

Public Law 96-595  
96th Congress

An Act

Dec. 24, 1980  
[H.R. 4968]

To amend the Internal Revenue Code of 1954 with respect to net operating loss carryovers of taxpayers who cease to be real estate investment trusts, to increase interest rates on certain United States retirement bonds, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

Internal Revenue Code of 1954, amendment.

SECTION 1. NET OPERATING LOSS CARRYOVER FOR CERTAIN REITS.

26 USC 172.

(a) IN GENERAL.—Subparagraph (E) of section 172(b)(1) of the Internal Revenue Code of 1954 (relating to net operating loss deduction) is amended to read as follows:

“(E)(i) A net operating loss for a REIT year—

“(I) shall not be a net operating loss carryback to any taxable year preceding the taxable year of such loss, and

“(II) shall be a net operating loss carryover to each of the 8 taxable years following the taxable year of such loss.

“(ii) In the case of any net operating loss for a taxable year which is not a REIT year—

“(I) such loss shall not be carried back to any taxable year which is a REIT year, and

“(II) the number of taxable years to which such loss may be a net operating loss carryover under subparagraph (B) shall be increased (to a number not greater than 8) by the number of taxable years to which such loss may not be a net operating loss carryback by reason of subclause (I).

“REIT year.”

“(iii) For purposes of this subparagraph, the term ‘REIT year’ means any taxable year for which the provisions of part II of subchapter M (relating to real estate investment trusts) apply to the taxpayer.”

26 USC 172 note.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to the determination of the net operating loss deduction for taxable years ending after October 4, 1976. For purposes of applying the preceding sentence to any net operating loss for a taxable year which is not a REIT year and which ends on or before October 4, 1976, subclause (II) of section 172(b)(1)(E)(ii) of the Internal Revenue Code of 1954 shall be applied by substituting “the number of REIT years to which such loss was a net operating loss carryback” for “the number of taxable years to which such loss may not be a net operating loss carryback by reason of subclause (I)”. In the case of a net operating loss for a taxable year described in the preceding sentence, subclause (II) of section 172(b)(1)(E)(ii) of such Code shall not apply to any taxpayer which acted so as to cause it to cease to qualify as a “real estate investment trust” within the meaning of section 856 of such Code if the principal purpose for such action was to secure the benefit of the allowance of a net operating loss carryover under section 172(b)(1)(B) of such Code.

26 USC 172.

26 USC 856.

**SEC. 2. INCREASES IN INTEREST RATES PAYABLE ON UNITED STATES RETIREMENT PLAN AND INDIVIDUAL RETIREMENT BONDS.**

(a) **IN GENERAL.**—The first section of the Second Liberty Bond Act (31 U.S.C. 752) is amended by adding at the end thereof the following new paragraph:

“The Secretary of the Treasury, with the approval of the President, may provide by regulations that the investment yield on any offerings of bonds issued under this Act which are described in section 405(b) or 409(a) of the Internal Revenue Code of 1954 (relating to retirement plan bonds and individual retirement bonds, respectively) be increased for the interest accrual periods specified in such regulations so that the investment yield on such bonds for such periods is consistent with the investment yield on new offerings of such bonds.”.

26 USC 405, 409.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply with respect to the investment yield on bonds issued before, on, or after the date of the enactment of this Act, but only for purposes of increasing the investment yield on such bonds for interest accrual periods beginning after the date of enactment of this Act.

31 USC 752 note.

**SEC. 3. GENERAL STOCK OWNERSHIP CORPORATIONS.**

(a) **IN GENERAL.**—Subchapter U of the Internal Revenue Code of 1954 (relating to general stock ownership corporations) is amended—

26 USC 1391.

(1) by inserting “or the estate of a deceased shareholder” after “State” in section 1391(a)(4)(D)(ii);

(2) by striking out “Individuals” in the caption of section 1391(c) and inserting in lieu thereof “Individual”;

(3) by striking out “1393” in section 1392(a) and inserting in lieu thereof “1396(b)”;

(4) by striking out “and all succeeding years” in section 1392(b)(1);

(5) by striking out “section, the term ‘taxable income’” in section 1393(a)(2) and inserting in lieu thereof “subchapter, the taxable income”;

(6) by striking out “a GSOC” in sections 1393(a)(2), 1393(b)(3), 1394(c), and 1396(b) and inserting in lieu thereof “an electing GSOC”;

(7) by striking out “GSOC’s” in the heading for section 1394 and inserting in lieu thereof “GSOC”;

(8) by striking out “the GSOC” in sections 1393(b)(3) and 1394(d) and inserting in lieu thereof “an electing GSOC”;

(9) by striking out “A GSOC” in section 1396(a) and inserting in lieu thereof “An electing GSOC”;

(10) by adding at the end of section 1396(b) the following: “Such tax shall be deductible as an ordinary and necessary expense of the corporation under section 162.”; and

(11) by amending the table of sections for such subchapter to read as follows:

**“Subchapter U—General Stock Ownership Corporations**

“Sec. 1391. Definitions.

“Sec. 1392. Election by GSOC.

“Sec. 1393. GSOC taxable income taxed to shareholders.

“Sec. 1394. Rules applicable to distributions of an electing GSOC.

“Sec. 1395. Adjustment to basis of stock of shareholders.

“Sec. 1396. Minimum distributions.

“Sec. 1397. Special rules applicable to an electing GSOC.”.

26 USC 6039B. (b) **CONFORMING AMENDMENT.**—The last sentence of section 6039B of such Code (relating to return of general stock ownership corporations) is amended by inserting “electing” after “Every”.

