e) (1) (A) (i) with the total assets of each component corporation on such date. The Secretary shall prescribe by regulations such rules as may be necessary to insure that such combined total gross receipts do not reflect a duplication for purposes of this section. 64 Stat. 1149. 26 U. S. C. § 435 (e). 64 Stat. 1193. 26 U. S. C. § 461 (d).

"(C) Where, immediately prior to the date of the transaction, either the acquiring corporation or one or more component corporations (other than a corporation created incident to such transaction) did not meet the requirements of section 435 (e) (1) (A) (i), or, in case the transaction occurred on or after July 1, 1950, had not commenced business prior to the beginning of its base period (determined without reference to section 461 (d)), the acquiring corporation shall not be entitled to compute its average base period net income under section 435 (e) with reference to the recomputation of its excess profits net income provided for in section 462 (b). In any such case, where the transaction occurred on or after July 1, 1950, the monthly excess profits net income of the corporation entitled to the benefits of section 435 (e) for any month of the acquiring corporation's base period shall be, for purposes of the recomputation provided for in section 462 (b), one-twelfth of the average base period net income to which such corporation was entitled under section 435 (e), and such monthly excess profits net income shall be in lieu of the monthly excess profits net income determined under paragraphs (1) and (2) of section 462 (b)."

(2) By striking from the second sentence of paragraph (2) thereof the words: "had commenced business prior to the begin- 64 Stat. 1196. 26 U. S. C. § 462 (c) (2).

64 Stat. 1193.
26 U. S. C. § 461 (d).

ning of its base period (determined without reference to section 461 (d)) and".

(3) By striking from paragraph (3) thereof the words "which had commenced business prior to the beginning of its base period" and by inserting in lieu thereof the following: "which had commenced business prior to the end of its base period".

SEC. 505. AVERAGE BASE PERIOD NET INCOME—ALTERNATIVE BASED ON GROWTH.

64 Stat. 1149.
26 U. S. C. § 435 (e).

Section 435 (e) (2) (G) (relating to the alternative based on growth) is hereby amended by striking out the word "only".

SEC. 506. ADJUSTMENTS FOR CHANGES IN INADMISSIBLE ASSETS IN CASE OF BANKS.

64 Stat. 1153.
26 U. S. C. § 435 (g).

(a) AMENDMENT OF SECTION 435 (g).—Section 435 (g) (relating to net capital addition or reduction) is hereby amended by redesignating paragraph (8) as paragraph (11) and by adding after paragraph (7) the following new paragraph:

Ante, p. 491.

"(8) ADJUSTMENTS FOR CHANGES IN INADMISSIBLE ASSETS IN CASE OF BANKS.—In the case of a bank (as defined in section 104)—

"(A) If the increase in total assets for the taxable year exceeds the net capital addition computed without regard to the adjustment under paragraph (1) for an increase in inadmissible assets, then the net capital addition for the taxable year shall not be less than the excess of—

"(i) the amount determined under the first sentence of paragraph (1) over

"(ii) an amount which bears the same ratio to the increase in inadmissible assets for the taxable year, determined under paragraph (5), as the amount computed under such first sentence bears to the increase in total assets for the taxable year.

"(B) If the decrease in total assets for the taxable year exceeds the net capital reduction computed without regard to the adjustment under paragraph (2) for a decrease in inadmissible assets, then the net capital reduction for the taxable year shall not be less than the excess of—

"(i) the amount determined under the first sentence of paragraph (2) over

"(ii) an amount which bears the same ratio to the decrease in inadmissible assets for the taxable year, determined under paragraph (5), as the amount computed under such first sentence bears to the decrease in total assets for the taxable year.

For the purpose of this paragraph, the increase or decrease in total assets for the taxable year shall be computed in the same manner as the increase or decrease in inadmissible assets for the taxable year is computed under paragraph (5), except that such computations shall be made with respect to all assets, whether admissible or inadmissible assets as defined in section 440."

64 Stat. 1161.
26 U. S. C. § 440.
Ante, p. 502.
Post, p. 549.
64 Stat. 1159.
26 U. S. C. § 438.

(b) AMENDMENT OF SECTION 438.—Section 438 (relating to new capital credit changes) is hereby amended by adding after subsection (f) the following new subsection:

Ante, p. 491.

"(g) ADJUSTMENTS FOR INADMISSIBLE ASSETS IN CASE OF BANKS.—In the case of a bank (as defined in section 104), if the increase in total assets for the taxable year (determined in the manner provided in the last sentence of section 435 (g) (8)) exceeds the net new capital addition computed without regard to the adjustment under subsection (b)

Supra.

for an increase in inadmissible assets, then the net new capital addition for the taxable year shall not be less than the excess of the amount determined under the first sentence of subsection (b) over an amount which bears the same ratio to the increase in inadmissible assets for the taxable year, determined under section 435 (g) (5), as the amount computed under such first sentence bears to such increase in total assets for the taxable year."

64 Stat. 1159.
26 U. S. C. § 438 (b).

(c) AMENDMENT OF SECTION 435 (f).—Section 435 (f) (relating to capital additions in base period) is hereby amended as follows:

64 Stat. 1152.
26 U. S. C. § 435 (f).

(1) By inserting immediately after the word "reduced" in paragraph (1) thereof the following: "(but not below zero)".

(2) By adding at the end of paragraph (1) thereof the following:

"For special rule in the case of banks, see paragraph (6)."

(3) By renumbering paragraph (6) as paragraph (7), and by adding immediately after paragraph (5) the following new paragraph:

"(6) YEARLY BASE PERIOD CAPITAL OF BANKS.—In the case of a bank (as defined in section 104), the yearly base period capital for any taxable year shall be determined as follows:

Ante, p. 491.

"(A) A tentative yearly base period capital shall be computed under paragraph (1) without regard to paragraph (1) (A).

"(B) The tentative yearly base period capital so determined shall be reduced by the amount determined under section 440 (b) (relating to inadmissible assets). For the purpose of this subparagraph, the computation under section 440 (b) shall include only the daily amounts (described in such section) for the first day of such taxable year."

64 Stat. 1161.
26 U. S. C. § 440 (b).

(d) EFFECTIVE DATE OF SUBSECTION (c) (3).—The amendment made by subsection (c) (3) (adding a new paragraph (6) to section 435 (f)) shall be applicable with respect to taxable years beginning on or after the date of the enactment of this Act, and, at the election of the taxpayer made in accordance with regulations prescribed by the Secretary, shall be applicable to all taxable years ending after June 30, 1950.

Supra.

SEC. 507. DECREASE IN INADMISSIBLE ASSETS.

Section 435 (g) (relating to net capital addition or reduction) is hereby amended as follows:

64 Stat. 1153.
26 U. S. C. § 435 (g).
Ante, p. 546.

(a) By adding at the end of paragraph (1) thereof the following: "For further adjustment with respect to the amount determined under the preceding provisions of this paragraph, see paragraph (9)."

Infra.

(b) By adding immediately after paragraph (8), as added by section 506 of this Act, the following new paragraphs:

Ante, p. 546.

"(9) DECREASE IN INADMISSIBLE ASSETS.—

"(A) Except as otherwise provided in subparagraph (B) (relating to banks), the excess of the amount computed under paragraph (2) (A) or (B), whichever is applicable to the taxpayer (whether or not any amount is determined under the first sentence of paragraph (2)), over the amount, if any, computed under the first sentence of paragraph (2) shall be considered the net capital addition for the taxable year or shall be added to the net capital addition otherwise determined under paragraph (1), as the case may be. The amount of the excess so determined shall be subject to the exceptions and limitations provided in paragraph (10).

Post, p. 548.

Ante, p. 491.

"(B) In the case of a bank (as defined in section 104), the computation under subparagraph (A) shall be made by substituting for the amount computed under paragraph (2) (A) or (B) whichever of the following amounts is the lesser:

"(i) An amount which bears the same ratio to the decrease in inadmissible assets as the sum of the equity capital (as defined in section 437 (c)) and the daily borrowed capital (as defined in section 439 (b)), each determined as of the first day of the first taxable year ending after June 30, 1950, bears to the total assets as of the beginning of such day;

64 Stat. 1157.
26 U. S. C. § 437 (c).
64 Stat. 1161.
26 U. S. C. § 439 (b).

"(ii) If paragraph (8) (B) is applicable, the amount computed under paragraph (8) (B) (ii).

Ante, p. 546.

"(10) EXCEPTIONS AND LIMITATIONS FOR THE PURPOSE OF PARAGRAPH (9).—For the purpose of paragraph (9)—

Ante, p. 547.

"(A) The adjustment to the decrease in inadmissible assets required under subparagraph (B) of paragraph (2) shall not be greater than 25 per centum of the excess of the net capital reduction computed under the first sentence of paragraph (2) (and computed without regard to the percentage limitations in paragraph (4) (C) and (E)) over the net capital reduction computed under such sentence without regard to paragraph (4) (C) and (E).

64 Stat. 1154.
26 U. S. C. § 435 (g) (2).

"(B) The amount determined under paragraph (9) shall not be greater than the excess of the increase in operating assets for the taxable year over the net capital addition (determined without regard to paragraph (9) and determined without regard to the limitation to 75 per centum provided in paragraph (3) (C) and paragraph (4) (C) and (E)). For the purpose of the preceding sentence, the increase in operating assets for the taxable year shall be determined in the same manner as the increase in inadmissible assets for the taxable year is determined under paragraph (5). For the purpose of such determination, the term 'operating assets' means—

"(i) property used in the taxpayer's trade or business within the meaning of section 117 (j) (1) except that such property need not be held more than six months, and

Ante, p. 500.

"(ii) stock in trade or other property of a kind which would properly be includible in the inventory of the taxpayer if owned at the close of the taxable year, and property held by the taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or business,

except any such assets which constitute inadmissible assets, stock, securities, or intangible property (such intangible property not being limited to the property described in section 441 (i)).

