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Approved October 22, 1968.

Public Law 90-621

AN ACT

October 22, 1968
[H. R. 18942]

Relating to the income tax treatment of certain statutory mergers of corporations.

Taxes.
Corporations;
statutory mergers.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 368(a)(2) of the Internal Revenue Code of 1954 (relating to special rules with respect to the definition of corporate reorganizations) is amended by adding at the end thereof the following new subparagraph:

"(D) STATUTORY MERGER USING STOCK OF CONTROLLING CORPORATION.—The acquisition by one corporation, in exchange for stock of a corporation (referred to in this subparagraph as 'controlling corporation') which is in control of the acquiring corporation, of substantially all of the properties of another corporation which in the transaction is merged into the acquiring corporation shall not disqualify a transaction under paragraph (1)(A) if (i) such transaction would have

68A Stat. 120.
26 USC 368.

qualified under paragraph (1)(A) if the merger had been into the controlling corporation, and (ii) no stock of the acquiring corporation is used in the transaction."

(b) Section 368(b) of such Code (relating to definition of a party to a reorganization) is amended by adding at the end thereof the following new sentence: "In the case of a reorganization qualifying under paragraph (1)(A) of subsection (a) by reason of paragraph (2)(D) of that subsection, the term 'a party to a reorganization' includes the controlling corporation referred to in such paragraph (2)(D)."

68A Stat. 120;
78 Stat. 57.
26 USC 368.

(c) The amendments made by subsections (a) and (b) shall apply to statutory mergers occurring after the date of the enactment of this Act.

SEC. 2. (a) Section 358(e) of the Internal Revenue Code of 1954 (relating to the exception to the rule for determining basis to distributees in corporate reorganizations) is amended to read as follows:

68A Stat. 118.

"(e) EXCEPTION.—This section shall not apply to property acquired by a corporation by the exchange of its stock or securities (or the stock or securities of a corporation which is in control of the acquiring corporation) as consideration in whole or in part for the transfer of the property to it."

(b) The last sentence of section 362(b) of such Code (relating to basis of property transferred to corporations in corporate reorganizations) is amended to read as follows: "This subsection shall not apply if the property acquired consists of stock or securities in a corporation a party to the reorganization, unless acquired by the exchange of stock or securities of the transferee (or of a corporation which is in control of the transferee) as the consideration in whole or in part for the transfer."

Property trans-
fers to corpora-
tions, non-
applicability.
68A Stat. 119.

(c) The amendments made by subsections (a) and (b) shall apply only in respect of plans of reorganization adopted after the date of the enactment of this Act.

Applicability.

Approved October 22, 1968.

Public Law 90-622

AN ACT

October 22, 1968
[H. R. 18486]

To amend the Internal Revenue Code of 1954 with respect to the treatment of income from the operation of a communications satellite system.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 883 of the Internal Revenue Code of 1954 (relating to exclusions from gross income) is amended by inserting "(a) INCOME OF FOREIGN CORPORATIONS FROM SHIPS AND AIRCRAFT.—" before "The", and by adding at the end thereof the following new subsection:

Taxes.
Global commu-
nications satel-
lite system, tax
exemption.
68A Stat. 283.
26 USC 883.

"(b) EARNINGS DERIVED FROM COMMUNICATIONS SATELLITE SYSTEM.—The earnings derived from the ownership or operation of a communications satellite system by a foreign entity designated by a foreign government to participate in such ownership or operation shall be exempt from taxation under this subtitle, if the United States, through its designated entity, participates in such system pursuant to the Communications Satellite Act of 1962 (47 U.S.C. 701 and following)."

76 Stat. 419.
Effective date.

(b) The amendment made by subsection (a) shall apply with respect to taxable years beginning after December 31, 1966.

Approved October 22, 1968.