

and the Commissioners of the District of Columbia are authorized and directed to effectuate said amendments on behalf of the United States for the District of Columbia.

Repeal.

SEC. 2. Section 5 of Public Law 86-794 (74 Stat. 1050) is repealed.

SEC. 3. The right of Congress to alter, amend, or repeal this Act is hereby expressly reserved.

Approved October 9, 1962.

Public Law 87-768

AN ACT

October 9, 1962
[H. R. 8824]

To modify the application of the personal holding company tax in the case of consumer finance companies.

Consumer finance companies.
Personal holding company tax, exception.
68A Stat. 182.
26 USC 542.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 542(c)(7) of the Internal Revenue Code of 1954 (relating to exceptions to the term "personal holding company") is amended to read as follows:

"(7) a lending company, not otherwise excepted by this subsection, authorized to engage in and actively and regularly engaged in the small loan business (consumer finance business) under one or more State statutes providing for the direct regulations of such business, 80 percent or more of the gross income of which consists of either or both of the following—

"(A) lawful interest, discount, or other authorized charges received from loans made to individuals in accordance with the provisions of applicable State law, and

"(B) lawful income received from domestic subsidiary corporations (of which stock possessing at least 80 percent of the voting power of all classes of stock and of which at least 80 percent of each class of the nonvoting stock is owned directly by such lending company), which are themselves excepted under this paragraph or paragraph (6), (8), or (9) of this subsection,

if at least 60 percent of the gross income is lawful interest, discount, or other authorized charges received from loans made in accordance with the provisions of such small loan (consumer finance) laws to individuals, each of whose indebtedness to such company did not at any time during the taxable year exceed in principal amount the limit prescribed for small loans by such law (or, if there is no such limit, \$1,500), and if the deductions allowed to such company under section 162 (relating to trade or business expenses), other than for compensation for personal services rendered by shareholders (including members of the shareholder's family as described in section 544(a)(2)), constitute 15 percent or more of its gross income, and the loans to a person, who is a shareholder in such company during the taxable year by or for whom 10 percent or more in value of its outstanding stock is owned directly or indirectly (including, in the case of an individual, stock owned by the members of his family as defined in section 544(a)(2)), outstanding at any time during such year do not exceed \$5,000 in principal amount;".

SEC. 2. The amendment made by the first section of this Act shall apply with respect to taxable years beginning after December 31, 1961.

Approved October 9, 1962.

Effective date.

68A Stat. 45.

68A Stat. 188.