64 Stat. 1163.
26 U. S. C. § 441 (i).
Ante, p. 547.

"(C) The amount determined under paragraph (9) shall be subject to reduction to the extent that the Secretary determines that the increase in operating assets is a result, directly or indirectly, of an increase in indebtedness of the taxpayer (other than indebtedness which constitutes borrowed capital)."

SEC. 508. ELECTION WITH RESPECT TO CERTAIN INADMISSIBLE ASSETS.

(a) AMENDMENT OF SECTION 440.—Section 440 (relating to admissible and inadmissible assets) is hereby amended by adding at the end thereof the following new subsection: 64 Stat. 1161. 26 U. S. C. § 440. *Ante*, p. 502.

"(c) TREATMENT OF GOVERNMENT OBLIGATIONS AS ADMISSIBLE ASSETS.—If the taxpayer elects for any taxable year, in accordance with regulations prescribed by the Secretary, to increase its excess profits net income by an amount equal to the amount by which the interest received or accrued during the taxable year on Government obligations exceeds the sum of—

"(1) the amount of interest paid or accrued during such year which is not allowed as a deduction under section 23 (b), and 53 Stat. 12. 26 U. S. C. § 23 (b).

"(2) the amount of the adjustments required for the taxable year under section 22 (o) (relating to adjustment for certain bond premiums), but not in excess of the amount of interest received or accrued during the taxable year on Government obligations to which such section is applicable, 53 Stat. 14. 26 U. S. C. § 22 (o).

then for the taxable year for which the election is made the term 'admissible assets' shall include Government obligations, and the term 'inadmissible assets' shall not include Government obligations. For the purpose of applying section 435 to the taxable year for which the election is made, Government obligations shall not be considered 'inadmissible assets' in determining original inadmissible assets or yearly base period capital. As used in this subsection the term 'Government obligations' means obligations described in section 22 (b) (4) any part of the interest from which is excludible from gross income or allowable as a credit against net income; but such term shall include only such obligations as in the hands of the taxpayer are property described in section 117 (a) (1) (A). For the purpose of determining the excess profits credit for a taxable year for which the election is made, the excess profits net income under section 433 (b) for any taxable year shall include the amount by which the interest received or accrued during such taxable year on Government obligations exceeds the amount of interest paid or accrued during such year which is not allowed as a deduction under section 23 (b) and, if the taxable year ends after June 30, 1950, the amount with respect to such year described in paragraph (2)." 64 Stat. 1148. 26 U. S. C. § 435. *Ante*, pp. 544-548. *Post*, pp. 551, 560, 563. 53 Stat. 10. 26 U. S. C. § 22 (b) (4). 64 Stat. 932. 26 U. S. C. § 117 (a). *Ante*, p. 500. 64 Stat. 1139. 26 U. S. C. § 433 (b). *Ante*, p. 544; *infra*. 53 Stat. 12. 26 U. S. C. § 23 (b).

(b) AMENDMENT OF SECTION 433 (a) (1).—Section 433 (a) (relating to adjustments in excess profits net income for the taxable year) is hereby amended by adding the following new subparagraph at the end thereof: 64 Stat. 1139. 26 U. S. C. § 433 (a). *Ante*, pp. 508, 543.

"(S) Interest on Certain Government Obligations.—For adjustment in the case of a taxpayer making an election provided in section 440 (c), relating to dealers in certain Government obligations, see section 440 (c)." *Supra.*

(c) AMENDMENT OF SECTION 433 (b).—Section 433 (b) (relating to adjustments in excess profits net income for taxable years in base period) is hereby amended by adding at the end thereof the following new paragraph: *Ante*, p. 544.

"(17) INTEREST ON CERTAIN GOVERNMENT OBLIGATIONS.—For adjustment in the case of a taxpayer making an election provided in section 440 (c), relating to dealers in certain Government obligations, see section 440 (c)." *Supra.*

SEC. 509. ALTERNATIVE AVERAGE BASE PERIOD NET INCOME.

(a) AMENDMENT OF SECTION 442.—Section 442 (relating to abnormalities during the base period) is hereby amended as follows: 64 Stat. 1163. 26 U. S. C. § 442.

(1) By inserting at the end of subsection (a) thereof the following:

"If such taxpayer is also entitled to the benefits of subsection (h), the taxpayer's average base period net income determined under this section shall be the amount computed under subsection (c) or (d), whichever is applicable to the taxpayer, or the amount computed under subsection (h), whichever results in the lesser tax under this subchapter for the taxable year. In the case of any other taxpayer entitled to the benefits of subsection (h), the taxpayer's average base period net income determined under this section shall be the amount computed under subsection (h)."

(2) By striking out "determined under this section" in subsections (c) and (d) thereof each place it occurs and inserting in lieu thereof the following: "computed under this subsection".

(3) By inserting after "subsection (c) (2)" in subsection (e) (1) thereof the following: "and subsection (h)".

(4) By redesignating subsections (h) and (i) thereof as (i) and (j), respectively, and by inserting after subsection (g) thereof the following new subsection:

"(h) ALTERNATIVE AVERAGE BASE PERIOD NET INCOME.—

"(1) ELIGIBILITY REQUIREMENTS.—A taxpayer which commenced business on or before the first day of its base period shall be entitled to the benefits of this subsection if—

"(A) the aggregate excess profits net income (if any) for the 12 months selected under paragraph (2) (B) is less than 35 per centum of one-half of the aggregate excess profits net income for the 24 months remaining under such paragraph; and

"(B) normal production, output, or operation was interrupted or diminished because of the occurrence, within 12 months preceding (i) the first day of the 12-month period selected under paragraph (2) (B) (i), or (ii) the first day of any period of 6 or more consecutive months selected under paragraph (2) (B) (ii), of events unusual or peculiar in the experience of such taxpayer.

This subsection shall have no application unless the taxpayer has an aggregate excess profits net income for the 24 months remaining under paragraph (2) (B).

"(2) COMPUTATION.—If the taxpayer is entitled to the benefits of this subsection, its average base period net income computed under this subsection shall be computed as follows:

"(A) By determining under subsection (b) the period subject to adjustment under this section. For the purposes of subparagraph (B) but not for the purposes of paragraph (1) (B) such period shall be considered a period of 36 consecutive months.

"(B) By selecting from such period whichever of the following 12 months results in the higher remaining aggregate excess profits net income—

"(i) the 12 consecutive months the elimination of which produces the highest remaining aggregate excess profits net income, or

"(ii) the 12 months which remain after retaining the 24 consecutive months which produce the highest remaining aggregate excess profits net income.

"(C) By computing for each of the 12 months selected under subparagraph (B) a substitute excess profits net income computed under subsection (e).

"(D) By computing the sum of—

"(i) the aggregate of the substitute excess profits net income, as determined under subparagraph (C), for the 12 months selected under subparagraph (B), but the amount computed under this clause shall not exceed one-half of the aggregate excess profits net income for the 24 months remaining under subparagraph (B), and

"(ii) the aggregate of the excess profits net income for each of the 24 months remaining under subparagraph (B), computed in the manner provided by the second sentence of section 435 (d) (1).

Ante, p. 544.

"(E) By dividing by three the amount ascertained under subparagraph (D).

"(3) AGGREGATE EXCESS PROFITS NET INCOME.—The 'aggregate excess profits net income' for any period shall be computed for the purposes of this subsection in the same manner as under subsection (b)."

(b) TECHNICAL AMENDMENTS.—

(1) Section 435 (f) (3) (relating to capital addition in the base period) is hereby amended by inserting immediately after the words "under section 442 (c) (1)", wherever appearing therein, the following: "or under section 442 (h)".

64 Stat. 1152. 26 U. S. C. § 435 (f) (3).

(2) Section 461 (relating to definitions for purposes of part II) is hereby amended by inserting at the end thereof the following new subsection:

64 Stat. 1164, 1165. 26 U. S. C. §§ 442 (c) (1), 442 (h).

Post, p. 561.

"(g) APPLICATION OF SECTION 442 (h).—For the purpose of this part, the reference to section 442 (c) in any section in this part shall be deemed a reference to section 442 (c) or (h)."

SEC. 510. DEFINITION OF TOTAL ASSETS FOR PURPOSES OF SECTIONS 442–446.

The first sentence of section 442 (f) (relating to definition of total assets) is hereby amended to read as follows: "For the purposes of this section, the taxpayer's total assets for any day shall be determined as of the end of such day and shall be an amount equal to the excess of—

64 Stat. 1165. 26 U. S. C. § 442 (f).

"(1) the sum of the cash and the property (other than cash, inadmissible assets, and loans to members of a controlled group as defined in section 435 (f) (4)) held by the taxpayer in good faith for the purposes of the business, over

64 Stat. 1152. 26 U. S. C. § 435 (f) (4).

"(2) the amount of any indebtedness (other than borrowed capital as defined in section 439 (b) (1)) to a member of a controlled group (as defined in section 435 (g) (6)) which includes the taxpayer."

64 Stat. 1161, 1155. 26 U. S. C. §§ 439 (b) (1), 435 (g) (6).

SEC. 511. AVERAGE BASE PERIOD NET INCOME—CHANGE IN PRODUCTS OR SERVICES.

Section 443 (f) (relating to change in products or services) is hereby amended to read as follows:

64 Stat. 1167. 26 U. S. C. § 443 (f).

"(f) RULES FOR APPLICATION OF SECTION.—

"(1) The benefits of this section shall not be allowed unless the taxpayer makes application therefor in accordance with section 447 (e).

