
TAX TREATMENT OF EXPROPRIATION LOSS RECOVERIES
AND EXTENSION OF TIME FOR FILING MEDICARE
SUPPLEMENTARY INSURANCE APPLICATIONS

APRIL 1, 1966.—Ordered to be printed

Mr. LONG of Louisiana, from the Committee on Finance, submitted
the following

R E P O R T

[To accompany H.R. 6319]

The Committee on Finance, to which was referred the bill (H.R. 6319) to amend the Internal Revenue Code of 1954 to provide for treatment of the recovery of losses arising from expropriation, intervention, or confiscation of properties by governments of foreign countries, having considered the same, reports favorably thereon with amendments and recommends that the bill as amended do pass.

**I. COMMITTEE AMENDMENT—EXTENSION OF INITIAL
ENROLLMENT PERIOD UNDER MEDICARE**

Your committee has added an amendment which amends the Social Security Act, title XVIII, so as to extend through May 31, 1966, the initial enrollment period for coverage under the program of supplementary medical insurance benefits for the aged. The program concerned is the part B segment of medicare.

II. SUMMARY

Your committee has adopted the House-passed provisions of H.R. 6319, relating to the treatment of recoveries of foreign expropriation losses. It has, however, added an amendment which amends the Social Security Act, title XVIII, so as to extend through May 31, 1966, the initial enrollment period for coverage under the program of supplementary medical insurance benefits for the aged. This bill, in the case of recoveries of foreign expropriation losses, provides a new set of rules generally limiting the tax on the recovery to the benefit previously received in deducting the loss (but applying

current tax rates), taking into account factors such as whether the loss offset income taxed at ordinary income tax rates or capital gains, tax rates, and the effect, if any, of the loss on foreign tax credits, etc. In hardship situations the bill also makes provision for payment of the tax on recoveries in 10 equal annual installments bearing interest at 4 percent. A special rule in the case of life insurance companies provides that a recovery, for purposes of this foreign expropriation loss provision, is to include the release of a life insurance reserve (or other item referred to in sec. 810(c)) resulting from the release of liabilities. These provisions apply to recoveries on or after January 1 1965.

The bill also makes provision for taxing recoveries with respect to foreign expropriation losses where a benefit from a tax deduction was received by one corporation holding securities in another whose property was expropriated. In such a case the restoration in value of the securities is treated as a recovery and taxed to the corporation receiving the benefit from the loss deduction. This provision applies to taxable years beginning after December 31, 1965.

The Treasury Department has indicated that it has no objection to the House-passed provisions and the Department of Health, Education, and Welfare supports the social security amendment added by your committee.

III. REASONS FOR FOREIGN EXPORTATION PROVISIONS

Recoveries of foreign expropriation losses.—Present law provides an explicit rule in the case of the recovery of a "bad debt," "prior tax," or "delinquency amount." It, in effect, provides (in sec. 111) that the recovery in these cases is to be included in income subject to tax to the extent that the initial deduction offset income subject to tax. However, no account is taken of the fact that the prior deduction in effect offset income which otherwise was not subject to a full tax (e.g., offset a capital gain or income eligible for the Western Hemisphere trade corporation treatment) nor does this rule take into account the fact that the prior deduction may have offset income subject to tax but with respect to which no tax was payable because of the offset of credits against tax (e.g., the foreign tax credit and the investment credit). Although the statutory language under present law refers only to a bad debt, prior tax, or delinquency amount, the regulations also apply this rule with respect to all other losses, expenditures, and accruals made the basis of deductions from gross income for prior taxable years, including war losses, but not including deductions with respect to depreciation, depletion, amortization, or amortizable bond premiums.¹

Thus, present law has been interpreted as providing that the recovery of losses sustained by reason of expropriation, intervention, seizure, or similar taking of property by a foreign government is to be included in the person's tax base to the extent the deduction for the loss initially taken was included in the tax base at the time of the taking of the property.² However, the amount included in income because of the recovery may result in a much greater tax than the tax saved by the original deduction.

¹ Sec. 1.111-1(a) of the regulations.

² Separate rules are provided for the recovery of World War II losses.

Congress, in the Revenue Act of 1964, recognized the tax problems resulting from the numerous cases of expropriation by foreign governments of property of United States taxpayers since World War II, including the major expropriations made in Cuba, beginning in 1959, when substantially all investments in that country were expropriated. The Revenue Act of 1964 dealt with one aspect of the problem raised by these expropriations; namely, the fact that a longer period than usual was needed to offset these major losses against income. For that reason the Revenue Act of 1964 provided a 10-year carryforward for expropriation losses rather than the generally available 5-year carryforward and 3-year carryback. However, there was not sufficient time when that legislation was considered to deal with the second phase of this problem; namely, the tax treatment to be accorded in the case of the recovery of any of these expropriations or similar takings of property. As a result, in the consideration of the Revenue Act of 1964 the Treasury Department and the congressional staff were requested to develop an appropriate suggestion as to the proper tax treatment of recoveries arising from expropriation, etc., losses. This provision grew out of this study. Your committee agrees with the House that it is important to act on this problem at the present time without regard to the possibility of the timing of any recovery in any specific instance, to assure taxpayers that in the event of a recovery of expropriated property they will be treated fairly under the U.S. tax laws.