26 USC 1391 note. (c) **EFFECTIVE DATE.**—The amendments made by this section shall apply with respect to corporations chartered after December 31, 1978, and before January 1, 1984.

**SEC. 4. CHARITABLE SERVICES PERFORMED ABROAD.**

26 USC 911. (a) **IN GENERAL.**—Subsection (a) of section 911 of the Internal Revenue Code of 1954 (relating to income earned by individuals in certain camps) is amended by inserting “or who performs qualified charitable services in a lesser developed country,” after “hardship area”.

(b) **DOLLAR LIMITATIONS.**—

(1) **IN GENERAL.**—Subparagraph (A) of subsection (c)(1) of such section 911 of such Code is amended to read as follows:

“(A) **DOLLAR LIMITATIONS.**—

“(i) **CAMP RESIDENTS.**—In the case of an individual who resides in a camp located in a hardship area, the amount excluded from the gross income of the individual under subsection (a) for any taxable year shall not exceed an amount which shall be computed on a daily basis at an annual rate of \$20,000 for days during which he resides in a camp.

“(ii) **EMPLOYEES OF CHARITABLE ORGANIZATIONS.**—If any individual performs qualified charitable services in a lesser developed country during any taxable year, the amount of the earned income attributable to such services excluded from the gross income of the individual under subsection (a) for the taxable year shall not exceed an amount which shall be computed on a daily basis at an annual rate of \$20,000.

“(iii) **SPECIAL RULE.**—If any individual performs qualified charitable services in a lesser developed country and performs other services while residing in a camp located in a hardship area during any taxable year, the amount of the earned income attributable to such other services excluded from the gross income of the individual under subsection (a) for the taxable year shall not (after the application of clause (i) with respect to such earned income) exceed \$20,000 reduced by the amount of the earned income attributable to qualified charitable services excluded from gross income under subsection (a) for the taxable year.”

(2) **DEFINITIONS.**—Subsection (c)(1) of such section 911 of such Code is amended by adding at the end thereof the following:

“(D) **QUALIFIED CHARITABLE SERVICES.**—For purposes of this subsection, the term ‘qualified charitable services’ means services performed by an employee for an employer which—

“(i) meets the requirements of section 501(c)(3), and

“(ii) is not a private foundation (within the meaning of section 509(a)).

“(E) **LESSER DEVELOPED COUNTRY.**—The term ‘lesser developed country’ means any foreign country other than—

“(i) a country listed in the first sentence of section 502(b) of the Trade Act of 1974 (19 U.S.C. 2462), or

“(ii) a country designated by the President as not being a lesser developed country.”.

**(c) TECHNICAL AMENDMENTS.—**

(1) The heading for such section 911 of such Code is amended by inserting “OR FROM CHARITABLE SERVICES” after “CAMPS”. 26 USC 911.

(2) The item relating to section 911 in the table of sections for subpart B of part III of subchapter N of chapter 1 of such Code is amended by inserting “or from charitable services” after “camps”.

**(d) EFFECTIVE DATE.—**The amendments made by this section shall apply to taxable years beginning after December 31, 1978. 26 USC 911 note.

**SEC. 5. ARBITRAGE REQUIREMENTS FOR MORTGAGE SUBSIDY BONDS.**

**(a) GENERAL RULE.—**Paragraph (4) of section 103A(i) of the Internal Revenue Code of 1954 (relating to requirements related to arbitrage) is amended by adding at the end thereof the following new subparagraphs:

*Ante*, p. 2660.

“(C) **REDUCTION WHERE ISSUER DOES NOT USE FULL 1 PERCENTAGE POINT UNDER PARAGRAPH (2).—**

“(i) **IN GENERAL.—**The amount required to be paid or credited to mortgagors under subparagraph (A) (determined under this paragraph without regard to this subparagraph) shall be reduced by the unused paragraph (2) amount.

“(ii) **UNUSED PARAGRAPH (2) AMOUNT.—**For purposes of clause (i), the unused paragraph (2) amount is the amount which (if it were treated as an interest payment made by mortgagors) would result in the excess referred to in paragraph (2)(A) being equal to 1 percentage point. Such amount shall be fixed and determined as of the yield determination date.

“(D) **ELECTION TO PAY UNITED STATES.—**Subparagraph (A) shall be satisfied with respect to any issue if the issuer elects before issuing the obligations to pay over to the United States—

“(i) not less frequently than once each 5 years after the date of issue, an amount equal to 90 percent of the aggregate amount which would be required to be paid or credited to mortgagors under subparagraph (A) (and not theretofore paid to the United States), and

“(ii) not later than 30 days after the redemption of the last obligation, 100 percent of such aggregate amount not theretofore paid to the United States.

“(E) **SIMPLIFIED ACCOUNTING.—**The Secretary shall permit any simplified system of accounting for purposes of this paragraph which the issuer establishes to the satisfaction of the Secretary will assure that the purposes of this paragraph are carried out.”.

**(b) TECHNICAL AMENDMENT.—**Paragraph (8) of section 103A(l) of such Code is amended by inserting “or paid to the United States” after “credited to mortgagors”.

26 USC 103A  
note.  
Ante, p. 2660.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall take effect as if included in the amendments made by section 1102 of the Mortgage Subsidy Bond Tax Act of 1980.

Approved December 24, 1980.

**LEGISLATIVE HISTORY:**

HOUSE REPORT No. 96-1045 (Comm. on Ways and Means).

SENATE REPORT No. 96-1037 (Comm. on Finance).

CONGRESSIONAL RECORD, Vol. 126 (1980):

June 17, considered and failed of passage.

Nov. 17, considered and passed House.

Dec. 13, considered and passed Senate, amended; House agreed to Senate amendments.