64 Stat. 1174. 26 U. S. C. § 447 (e).

"(2) If after the end of the base period of the taxpayer there was a substantial change in the products produced by the taxpayer, such change shall, for the purpose of subsection (a) (1), be considered to have occurred on the last day of its base period if the taxpayer prior to July 1, 1950, commenced the construction of the facilities for the production of such new product, and if

such construction and the production of such new product is in furtherance of a course of action to which the taxpayer (or a corporation with which the taxpayer has the privilege under section 141 of filing a consolidated return for its first taxable year under this subchapter) was committed prior to the close of the base period by contract with another person, which contract granted a license, franchise, or similar right essential for the production of such new product."

53 Stat. 58.
26 U. S. C. § 141.

SEC. 512. AVERAGE BASE PERIOD NET INCOME—NEW CORPORATION.

64 Stat. 1169.
26 U. S. C. § 445 (c).

Section 445 (c) (relating to total assets for first three years of new corporation) is hereby amended by adding at the end thereof the following new sentence: "For the purpose of this subsection, the net capital addition or reduction shall be computed without regard to the limitation to 75 per centum provided in section 435 (g) (3) (C) and section 435 (g) (4) (C) and (E)."

64 Stat. 1154.
26 U. S. C. § 435.

SEC. 513. EXCESS PROFITS CREDIT—REGULATED PUBLIC UTILITIES.

64 Stat. 1175.
26 U. S. C. § 448 (c) (3).

Section 448 (c) (3) (relating to regulated public utilities) is hereby amended to read as follows:

"(3) 6 per centum in the case of a corporation engaged as a common carrier (A) in the furnishing or sale of transportation by railroad, if subject to the jurisdiction of the Interstate Commerce Commission, or (B) in the furnishing or sale of transportation of oil or other petroleum products (including shale oil) by pipe line, if subject to the jurisdiction of the Interstate Commerce Commission or if the rates for such furnishing or sale are subject to the jurisdiction of a public service or public utility commission or other similar body of the District of Columbia or of any State."

SEC. 514. CONSOLIDATED RETURNS OF REGULATED PUBLIC UTILITIES.

64 Stat. 1175.
26 U. S. C. § 448 (e).

Section 448 (e) (relating to consolidated returns of regulated public utilities) is hereby amended by adding at the end thereof the following new sentence: "For purposes of filing a consolidated return with its railroad lessee corporation, a railroad lessor corporation described in section 434 (d) (without regard to the requirement of payment of the lessor's taxes by the lessee) shall be considered a corporation described in subsection (c) (3)."

64 Stat. 1148.
26 U. S. C. § 434 (d).

SEC. 515. NONTAXABLE INCOME FROM CERTAIN MINING PROPERTIES.

64 Stat. 1181.
26 U. S. C. § 453.

Section 453 (relating to nontaxable income from exempt excess output) is hereby amended as follows:

(a) By amending the first sentence of subsection (a) (13) thereof to read as follows: "The term 'unit net income' means the amount ascertained by dividing the net income (computed with the allowance for depletion) from the coal, ore, sulphur, potash, metallurgical grade limestone, chemical grade limestone, or timber recovered from the mineral property, or timber block, as the case may be, during the taxable year by the number of units of such mineral or timber recovered from such property in such year."

(b) By inserting immediately after the words "coal mining property" in subsection (b) (2) thereof the following: ", or of a sulphur, potash, metallurgical grade limestone, or chemical grade limestone mineral property,".

(c) By striking out so much of subsection (b) (4) as precedes the second sentence and inserting in lieu thereof the following:

"(4) CERTAIN PROPERTIES NOT IN OPERATION DURING NORMAL PERIOD.—For any taxable year, the nontaxable income from exempt excess output of a metal or coal mining property, of a

sulphur, potash, metallurgical grade limestone, or chemical grade limestone mineral property, of a timber block, or of a natural gas property, which was not in operation during the normal period, shall be an amount equal to one-third of the net income for such taxable year (computed with the allowance for depletion) from such property or timber block, as the case may be."

SEC. 516. TRANSITION FROM WAR PRODUCTION AND INCREASE IN PEACETIME CAPACITY.

(a) IN GENERAL.—Part I of subchapter D of chapter 1 is hereby amended by adding at the end thereof a new section to read as follows: 64 Stat. 1137. 26 U. S. C. § 430 *et seq.*

"SEC. 459. MISCELLANEOUS PROVISIONS.

"(a) AVERAGE BASE PERIOD NET INCOME—TRANSITION FROM WAR PRODUCTION AND INCREASE IN PEACETIME CAPACITY.—In the case of a taxpayer which commenced business before January 1, 1940, and since such date has engaged primarily in manufacturing, the taxpayer's average base period net income determined under this subsection shall be the amount computed under section 435 (e) (2) (G) (i) and (ii) if— 64 Stat. 1149. 26 U. S. C. § 435 (e). *Ante*, p. 546.

"(1) The adjusted basis of the taxpayer's total facilities (as defined in section 444 (d)) as of the beginning of its base period (when added to the total facilities at such time of all corporations with which the taxpayer has the privilege under section 141 of filing a consolidated return for its first taxable year under this subchapter) did not exceed $10,000,000; 64 Stat. 1167. 26 U. S. C. § 444 (d).

"(2) The basis (unadjusted) of the taxpayer's total facilities (as defined in section 444 (d)) at the close of its base period was 250 per centum or more of the basis (unadjusted) of its total facilities at the beginning of its base period;

"(3) The percentage of the taxpayer's aggregate gross income which was from contracts with the United States and related subcontracts was (A) at least 70 per centum for the period comprising all taxable years beginning after December 31, 1941, and ending before January 1, 1946, (B) less than 20 per centum for the period comprising all taxable years ending after December 31, 1945, and before January 1, 1950, and (C) less than 20 per centum for the period comprising all taxable years ending after December 31, 1949, and beginning before July 1, 1950; and

"(4) The average monthly excess profits net income of the taxpayer (computed in the manner provided in section 443 (e)) for— 64 Stat. 1167. 26 U. S. C. § 443 (e).

"(A) the period comprising all taxable years ending with or within the last 24 months of its base period, and

"(B) the last taxable year ending before the first day of its base period,

are each 300 per centum or more of the average monthly excess profits net income (so computed) of the taxpayer for the period comprising all taxable years ending with or within the first 24 months of its base period."

(b) TECHNICAL AMENDMENTS.—Section 435 (c) (relating to determination of average base period net income) is hereby amended as follows: 64 Stat. 1149. 26 U. S. C. § 435 (c).

(1) By inserting immediately after "445 or 446," the following: "or any subsection of section 459,". *Supra.*

(2) By inserting immediately after "or under such section" the following: "or subsection".

SEC. 517. BASE PERIOD CATASTROPHE.

Ante, p. 553.

Section 459, as added by section 516 of this Act, is hereby amended by adding after subsection (a) thereof the following new subsection:

"(b) BASE PERIOD CATASTROPHE.—

"(1) ELIGIBILITY REQUIREMENTS.—A taxpayer shall be entitled to the benefits of this subsection only if it was engaged throughout its base period primarily in manufacturing and if—

"(A) the taxpayer suffered during the last thirty-six months of its base period a catastrophe by fire, storm, explosion, or other casualty which destroyed or rendered inoperative a production facility constituting a complete plant or plants having in the hands of the taxpayer immediately prior to the catastrophe an adjusted basis equal to 15 per centum or more of the adjusted basis of all the taxpayer's production facilities at such time;

"(B) as a result of such catastrophe the taxpayer's normal production or operation was substantially interrupted for a period of more than twelve consecutive months; and

"(C) the taxpayer, prior to the end of its base period, replaced such production facility with a production facility which at the end of its base period had in its hands an adjusted basis not less than the adjusted basis immediately prior to the catastrophe of the production facility destroyed or rendered inoperative.

"(2) COMPUTATION.—The taxpayer's base period net income determined under this subsection shall be the amount computed under subparagraph (A) or the amount computed under subparagraph (B), whichever results in the lesser tax under this subchapter for the taxable year for which the tax is being computed:

Ante, p. 544.

"(A) The amount computed under section 435 (d) by substituting for the excess profits net income for each month in the taxable year in which the catastrophe described in paragraph (1) occurred an amount equal to the aggregate, divided by the number of months in the base period preceding such taxable year, of the excess profits net income for each month (computed under section 435 (d) (1)) in the base period preceding such taxable year. The average base period net income computed under this subparagraph shall, for the purpose of section 435 (a) (1) (B), be considered an average base period net income determined under section 435 (d).

64 Stat. 1149.
26 U. S. C. § 435 (d) (1).

"(B) The amount computed under section 435 (e) (2) (G) (i) and (ii)."

64 Stat. 1151.
26 U. S. C. § 435 (e).
Ante, p. 546.

SEC. 518. CONSOLIDATION OF NEWSPAPERS.

Ante, p. 553.

Section 459, as added by section 516 and 517 of this Act, is hereby amended by adding after subsection (b) thereof the following new subsection:

"(c) CONSOLIDATION OF NEWSPAPER OPERATIONS.—In the case of a taxpayer engaged primarily in the newspaper publishing business in its last taxable year ending before July 1, 1950, if—

"(1) After the close of the first half of the base period of the taxpayer and prior to July 1, 1950, the taxpayer consolidated its mechanical, circulation, advertising, and accounting operations in connection with its newspaper publishing business with such operations of another corporation engaged in the newspaper publishing business in the same area; and

"(2) The taxpayer establishes to the satisfaction of the Secretary that, during the period beginning with the consolidation

and ending with the close of the first taxable year beginning after the consolidation, such consolidation resulted in substantial reductions in the amounts which would otherwise have been paid or incurred as expenses in the conduct of the operations described in paragraph (1); and either

"(3) The total deductions of the taxpayer under section 23, computed without regard to section 23 (s) and (bb), for the first taxable year beginning after such consolidation were not in excess of 80 per centum of the average of such deductions for the two taxable years of the taxpayer next preceding the taxable year in which such operations were consolidated; or

53 Stat. 12, 867; 64 Stat. 929.
26 U. S. C. § 23.

"(4) The excess profits net income of the taxpayer, computed as provided in section 433 (b), for the first taxable year of the taxpayer beginning after such consolidation was 125 per centum or more of the amount determined under section 435 (d) (4);

64 Stat. 1144.
26 U. S. C. § 433 (b).
Ante, pp. 544, 549.
64 Stat. 1149.
26 U. S. C. § 435 (d).

the taxpayer's average base period net income determined under this subsection shall be an amount computed under section 435 (d) plus an amount equal to the excess of the average of the amounts paid or incurred as expenses in the conduct of the operations described in paragraph (1) during the two taxable years of the taxpayer next preceding the taxable year in which such operations were consolidated over such amounts paid or incurred during the first taxable year of the taxpayer beginning after such consolidation. In determining such excess amount proper adjustment shall be made for increase in labor costs and newsprint following such consolidation. Proper adjustment shall also be made for any case in which a taxable year referred to in this subsection is a period of less than twelve months. This subsection shall not be applicable to any taxable year of the taxpayer unless the consolidation described in paragraph (1) was continued throughout such taxable year."

