86TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
2d Session } { No. 1548

INCOME TAX TREATMENT OF CERTAIN DEALERS' RESERVES

APRIL 21, 1960.—Ordered to be printed

Mr. MILLS, from the committee of conference, submitted the following

CONFERENCE REPORT

[To accompany H.R. 8684]

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 8684) to provide transitional provisions for the income tax treatment of dealer reserve income, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendment numbered 7.

That the House recede from its disagreement to the amendments of the Senate numbered 1, 2, 3, 4, 5, 6, 8, 9, 10, 11, 12, 13, and 14, and agree to the same.

W. D. MILLS,
AIME J. FORAND,
CECIL R. KING,
N. M. MASON,
JOHN W. BYRNES,
Managers on the Part of the House.

HARRY F. BYRD,
ROBT. S. KERR,
J. ALLEN FREAR, JR.,
FRANK CARLSON,
WALLACE F. BENNETT,
Managers on the Part of the Senate.

STATEMENT OF THE MANAGERS ON THE PART OF THE HOUSE

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 8684) to provide transitional provisions for the income tax treatment of dealer reserve income, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

Amendments Nos. 1, 4, 12, and 14: These amendments are technical, clerical, or conforming.

The House recedes.

Amendment No. 2: The bill as passed by the House did not apply to a taxpayer unless he computed his taxable income under an accrual method of accounting for his most recent taxable year ending on or before June 22, 1959. Senate amendment No. 2 makes it clear that a taxpayer will satisfy this provision if he was required to compute his taxable income under an accrual method for such taxable year even though he may have originally computed his taxable income for such year under some other method.

The House recedes.

Amendment No. 3: Under the bill as passed by the House, a taxpayer who is eligible for the tax treatment afforded by the bill was required to make an election under section 3(a) or 4(a) of the bill before July 1, 1960. Senate amendment No. 3 extends this date to September 1, 1960.

The House recedes.

Amendments Nos. 5, 6, and 13: Under the bill as passed by the House, an election under either section 3(a) or 4(a) of the bill applied, in general, to taxable years with respect to which the period of limitations for assessment of a deficiency, or refund or credit of an overpayment, had not expired at the time the election is made. Senate amendments Nos. 5 and 6 provide that an election under either of these sections will apply to taxable years with respect to which the period of limitations had not expired on June 21, 1959, even though the period may have expired after that date and before the date of the election.

Senate amendment No. 13 adds a new subsection (e) to section 5 of the bill as passed by the House. Paragraph (1) of this new subsection (e) provides for an extension of the period of limitations for assessment, refund, or credit in the case of taxpayers who make an election under either section 3(a) or 4(a) of the bill. Under this paragraph, if the assessment of any deficiency, or the refund or credit of any overpayment, for any taxable year was not prevented on June 21, 1959, by the operation of any rule of law, but would be so prevented prior to September 1, 1961, the period within which assessment, refund, or credit may be made, shall not expire prior to September 1, 1961.

Under the new section 5(e)(2), if the assessment of any deficiency, or the refund or credit of any overpayment, for any taxable year is

prevented on the date the taxpayer elects to have the provisions of sections 3 or 4 of the bill apply, by the operation of the provisions of chapter 74 of the Internal Revenue Code of 1954 (relating to closing agreements and compromises) or by the comparable provisions of the Internal Revenue Code of 1939, such assessment, or such refund or credit, shall be considered as having been prevented on June 21, 1959. Therefore an election under section 3(a) or section 4(a) of the bill will not apply to such a taxable year.

The House recedes.

Amendment No. 7: The bill as passed by the House provides that, if the net increase in tax (as defined in the bill) which results solely from the effect of an election under section 4(a) of the bill exceeds $2,500, the taxpayer may elect to pay any portion of such net increase which is unpaid on the date of the election in 2 or more, but not to exceed 10, annual installments. Senate amendment No. 7 reduced the maximum number of installments from 10 to 5.

The Senate recedes.

Amendments Nos. 8, 9, and 10: Under section 4(b) of the bill as passed by the House, certain conditions were specified under which the privilege of paying in installments provided for taxpayers who made an election under section 4(a) of the bill terminated, and the unpaid installments became payable on notice and demand. One of these conditions occurred if the individual, the partnership of which he is a member, or the corporation, as the case may be, ceased to engage in the trade or business in which the dealer reserve income arose. Senate amendments Nos. 8, 9, and 10 change this condition so that the privilege is to be terminated, in the case of an individual or a corporation, if the taxpayer ceases to engage in any trade or business, or in the case of a taxpayer who is a partner, if the partner ship terminates.

The House recedes.

Amendment No. 11: Under the bill as passed by the House, the term "dealer reserve income" was defined to mean that part of the consideration derived by a dealer from the sale or disposition of customers' evidences of indebtedness (or derived from finance charges connected with such sales or dispositions), which is attributable to sales of real or tangible personal property by the dealer in the ordinary course of his trade or business and which is held in a reserve account by the financial institution to which the dealer disposed of such evidences of indebtedness. Senate amendment No. 11 adds to this definition of dealer reserve income that part of the consideration derived by a dealer from such a sale of real or tangible personal property in cases where the financial institution provides part or all of the purchase price of the property to or for the customer (or that part of the consideration derived by a dealer from the finance charges connected with the financing of such sale), which is held in a reserve account by the financial institution which financed the sale.

The House recedes.

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