SEC. 519. TELEVISION BROADCASTING COMPANIES.

Section 459, as added by sections 516 to 518 of this Act, is hereby amended by adding after subsection (c) thereof the following new subsections:

Ante, pp. 553, 554.

"(d) TELEVISION BROADCASTING COMPANIES.—

"(1) IN GENERAL.—In the case of a taxpayer engaged in the business of television broadcasting throughout a period beginning before January 1, 1951, and ending with the close of the taxable year, the taxpayer's average base period net income determined under this subsection shall be the amount computed under paragraph (2) or (3), whichever is applicable.

"(2) IF ENGAGED IN TELEVISION BROADCASTING AT CLOSE OF BASE PERIOD.—If the taxpayer was engaged in the business of television broadcasting at the close of its base period, the average base period net income computed under this paragraph shall be computed as follows:

"(A) If the taxpayer was engaged during its base period in any business or businesses other than television broadcasting, by computing the average base period net income under section 435 (d) for such other business or businesses (determined without regard to income, deductions, losses, or other items attributable to the television broadcasting business).

64 Stat. 1149.
26 U. S. C. § 435 (d).

"(B) By multiplying such part of its total assets (as defined in section 442 (f)), for the last day of its base period, as was attributable to the television broadcasting business by—

Ante, p. 551.

64 Stat. 1172.
26 U. S. C. § 447 (c).

"(i) the base period rate of return determined under section 447 (c) for the industry classification which includes radio broadcasting, or

"(ii) if the taxpayer was engaged during its base period in the business of radio broadcasting, its individual rate of return computed under paragraph (4),

whichever rate of return produces the greater average base period net income under this subsection. If the amount computed under this subparagraph is computed by the use of the rate of return specified in clause (i), the amount so computed shall be reduced by an amount equal to such portion of the total interest paid or incurred by the taxpayer, for the period of 12 months following the close of its base period, as is attributable to its television broadcasting business.

"(C) By adding the amount computed under subparagraph (B) to the amount, if any, computed under subparagraph (A).

"(3) COMMENCING TELEVISION BROADCASTING AFTER BASE PERIOD AND BEFORE 1951.—If the taxpayer acquires its television broadcasting business after the close of its base period and before January 1, 1951, the average base period net income computed under this paragraph shall be computed as provided in paragraph (2), except that—

"(A) the applicable rate of return under paragraph (2) (B) shall be multiplied by such part of its total assets (as defined in section 442 (f)), for the last day of the calendar month in which it first engaged in such business, as was attributable to such business, and

Ante, p. 551.

"(B) the reduction specified in the last sentence of paragraph (2) (B) shall, if applicable, be equal to such portion of the total interest paid or incurred by the taxpayer, for the period of 12 months following the month in which it first engaged in such business, as is attributable to such business.

"(4) INDIVIDUAL RATE OF RETURN.—The individual rate of return shall be computed as follows:

"(A) By determining the amount of the taxpayer's total assets (as defined in section 442 (f) attributable to the business of radio broadcasting for the last day of each month in its base period.

"(B) By computing the aggregate of the amounts ascertained under subparagraph (A) and dividing by 48.

"(C) By computing for each month in the base period the excess profits net income of the radio broadcasting business (determined without regard to income, deductions, losses, or other items attributable to any other business), by adding such amounts for all of the months in the base period, and by dividing by 4.

"(D) By dividing the amount computed under subparagraph (C) by the amount computed under subparagraph (B).

"(5) RULES FOR APPLICATION OF SUBSECTION.—

64 Stat. 1148.
26 U. S. C. § 435 (a).

"(A) For the purpose of section 435 (a) (1) (B), an average base period net income determined under this subsection shall be considered an average base period net income determined under section 435 (d); but, in computing the base period capital addition under section 435 (f), the computations under such section shall be adjusted, under regulations prescribed by the Secretary, so as to exclude therefrom items attributable to the television broadcasting business.

64 Stat. 1149.
26 U. S. C. § 435 (d).
Ante, p. 544.
Ante, p. 547.

"(B) If any part of the total assets referred to in paragraph (2) (B) or paragraph (3) (A), whichever is applicable, were acquired, directly or indirectly, through the use of assets attributable at any time during the base period to a business of the taxpayer other than television broadcasting, the amount determined under paragraph (2) (A) shall be properly adjusted by eliminating from the excess profits net income (computed for the purpose of paragraph (2) (A)) for each month prior to such acquisition such portion thereof as is attributable to the assets used, directly or indirectly, for such acquisition. For the purpose of this subparagraph, the excess profits net income for any month shall be attributed to such assets on the basis of the ratio, as of the beginning of the day of the acquisition, of such assets to total assets (as defined in section 442 (f)) determined without regard to assets attributable to the television broadcasting business.

Ante, p. 551.

"(C) The Secretary shall by regulations prescribe rules for the application of this subsection, including rules for the computation of the taxpayer's net capital addition or reduction.

"(6) APPLICATION OF PART II.—The Secretary shall prescribe regulations for the application of Part II for the purpose of this subsection in the case of an acquiring corporation or a component corporation in a transaction described in section 461 (a) which occurred prior to January 1, 1951.

64 Stat. 1191. 26 U. S. C. § 461 *et seq.*
64 Stat. 1191. 26 U. S. C. § 461 (a).

"(e) BASIS OF ASSETS.—For the purposes of this section, any reference to the adjusted basis of property or to the basis (unadjusted) of property means the adjusted basis or the basis (unadjusted), as the case may be, for determining gain upon sale or exchange."

SEC. 520. INCREASE IN CAPACITY FOR PRODUCTION OR OPERATION.

Section 444 (f) (relating to increase in capacity for production or operation) is hereby amended to read as follows:

64 Stat. 1168. 26 U. S. C. § 444 (f).

"(f) RULES FOR APPLICATION OF SECTION.—

"(1) The benefits of this section shall not be allowed unless the taxpayer makes application therefor in accordance with section 447 (e).

64 Stat. 1174. 26 U. S. C. § 447 (e).

"(2) If, during its first taxable year ending after June 30, 1950, the taxpayer completed construction of (including the installation of the machinery or equipment for use in) a factory building or other manufacturing establishment, such factory building or other manufacturing establishment and such machinery or equipment shall, for the purpose of determining whether there is an increase in capacity under the provisions of subsection (b), be considered to have been added to its total facilities on the last day of its base period if—

"(A) the taxpayer, prior to the end of its base period, had completed construction work representing more than 40 per centum of the total cost of construction of such factory building or other manufacturing establishment, and

"(B) the completion of such factory building or other manufacturing establishment was in pursuance of a plan to which the taxpayer was committed prior to the end of its base period.

This paragraph shall not apply in determining the amount of the taxpayer's total assets for the purpose of subsection (c)."

SEC. 521. EXCESS PROFITS CREDIT BASED ON INCOME IN CONNECTION WITH CERTAIN TAXABLE ACQUISITIONS.

(a) GENERAL RULE.—Subchapter D (relating to the excess profits tax) of chapter 1 is hereby amended by inserting immediately following section 472 the following new part:

64 Stat. 1213. 26 U. S. C. § 472.

"Part IV—Excess Profits Credit Based on Income in Connection With Certain Taxable Acquisitions Occurring Prior to December 1, 1950.

"SEC. 474. EXCESS PROFITS CREDIT BASED ON INCOME—CERTAIN TAXABLE ACQUISITIONS.

"(a) DEFINITIONS.—For the purpose of this part—

"(1) PURCHASING CORPORATION.—The term 'purchasing corporation' means a corporation which, before December 1, 1950, acquired—

64 Stat. 1191.
26 U. S. C. § 461 (a).

"(A) In a transaction other than a transaction described in section 461 (a), substantially all of the properties (other than cash) of another corporation, of a partnership, or of a business owned by a sole proprietorship; or

"(B) Properties of another corporation or of a partnership if (i) such properties constituted, immediately prior to the acquisition, substantially all of the properties (other than cash) of one or more separate businesses of such other corporation or such partnership, (ii) such other corporation or such partnership was engaged in one or more separate businesses other than those described in clause (i), and (iii) substantially all of the properties (other than cash) of such other corporation or such partnership were acquired, in furtherance of a single plan of complete liquidation for such other corporation or such partnership, by the purchasing corporation, and by one or more other persons, in transactions other than transactions described in section 461 (a).

"(2) SELLING CORPORATION.—The term 'selling corporation' means a corporation, a partnership, or a business owned by a sole proprietorship, as the case may be, properties of which were acquired by a purchasing corporation in a transaction described in paragraph (1).

"(3) PART IV TRANSACTION.—The term 'part IV transaction' means a transaction described in paragraph (1).

"(b) AVERAGE BASE PERIOD NET INCOME OF PURCHASING CORPORATION.—The average base period net income of a purchasing corporation, if computed with reference to this part, shall be determined under section 435 (d). The average base period net income under section 435 (d) of a purchasing corporation shall be determined by computing its excess profits net income either with or without reference to this part, whichever produces the lesser tax under this subchapter for the taxable year for which the tax is being computed. If computed with reference to this part, the excess profits net income of a purchasing corporation for any month of its base period shall be its excess profits net income (or deficit therein), computed without reference to this part, and increased or decreased, as the case may be, by the addition or reduction resulting from including—

64 Stat. 1149.
26 U. S. C. § 435 (d).
Ante, p. 544.

"(1) In the case of a transaction described in subsection (a) (1) (A), the excess profits net income (or deficit therein) for such month of the selling corporation, or

"(2) In the case of a transaction described in subsection (a) (1) (B), the excess profits net income (or deficit therein) for such month of the selling corporation properly attributable to the business or businesses acquired by the purchasing corporation and properly allocable to such purchasing corporation.

The excess profits net income of a purchasing corporation for any month, recomputed as provided in the previous sentence, shall not be less than zero.

"(c) LIMITATIONS.—This part shall apply only if each of the following conditions is satisfied:

"(1) The selling corporation (A) did not, after the part IV transaction (or the last transaction described in subsection (a) (1) (B)), continue any business activities other than those incident to its complete liquidation, and (B) within a reasonable time after ceasing business activities, completely liquidated in a transaction other than a transaction described in section 461 (a), and ceased existence.

Ante, p. 558.

64 Stat. 1191.
26 U. S. C. § 461 (a).

"(2) During so much of the base period of the purchasing corporation and of the period thereafter as preceded the part IV transaction, the properties acquired in the part IV transaction were substantially all of the properties (other than cash) which were used, or which in the ordinary course of business replaced properties used, by the selling corporation (or by a component corporation, as defined in section 461 (b), of such selling corporation) in the production of the excess profits net income (or deficit therein) which under subsection (b) increases or decreases the excess profits net income of the purchasing corporation. For the purpose of this paragraph, if a business in the hands of both the selling corporation and the purchasing corporation was operated under a substantially identical franchise or license, granted by the same person, such franchise or license shall be deemed acquired by the purchasing corporation from the selling corporation.

"(3) The business or businesses acquired in the part IV transaction (including the properties so acquired or properties in replacement thereof) were operated by the purchasing corporation from the date of such transaction to the end of the taxable year or were transferred during the taxable year by the purchasing corporation in a part II transaction to which the provisions of section 462 (b) (4) are applicable.

64 Stat. 1191.
26 U. S. C. § 461 *et seq.*

Post, p. 561.

"(d) SPECIAL RULES.—

"(1) For the purpose of subsection (a) (1), the properties of a selling corporation shall be considered to have been acquired by a purchasing corporation only if acquired from—

"(A) such selling corporation, or

"(B) persons who received the properties upon the liquidation of such selling corporation and who forthwith transferred such properties to the purchasing corporation in a transaction other than a transaction described in section 461 (a).

"(2) The computations required by this part in the case of a selling corporation which is a partnership or a business owned by a sole proprietorship shall be made, under regulations prescribed by the Secretary, as if such partnership or such business owned by a sole proprietorship had been a corporation.

"(3) In no case shall more than 100 per centum of the excess profits net income (or deficit therein) for any month of a selling corporation be allocated to the purchasing corporation or, in the case of transactions described in subsection (a) (1) (B), to the several persons (or to any one or more of such persons) receiving the properties of such selling corporation in such transactions.

"(e) SUCCESSIVE TRANSACTIONS.—

"(1) PART IV TRANSACTION FOLLOWING PART IV TRANSACTION.—In the case of a selling corporation which was a purchasing corporation in a previous part IV transaction, or which acquired properties of a purchasing corporation in a transaction to which section 462 (b) (4) is applicable, the computations under this part

Post, p. 561.

with respect to the selling corporation shall be made without regard to the previous part IV transaction.

"(2) PART IV TRANSACTION FOLLOWING PART II TRANSACTION.—Subject to the provisions of paragraph (1), in the case of a selling corporation which was an acquiring corporation as defined in section 461 (a) in a previous transaction, its excess profits net income (or deficit therein) which increases or decreases the excess profits net income (or deficit therein) of the purchasing corporation under subsection (b) (1) or (2), and its capital changes which are taken into account under this part in determining the capital changes of the purchasing corporation, shall be determined with the application of the rules of part II to such selling corporation with respect to the part II transaction.

64 Stat. 1191. 26 U. S. C. § 461 (a).

"(3) PART II TRANSACTION FOLLOWING PART IV TRANSACTION.—For rules applicable in the case of a part II transaction following a part IV transaction, see sections 462 (b) (4), 463 (c), and 464 (c).

Post, pp. 561, 562.

"(f) REGULATIONS.—The Secretary shall by regulations prescribe rules for the application of this part. Such regulations shall include the following rules:

"(1) BASE PERIOD CAPITAL ADDITION.—Rules (consistent with the principles of section 464) for the determination of the base period capital addition of the purchasing corporation by reference to the capital changes of the selling corporation and of the purchasing corporation.

64 Stat. 1208. 26 U. S. C. § 464. *Post*, p. 562.

"(2) NET CAPITAL ADDITION OR REDUCTION.—Rules (consistent with the principles of section 463) for the determination of the net capital addition or reduction of the purchasing corporation by reference to the capital changes of the selling corporation and of the purchasing corporation.

64 Stat. 1206. 26 U. S. C. § 463. *Post*, p. 562.

"(3) EXCESS PROFITS NET INCOME.—Rules (consistent with the principles of section 462 (i)) for the determination of the amount of excess profits net income (or deficit therein) of the selling corporation attributable to the business or businesses acquired by a purchasing corporation in a transaction described in subsection (a) (1) (B) and properly allocable to such purchasing corporation.

64 Stat. 1203. 26 U. S. C. § 462 (i). *Post*, p. 561.

"(4) DUPLICATION.—Rules for the application under this part of the principles of section 462 (j) (1) and the other provisions of part II relating to the prevention of duplication.

64 Stat. 1204. 26 U. S. C. § 462 (j) (1).

"(5) EXCESS PROFITS CREDIT.—In the event that the part IV transaction occurred in a taxable year of the purchasing corporation which ended after June 30, 1950, rules (consistent with the principles of section 462 (j) (2)) for the determination of the excess profits credit of such corporation for the year in which the transaction occurred.

Such rules shall not include the principles of section 461 (c) (relating to the excess profits credit of the component corporation), of section 462 (b) (2) (relating to constructive excess profits net income for months during which a corporation was not in existence), of section 462 (l) (relating to minimum average base period net income in the case of certain acquiring corporations), or of such other provisions of part II as relate to sections 435 (e), 442, 443, 444, 445, or 446."

64 Stat. 1192. 26 U. S. C. § 461 (c).

64 Stat. 1194. 26 U. S. C. § 462 (b).

64 Stat. 1149-1170. 26 U. S. C. §§ 435, 442-446.

(b) TECHNICAL AMENDMENTS.—

64 Stat. 1149. 26 U. S. C. § 435 (a) (3).

(1) Section 435 (a) (3) (relating to amount of excess profits credit) is hereby amended by inserting before the period at the end thereof the following: ", and in the case of certain taxable acquisitions, see part IV of this subchapter".

Ante, p. 558.

(2) Section 461 (relating to definitions under part II) is amended by inserting at the end thereof the following new subsections:

64 Stat. 1191.
26 U. S. C. § 461.
Ante, p. 551.

"(g) COMPONENT CORPORATION WHICH WAS A PURCHASING CORPORATION IN A PREVIOUS TRANSACTION.—See section 462 (b) (4) for rules applicable if the component corporation was a purchasing corporation (as defined in part IV) in a previous part IV transaction, or if (as an acquiring corporation in a previous part II transaction) it was subject to the provisions of section 462 (b) (4).

Infra.

Ante, p. 558.

"(h) DEFINITION OF PART II TRANSACTION.—For the purpose of this subchapter, the term 'part II transaction' means a transaction described in section 461 (a)."

64 Stat. 1191.
26 U. S. C. § 461 (a).

(3) Section 462 (b) (relating to the method of recomputing the excess profits net income of an acquiring corporation under part II) is hereby amended by adding at the end thereof the following new paragraph:

"(4) If the average base period net income of the acquiring corporation is determined under section 435 (d) with reference to this subsection, and if the provisions of section 474 (b) (relating to the computation of excess profits net income in the case of certain purchasing corporations) were applicable to the component corporation immediately prior to the part II transaction (or would have been applicable if such part II transaction had occurred in a taxable year of the component corporation ending after June 30, 1950), then the excess profits net income (or deficit therein) of the component corporation shall, for the purpose of this subsection, be determined with the application of the provisions of section 474 (b). For the purpose of this paragraph, if a component corporation was an acquiring corporation in a previous part II transaction and, immediately prior to the later part II transaction, the provisions of this paragraph were applicable to such component corporation, its excess profits net income (or deficit therein) shall be determined with the application of the provisions of the preceding sentence. This paragraph shall be applicable to an acquiring corporation only if—

64 Stat. 1149.
26 U. S. C. § 435 (d).
Ante, p. 544.
Ante, p. 558.

"(A) the properties acquired by the acquiring corporation from the component corporation include substantially all of the properties (other than cash), or properties acquired in the ordinary course of business in the replacement of properties, which the component corporation acquired either from the selling corporation in the part IV transaction or from a previous component corporation subject (immediately prior to such acquisition) to the provisions of this paragraph;

"(B) the business or businesses acquired by the acquiring corporation were operated by the acquiring corporation from the date of such transaction to the end of the taxable year or were transferred during the taxable year by the acquiring corporation in a part II transaction to which the provisions of this paragraph are applicable; and

"(C) in the event that the part II transaction is one described in section 461 (a) (1) (E), the provisions of section 462 (i) (6) are satisfied."

64 Stat. 1191.
26 U. S. C. § 461 (a) (1) (E).
64 Stat. 1203.
26 U. S. C. § 462 (i) (6).

(4) Section 462 (i) (6) (relating to allocation rules in the case of transactions described in section 461 (a) (1) (E)) is hereby amended by adding at the end thereof the following: "Notwithstanding the provisions of paragraph (1), if an acquiring corporation in a transaction described in section 461 (a) (1) (E) determines its average base period net income under section 435

64 Stat. 1149.
26 U. S. C. § 435 (d).
Ante, p. 561.

(d) by recomputing its excess profits net income under the provisions of section 462 (b) (4), the amount of the component corporation's excess profits net income for any month which shall be taken into account by the acquiring corporation shall be such portion of the component corporation's excess profits net income for such month as is determined on the basis of the earnings experience of the assets transferred and the assets retained by the component corporation."

64 Stat. 1206.
26 U. S. C. § 463.

(5) Section 463 (relating to capital changes) is amended by inserting at the end thereof the following new subsection:

"(c) COMPONENT CORPORATION WHICH WAS A PURCHASING CORPORATION IN A PREVIOUS TRANSACTION.—The Secretary shall provide by regulations for the application of this section in cases to which section 462 (b) (4) is applicable."

Ante, p. 561.

64 Stat. 1208.
26 U. S. C. § 464.

(6) Section 464 (relating to capital changes during the base period) is amended by inserting at the end thereof the following new subsection:

"(c) The Secretary shall provide by regulation for the application of this section in cases to which section 462 (b) (4) is applicable."

SEC. 522. STRATEGIC MINERALS.

64 Stat. 1177.
26 U. S. C. § 450 (b) (1).

Section 450 (b) (1) (relating to corporations engaged in mining of strategic minerals) is hereby amended by inserting after "chromite," the following: "bauxite,".

SEC. 523. EFFECTIVE DATE OF TITLE V.

Ante, p. 547.

Except as otherwise provided in section 506 (d), the amendments made by this title shall be applicable only with respect to taxable years ending after June 30, 1950.

TITLE VI—MISCELLANEOUS PROVISIONS AND AMENDMENTS

SEC. 601. EXEMPTION OF CERTAIN ORGANIZATIONS FROM INCOME TAX FOR PRIOR TAXABLE YEARS.

64 Stat. 953.
26 U. S. C. § 101 note.

Section 302 of the Revenue Act of 1950 (relating to exemption of certain organizations for past years) is amended by adding at the end thereof the following new subsection:

"(d) PROFITS INURING TO THE BENEFIT OF CERTAIN EDUCATIONAL ORGANIZATIONS OR HOSPITALS.—For any taxable year beginning prior to January 1, 1951, an organization operated for the primary purpose of carrying on a trade or business for profit, no part of the net earnings of which inures to the benefit of any private shareholder or individual and all of the net earnings of which inure to the benefit of an educational organization which normally maintains a regular faculty and curriculum and normally has a regularly organized body of pupils or students in attendance at the place where its educational activities are regularly carried on, or to the benefit of a hospital, or an institution for the rehabilitation of physically handicapped persons, which maintains or is building for proper maintenance a hospital or institution staffed or to be staffed by qualified professional persons for the treatment of the sick and/or the rehabilitation of the physically handicapped, shall not be denied exemption from taxation under section 101 of the Internal Revenue Code on the ground that it is carrying on a trade or business for profit. The determination as to whether an organization other than one described in this subsection is exempt under section 101 of the Internal Revenue Code from taxation for any taxable year beginning before January 1, 1951, shall be made as if this

53 Stat. 33.
26 U. S. C. § 101.
Ante, pp. 490–492.

subsection and section 301 (b) of this Act had not been enacted and without inferences drawn from the fact that this subsection and the amendment made by section 301 (b) are not expressly made applicable with respect to taxable years beginning before January 1, 1951."

64 Stat. 953.
26 U. S. C. § 101.

SEC. 602. EXCESS PROFITS CREDIT BASED ON INCOME.

(a) PERCENTAGE OF AVERAGE BASE PERIOD NET INCOME TAKEN INTO ACCOUNT.—

(1) IN GENERAL.—Paragraph (1) (A), and paragraph (2), of section 435 (a) (relating to excess profits credit based on income) are each amended by striking out "85 per centum" and inserting in lieu thereof "83 per centum".

64 Stat. 1148.
26 U. S. C. § 435 (a).

(2) TAXABLE YEARS BEGINNING BEFORE JULY 1, 1951, AND ENDING AFTER JUNE 30, 1951.—Section 435 (a) is hereby amended by adding at the end thereof the following new paragraphs:

Ante, p. 560.

"(4) CALENDAR YEAR 1951.—In the case of a taxable year beginning on January 1, 1951, and ending on December 31, 1951, there shall be used, for the purposes of paragraph (1) (A) and paragraph (2), in lieu of 85 per centum of the average base period net income, an amount equal to 84 per centum of the average base period net income.

"(5) TAXABLE YEARS (OTHER THAN CALENDAR YEAR 1951) BEGINNING BEFORE JULY 1, 1951, AND ENDING AFTER JUNE 30, 1951.—In the case of any taxable year (other than a taxable year described in paragraph (4)) beginning before July 1, 1951, and ending after June 30, 1951, there shall be used, for the purposes of paragraph (1) (A) and paragraph (2), in lieu of 85 per centum of the average base period net income, an amount equal to the sum of—

"(A) that portion of an amount equal to 85 per centum of the average base period net income which the number of days in such taxable year prior to July 1, 1951, bears to the total number of days in such taxable year, plus

"(B) that portion of an amount equal to 83 per centum of the average base period net income which the number of days in such taxable year after June 30, 1951, bears to the total number of days in such taxable year."

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall be applicable only with respect to taxable years ending after June 30, 1951.

SEC. 603. FOREIGN ESTATE TAX CREDIT.

(a) CREDIT AGAINST BASIC ESTATE TAX.—Section 813 (relating to credits against estate tax) is hereby amended by adding at the end thereof the following new subsection:

53 Stat. 125.
26 U. S. C. § 813.

"(c) SAME—PAID TO FOREIGN COUNTRIES.—

"(1) IN GENERAL.—The tax imposed by section 810 shall be credited with the amount of any estate, inheritance, legacy, or succession taxes actually paid to any foreign country in respect of any property situated within such foreign country and included in the gross estate (not including any such taxes paid with respect to the estate of a person other than the decedent). If the decedent at the time of his death was not a citizen of the United States, credit shall not be allowed under this subsection unless the foreign country of which such decedent was a citizen or subject, in imposing such taxes, allows a similar credit in the case of a citizen of the United States resident in such country. The determination of the country within which property is situated shall be made in accordance with the rules applicable under

53 Stat. 120.
26 U. S. C. § 810.

53 Stat. 129.
26 U. S. C. § 860 et seq.

Part III of this subchapter in determining whether property is situated within or without the United States.

"(2) LIMITATIONS ON CREDIT.—The credit provided in this subsection with respect to such taxes paid to any foreign country—

"(A) shall not, with respect to any such tax, exceed an amount which bears the same ratio to the amount of such tax actually paid to such foreign country as the value of property which is—

"(i) situated within such foreign country,

"(ii) subjected to such tax, and

"(iii) included in the gross estate

bears to the value of all property subjected to such tax; and

"(B) shall not, with respect to all such taxes, exceed an amount which bears the same ratio to the tax imposed by section 810 (after deducting from such tax the credits provided by subsections (a) and (b) of this section) as the value of property which is—

53 Stat. 120.
26 U. S. C. § 810.

"(i) situated within such foreign country,

"(ii) subjected to the taxes of such foreign country, and

"(iii) included in the gross estate

bears to the value of the entire gross estate reduced by the aggregate amount of the deductions allowed under subsections (c), (d), and (e) of section 812.

53 Stat. 123; 62 Stat. 117.
26 U. S. C. § 812.

"(3) VALUATION OF PROPERTY.—

"(A) The values referred to in the ratio stated in paragraph (2) (A) are the values determined for the purposes of the tax imposed by such foreign country.

"(B) The values referred to in the ratio stated in paragraph (2) (B) are the values determined under this chapter; but, in applying such ratio, the value of any property described in clauses (i), (ii), and (iii) thereof shall be reduced by such amount as will properly reflect, in accordance with regulations prescribed by the Secretary, the deductions allowed in respect of such property under subsections (c), (d), and (e) of section 812.

"(4) PROOF OF CREDIT.—The credits provided in this subsection and in section 936 (c) shall be allowed only if the taxpayer establishes to the satisfaction of the Secretary (A) the amount of taxes actually paid to the foreign country, (B) the amount and date of each payment thereof, (C) the description and value of the property in respect of which such taxes are imposed, and (D) all other information necessary for the verification and computation of the credits.

Post, p. 565.

"(5) PERIOD OF LIMITATION.—The credits provided in this subsection and in section 936 (c) shall be allowed only for such taxes as were actually paid and credit therefor claimed within four years after the filing of the return required by section 821, except that—

53 Stat. 126.
26 U. S. C. § 821.

"(A) If a petition for redetermination of a deficiency has been filed with The Tax Court of the United States within the time prescribed in section 871, then within such four-year period or before the expiration of 60 days after the decision of The Tax Court becomes final.

53 Stat. 132.
26 U. S. C. § 871.

"(B) If, under section 822 (a) (2) or section 871 (h), an extension of time has been granted for payment of the tax shown on the return, or of a deficiency, then within such four-year period or before the date of the expiration of the period of the extension.

53 Stat. 127, 133.
26 U. S. C. §§ 822, 871.

Refund based on such credits may (despite the provisions of sections 910 to 912, inclusive) be made if claim therefor is filed within the period above provided. Any such refund shall be made without interest."

53 Stat. 138, 139. 26 U. S. C. §§ 910, 912.

(b) CREDIT AGAINST ADDITIONAL ESTATE TAX.—Section 936 (relating to credits against estate tax) is hereby amended by adding at the end thereof the following new subsection:

53 Stat. 142. 26 U. S. C. § 936.

"(c) ESTATE, ETC., TAXES PAID TO FOREIGN COUNTRIES.—

"(1) IN GENERAL.—In the case of the estate of a citizen or resident of the United States, the tax imposed by section 935 shall be credited with the amount of any estate, inheritance, legacy, or succession taxes actually paid to any foreign country in respect of any property situated within such foreign country and included in the gross estate (not including any such taxes paid with respect to the estate of a person other than the decedent). If the decedent at the time of his death was not a citizen of the United States, credit shall not be allowed under this subsection unless the foreign country of which such decedent was a citizen or subject, in imposing such taxes, allows a similar credit in the case of a citizen of the United States resident in such country. The determination of the country within which property is situated shall be made in accordance with the rules applicable under Part III of subchapter A in determining whether property is situated within or without the United States.

53 Stat. 129. 26 U. S. C. § 860 *et seq.*

"(2) LIMITATIONS ON CREDIT.—The credit provided in this subsection with respect to such taxes paid to any foreign country—

"(A) shall not exceed the amount by which such taxes paid to the foreign country exceed the amount of the credit allowed therefor under section 813 (c); and

Ante, p. 563.

"(B) shall not exceed an amount which bears the same ratio to the tax imposed by section 935 (after deducting from such tax the credit provided by subsection (b) of this section) as the value of property which is—

"(i) situated within such foreign country,

"(ii) subjected to the taxes of such foreign country, and

"(iii) included in the gross estate

bears to the value of the entire gross estate reduced by the aggregate amount of the deductions allowed under subsections (c), (d), and (e) of section 812.

53 Stat. 123; 62 Stat. 117. 26 U. S. C. § 812.

"(3) SAME—SPECIAL RULES.—

"(A) For the purposes of paragraph (2) (A), 'such taxes paid to the foreign country' shall, with respect to any tax paid to the foreign country, be the amount computed under section 813 (c) (2) (A).

Ante, p. 563.

"(B) The values referred to in the ratio stated in paragraph (2) (B) are the values determined under this chapter; but, in applying such ratio, the value of any property described in clauses (i), (ii), and (iii) thereof shall be reduced by such amount as will properly reflect, in accordance with regulations prescribed by the Secretary, the deductions allowed in respect of such property under subsections (c), (d), and (e) of section 812.

"(4) PROOF OF CREDIT.—

"For provisions relating to proof of credit, see section 813 (c) (4).

Ante, p. 564.

"(5) PERIOD OF LIMITATION.—

"For provisions relating to period of limitation on claiming

of credit or refund based thereon and nonpayment of interest on refund, see section 813 (c) (5)."

Ante, p. 564.
53 Stat. 140.
26 U. S. C. § 927.

(c) REVERSIONARY OR REMAINDER INTEREST.—Section 927 (relating to credit for State death taxes) is hereby amended to read as follows:

"SEC. 927. CREDIT FOR DEATH TAXES.

"Such part of any estate, inheritance, legacy, or succession taxes allowable as a credit under section 813 (b) or (c) against the tax imposed by this subchapter, or under section 936 (c) against the tax imposed by subchapter B, as is attributable to such reversionary or remainder interest may be allowed as a credit against the tax attributable to such interest, subject to the limitations on the amount of credit contained in such sections, if such part is paid, and credit therefor claimed, at any time prior to the expiration of 60 days after the termination of the precedent interest or interests in the property."

53 Stat. 125.
26 U. S. C. § 813 (b).
Ante, p. 563.
Ante, p. 565.

53 Stat. 135.
26 U. S. C. § 874 (b).

(d) EXTENSION OF PERIOD OF LIMITATIONS, ETC., IN CASE OF RECOVERY OF TAXES CLAIMED AS CREDIT.—Section 874 (b) (relating to exceptions to general rule as to period of limitation upon assessment and collection of estate tax) is hereby amended by inserting at the end thereof the following new paragraph:

"(3) RECOVERY OF TAXES CLAIMED AS CREDIT.—If any tax claimed as a credit under section 813 (b) or (c) or section 936 (c) is recovered from any foreign country, any State, any Territory or possession of the United States, or the District of Columbia, the executor, or any other person or persons recovering such amount, shall give notice of such recovery to the Secretary at such time and in such manner as may be required by regulations prescribed by him, and the Secretary shall redetermine the amount of the tax under this chapter and the amount, if any, of the tax due upon such redetermination, shall be paid by the executor or such person or persons, as the case may be, upon notice and demand."

53 Stat. 125.
26 U. S. C. § 813 (b).
Ante, pp. 563, 565.

(e) EFFECTIVE DATE.—The amendments made by this section shall be applicable with respect to estates of decedents dying after the date of the enactment of this Act.

SEC. 604. ESTATE AND GIFT TAX TREATMENT OF UNITED STATES BONDS HELD BY CERTAIN NONRESIDENT ALIENS.

53 Stat. 129.
26 U. S. C. § 861.

(a) ESTATE TAX.—Effective with respect to estates of decedents dying after February 10, 1939, section 861 (relating to the computation of the net estate of a decedent nonresident not a citizen of the United States) is hereby amended by adding at the end thereof the following new subsection:

"(c) UNITED STATES BONDS.—For the purposes of subsection (a), the value of the gross estate (determined as provided in section 811) of a decedent who was not engaged in business in the United States at the time of his death—

"(1) shall not include obligations issued by the United States prior to March 1, 1941; and

"(2) shall include obligations issued by the United States on or after March 1, 1941, but only if the decedent died after the date of the enactment of the Revenue Act of 1951."

53 Stat. 144.
26 U. S. C. § 1000 (b).

(b) GIFT TAX.—Effective with respect to gifts made after the date of enactment of this Act, section 1000 (b) (relating to application of gift tax) is hereby amended by adding at the end thereof the following: "In the case of such a nonresident who is not engaged in business in the United States at the time of a transfer of obligations issued by the United States, the tax shall apply in respect of any such obligations only if issued on or after March 1, 1941."

SEC. 605. ESTATE TAX EXEMPTION FOR WORKS OF ART LOANED BY NONRESIDENT ALIENS.

(a) AMENDMENT OF SECTION 863 (c).—Section 863 (c) (relating to exemption of works of art loaned by nonresident aliens) is hereby amended to read as follows: 53 Stat. 131. 26 U. S. C. § 863.

"(c) WORKS OF ART ON LOAN FOR EXHIBITION.—Works of art owned by a nonresident not a citizen of the United States (1) imported into the United States solely for exhibition purposes, (2) loaned for such purposes to a public gallery or museum, no part of the net earnings of which inures to the benefit of any private stockholder or individual, and (3) at the time of the death of the owner, on exhibition, or en route to or from exhibition, in such a public gallery or museum."

(b) EFFECTIVE DATE.—The amendment made by this section shall be applicable only with respect to estates of decedents dying after the date of the enactment of this Act.

SEC. 606. EXEMPTION FROM ADDITIONAL ESTATE TAX OF MEMBERS OF ARMED FORCES UPON DEATH.

Section 939 (relating to the estate tax treatment of certain members of the armed forces) is hereby amended as follows: 63 Stat. 896. 26 U. S. C. § 939. *Ante*, p. 43.

(1) By inserting before the first sentence thereof the following:

"(a) DEATHS AFTER DECEMBER 6, 1941, AND BEFORE JANUARY 1, 1947.—".

(2) By adding at the end thereof the following:

"(b) DEATHS AFTER JUNE 24, 1950, AND BEFORE JANUARY 1, 1954.—The tax imposed by section 935 shall not apply to the transfer of the net estate of a citizen or resident of the United States dying after June 24, 1950, and before January 1, 1954, while in active service as a member of the armed forces of the United States, if such decedent— 53 Stat. 141. 26 U. S. C. § 935.

"(1) was killed in action while serving in a combat zone, as determined under section 22 (b) (13); or *Ante*, p. 484.

"(2) died as a result of wounds, disease, or injury suffered, while serving in a combat zone (as determined under section 22 (b) (13)) and while in line of duty, by reason of a hazard to which he was subjected as an incident of such service."

SEC. 607. TRANSFERS CONDITIONED UPON SURVIVORSHIP.

In the case of property transferred by a decedent dying after March 18, 1937, and before February 11, 1939, the determination of whether such property is to be included in his gross estate under section 302 (c) of the Revenue Act of 1926 (44 Stat. 70) as a transfer intended to take effect in possession or enjoyment at or after his death shall be made in conformity with Treasury Regulations in force at the time of his death.

SEC. 608. TRANSFERS WITH INCOME RESERVED.

Section 7 (b) of the Act entitled "An Act to amend certain provisions of the Internal Revenue Code", approved October 25, 1949 (63 Stat. 895), is hereby amended by striking out "January 1, 1950" and inserting in lieu thereof "January 1, 1951". 26 U. S. C. § 811 note.

SEC. 609. TRANSFERS TAKING EFFECT AT DEATH.

Effective with respect to estates of decedents dying after February 10, 1939, section 7 (b) of the Act entitled "An Act to amend certain provisions of the Internal Revenue Code", approved October 25, 1949 (63 Stat. 895), is hereby amended by striking out the word "sentence" and inserting in lieu thereof "two sentences" and by inserting immediately preceding the last sentence thereof the following sentence: "The provisions of section 811 (c) (1) (C) of such code shall not apply to a transfer made prior to September 8, 1916." The 26 U. S. C. § 811 note.

provisions of section 7 (c) of such Act, as amended, shall not apply to an overpayment resulting from the application of this section.

SEC. 610. REVERSIONARY INTERESTS IN CASE OF LIFE INSURANCE.

64 Stat. 962.
26 U. S. C. § 811 note.

If refund or credit of any overpayment resulting from the application of section 503 of the Revenue Act of 1950 was prevented on October 25, 1950, by the operation of any law or rule of law (other than section 3760 of the Internal Revenue Code, relating to closing agreements, and other than section 3761 of such code, relating to compromises), refund or credit of such overpayment may, nevertheless, be made or allowed if claim therefor was filed after October 25, 1949, and on or before October 25, 1950.

53 Stat. 462.
26 U. S. C. §§ 3760, 3761.

SEC. 611. INCOME PURSUANT TO AWARD OF INTERSTATE COMMERCE COMMISSION.

53 Stat. 24.
26 U. S. C. § 42.

39 Stat. 424.
39 U. S. C. § 523 *et seq.*

Infra.

(a) Notwithstanding section 42 of the Internal Revenue Code, amounts received, pursuant to an award under the order issued under the Railway Mail Pay Act of 1916 by the Interstate Commerce Commission on December 4, 1950, as compensation for the transportation of mail during 1950 and prior years shall be deemed to be income which accrued in the taxable years in which the services to which such compensation relates were rendered. Notwithstanding section 292 of such code, no interest shall be assessed or collected for any period prior to July 1, 1951, with respect to that part of any deficiency which the Secretary determines to be attributable to the inclusion of income in a taxable year by reason of the application of this section. Any deficiency attributable to the inclusion of income in any taxable year by reason of the application of this section may be assessed at any time prior to the expiration of the period for assessment with respect to the taxable year of the taxpayer which includes December 4, 1950, notwithstanding the provisions of section 275 of the Internal Revenue Code or any other provision of law or rule of law which would otherwise prevent such assessment.

53 Stat. 86.
26 U. S. C. § 275.

53 Stat. 88.
26 U. S. C. § 292.

(b) Section 292 (relating to interest on deficiencies) is hereby amended by adding at the end thereof the following new subsection:

"(d) With respect to any corporation entitled to receive payment for the transportation of United States mail, if an award is retroactively received for the transportation of United States mail, and if such award is required to be treated as income in the year or years in which the mail was carried, then, notwithstanding the provisions of subsection (a) of this section, no interest shall be due, with respect to any period prior to thirty days after such award is granted, for tax deficiencies resulting from the inclusion of such additional mail payments retroactively."

SEC. 612. CREDIT IN PRIOR TAXABLE YEARS FOR DIVIDENDS RECEIVED ON PREFERRED STOCK OF A PUBLIC UTILITY.

Ante, pp. 468, 469, 487.

In the case of taxable years beginning before April 1, 1951, any reference in section 15 (a) or 26 (b) of the Internal Revenue Code to dividends received on the preferred stock of a public utility shall be construed as referring only to dividends received on the preferred stock of a public utility with respect to which the credit provided in section 26 (h) of such Code for dividends paid was allowable.

Ante, p. 469.

SEC. 613. CONSOLIDATED RETURNS—INCLUDIBLE CORPORATION.

If an affiliated group making a consolidated return with respect to the first taxable year of the group ending after June 30, 1950, included a corporation described in section 454 (f) of the Internal Revenue Code pursuant to the consent provided in section 141 (e) (7) of such code, such corporation may withdraw such consent at any time within

64 Stat. 1184; 58 Stat. 50.
26 U. S. C. §§ 454, 141 (e) (7).

ninety days after the enactment of this Act. If such consent is withdrawn under the preceding sentence, the tax liability of the affiliated group and its several members for the taxable year shall be determined, assessed, and collected as if such corporation had never joined in the making of the consolidated return.

SEC. 614. TIME FOR PERFORMING CERTAIN ACTS POSTPONED IN CASE OF CHINA TRADE ACT CORPORATIONS.

Section 3805 (relating to postponement of income tax due dates in the case of China Trade Act corporations) is hereby amended to read as follows:

56 Stat. 963.
26 U. S. C. § 3805.
42 Stat. 849.
15 U. S. C. § 141.

"SEC. 3805. INCOME TAX DUE DATES POSTPONED IN CASE OF CHINA TRADE ACT CORPORATIONS.

"In the case of any taxable year beginning after December 31, 1948, and ending before October 1, 1953, no Federal income tax return of, or payment of any Federal income tax by, any corporation organized under the China Trade Act of 1922 (42 Stat. 849, U. S. C., Title 15, chapter 4), as amended, shall become due until December 31, 1953, but only with respect to any such corporation and any such taxable year which the Secretary may determine reasonable under the circumstances in China pursuant to such regulations as he may prescribe. Such due date shall be subject to the power of the Secretary to extend the time for filing such return or paying such tax, as in other cases."

SEC. 615. TREATY OBLIGATIONS.

No amendment made by this Act shall apply in any case where its application would be contrary to any treaty obligation of the United States.

SEC. 616. REORGANIZATION PLAN NUMBERED 26 OF 1950.

The provisions of Reorganization Plan Numbered 26 of 1950 shall be applicable to all functions vested by this Act in any officer, employee, or agency of the Department of the Treasury.

64 Stat. 1280.
5 U. S. C. § 133z-15 note.

SEC. 617. CLAIMS UNDER THE RENEGOTIATION ACT.

Subsection (a) (4) (D) of the Renegotiation Act, as amended by section 201 (c) of the Renegotiation Act of 1951, is hereby amended by striking out "June 30, 1951," and inserting in lieu thereof "October 31, 1951,".

58 Stat. 80.
50 U. S. C. app. § 1191 (a) (4) (D).
Ante, p. 23.

SEC. 618. PROHIBITION UPON DENIAL OF SOCIAL SECURITY ACT FUNDS.

No State or any agency or political subdivision thereof shall be deprived of any grant-in-aid or other payment to which it otherwise is or has become entitled pursuant to title I, IV, X, or XIV of the Social Security Act, as amended, by reason of the enactment or enforcement by such State of any legislation prescribing any conditions under which public access may be had to records of the disbursement of any such funds or payments within such State, if such legislation prohibits the use of any list or names obtained through such access to such records for commercial or political purposes.

49 Stat. 620; 64 Stat. 555.
42 U. S. C. §§ 301-306, 601-606, 1201-1206, 1351-1355.

SEC. 619. REMOVAL OF TAX EXEMPTION FROM EXPENSE ALLOWANCES OF THE PRESIDENT, THE VICE PRESIDENT, THE SPEAKER, AND MEMBERS OF CONGRESS.

(a) EXPENSE ALLOWANCE OF THE PRESIDENT.—Section 102 of title 3 of the United States Code is amended by striking out "no tax liability shall accrue and for which no accounting shall be made by him" and inserting in lieu thereof "no accounting, other than for income tax purposes, shall be made by him".

62 Stat. 678; 63 Stat. 4.

63 Stat. 4.

(b) EXPENSE ALLOWANCE OF THE VICE PRESIDENT.—Section 111 of title 3 of the United States Code is amended by striking out "for which no tax liability shall occur or accounting be made by him" and inserting in lieu thereof "for which no accounting, other than for income tax purposes, shall be made by him".

(c) EXPENSE ALLOWANCE OF THE SPEAKER OF THE HOUSE OF REPRESENTATIVES.—Subsection (e) of the first section of the Act entitled "An Act to increase rates of compensation of the President, Vice President, and the Speaker of the House of Representatives", approved January 19, 1949 (Public Law 2, 81st Congress), is amended by striking out "for which no tax liability shall occur or accounting be made by him" and inserting in lieu thereof "for which no accounting, other than for income tax purposes, shall be made by him".

63 Stat. 4.
2 U. S. C. § 31b.

(d) EXPENSE ALLOWANCES OF MEMBERS OF CONGRESS.—Section 601 (b) of the Legislative Reorganization Act of 1946 is amended by striking out "for which no tax liability shall incur, or accounting be made" and inserting in lieu thereof "for which no accounting, other than for income tax purposes, shall be made".

60 Stat. 850.
2 U. S. C. § 31a.

(e) EFFECTIVE DATES.—The amendments made by subsections (a) and (b) of this section shall become effective at noon on January 20, 1953, and the amendments made by subsections (c) and (d) shall become effective at noon on January 3, 1953.

Approved October 20, 1951, 2:07 p. m., E.S.T.

Public Law 184 CHAPTER 522

AN ACT

October 20, 1951
[S. 1450]

To provide for the exchange of certain lands owned by the United States of America for certain privately owned lands.

Department of the Interior.
Exchange of certain lands in D. C.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, in order to adjust the boundary of the Rock Creek and Potomac Parkway in connection with plans for providing a park-like treatment at the entrance to Georgetown, and in connection with the future widening of Pennsylvania Avenue, the Secretary of the Interior is authorized to accept on behalf of and without cost to the United States of America, from the owner thereof, unencumbered fee-simple title to the following-described parcel of land situated in the District of Columbia and more particularly described as follows:

Part of lot 14, square 1194, as per plat recorded in the Office of the Surveyor of the District of Columbia in book 29, page 72, described as follows:

Beginning for the same at the intersection of the easterly line of Twenty-eighth Street and the south line of M Street, said point of beginning being also the northwest corner of said lot 14; thence along the south line of M Street east seventy and ninety-five one-hundredths feet to the northeast corner of said lot 14; thence in a southwesterly direction along the arc of the circle, the radius of which is two hundred and no tenths feet, deflecting to the right an arc distance of seventy-one and two one-hundredths feet to the northerly line of Pennsylvania Avenue; thence along said northerly line of Pennsylvania Avenue north sixty-five degrees twenty minutes west forty-four and fifty one-hundredths feet to the easterly line of Twenty-eighth Street and the southwest corner of said lot 14; thence along said easterly line of Twenty-eighth Street north no degrees three minutes west forty-five and seventeen one-hundredths feet to the point of beginning, contain-