The recovery provisions described more fully in "III. General Explanation of Foreign Expropriation Provisions" below are somewhat similar to the provisions of present law relating to a bad debt, prior tax, or delinquency amount (sec. 111). However, there are significant differences. Probably the most important is the fact that in determining the tax benefit of the prior deduction—and, therefore, the tax applicable with respect to the restored amount—tax credits, such as the foreign tax credit and investment credit, are taken into account. This, if because of such credits the deduction of the loss produced little or no actual tax benefit, little or no tax is to be imposed with respect to the recovery under the rules set forth below. Similar treatment is provided where the tax benefit in the year of the loss may have been reduced by lower rates, such as the capital gains rate and the rate applicable to Western Hemisphere trade corporations. The tax benefit, however, for purposes of the recovery will be measured by using the rates in effect in the year of the recovery rather than in the year of the loss.

Another important point of departure from the rule in present law, which is made available in the rules set forth below, relates to the time allowed for the payment of the tax on the recovery. Where certain conditions exist as to the recovery (e.g., the bulk of the recovery is in property rather than cash) up to 10 years is to be allowed for the payment of the tax on the recovered amount. However, these payments will be subject to interest at the rate of 4 percent on the declining balance. Frequently where there are recoveries it is necessary for the taxpayer to invest substantial additional amounts in placing the property in usable condition. Alternatively, the recovery may be made in the form of property which cannot readily be sold for a period of time. Because of these factors, the House-passed bill provides additional time for payment of the tax on these recovered amounts. The interest rate provided is the same as that available

under present law for deferred payment of estate tax where it is determined that the full payment of the tax would constitute a hardship.

Decrease of liabilities for life insurance companies.—During the consideration of this bill life insurance companies presented a unique problem. Under the special provisions taxing life insurance companies (secs. 801–820 of the code), there is recognition of the fact that these companies, because of the long-term nature of their business, are entitled to deductions or exclusions for the addition to certain specified reserves (e.g., life insurance reserves). Likewise, when these reserves are no longer needed, they are “released” and become an item of income to the life insurance company. In general, these reserves must be required by State law (see secs. 801 (b) and (c)), which has been interpreted to mean either express statutory law or rules and regulations issued by a State insurance commissioner.

When the assets of a life insurance company are expropriated, a question immediately arises as to whether or not the company is still liable on its insurance policies arising in the country where the act of expropriation occurred. If the liability is no longer in existence, then the reserves behind these policies are no longer required and must be released. This release produces an item of income for a life insurance company under section 809(c)(2). Generally, it is understood that the insurance commissioners under State law do not require the companies to maintain reserves after the assets behind these reserves have been expropriated. In this case, no special problem is presented under the bill.

On the other hand, in some instances under State law the insurance commissioner requires the company to maintain the reserves even through the company’s assets in a particular country have been expropriated. In cases where the company disagrees with this interpretation of State law, then the company may litigate its liability under these policies. If the company should be successful in the litigation, then the liability under the insurance contracts is eliminated and the reserves are no longer needed or required by the insurance commissioners under State law. Hence, they are released and become income to the company in the year when the litigation is successful. This will be years after the expropriation occurred and the assets were written off.

For a life insurance company, this release of its liability under its insurance contracts is, in essence, the same as a recovery of a part or all of the assets that had been expropriated. Your committee agrees with the House that a life insurance company should treat the release of reserves as a recovery of a foreign expropriation loss for purposes of this bill.

Restoration of value of securities after expropriation loss.—Present law (sec. 1334) contains a provision dealing with restoration of value of certain investments which were deducted as worthless investments under the World War II loss provisions. Under this provision, if stock in a corporation became worthless because the corporation’s assets were seized by Germany during World War II and a deduction for the loss was taken with full tax benefit, then any restoration in value of the stock (by reason of recoveries made by the corporation) is required to be included in gross income in the year of such restoration in value of the stock, even though the stockholder at that time receives no money or other property.

The provision in present law deals only with World War II losses and existing law contains no comparable provision to deal with similar cases which can arise from other foreign expropriations. Your committee also agrees with the House that a comparable provision is needed for recoveries of more recent foreign expropriation losses. Such treatment is necessary if taxpayers in these cases are to be taxed on recoveries of amounts for which deductions previously were taken.

IV. GENERAL EXPLANATION OF FOREIGN EXPROPRIATION PROVISIONS

Recoveries of foreign expropriation losses.—The new provision of the House-passed bill, dealing with the treatment of recoveries by domestic corporations (subject to tax under sec. 11 or 802) of foreign expropriation losses, is elective at the option of the taxpayer, but once applied, is effective to all recoveries with respect to the same expropriation loss. This provision applies only if the corporation was subject to tax as a regular corporation (under sec. 11) or as a life insurance company (under sec. 802) both in the year the expropriation loss was taken and in the year of the recovery. Foreign expropriation losses for this purpose are defined in the same manner as in the case of the 10-year carryforward of losses. They are losses sustained by reason of expropriation, intervention, seizure, or similar taking of property by a foreign government. Included in this category is a debt which becomes worthless by reason of such an expropriation, etc.

The amount treated as recovered for purposes of the new provision is the amount of money and the current fair market value of other property received. For life insurance companies the amount of recovery includes the decrease of any item described in section 810(c) attributable to such foreign expropriation loss. This also is intended to cover the situation when the insurance commissioner under State law does not require the reserves to be maintained following an expropriation, but a subsequent court decision holds the company liable on the contracts. In that event, the company will be required by the insurance commissioner under State law to set up a reserve pending appeal to a higher court. If the ultimate judicial decision holds the company not liable under the insurance contracts, then the company has a decrease of liability which would qualify under the bill. The effect would be that the decrease of liability or release of reserve could be offset against the deduction taken in an earlier year. Of course, a foreign expropriation loss (as defined in sec. 1351(b)) does not include any interest element that may have been added or accrued with respect to the loss after the expropriation occurred. Thus, any such interest element is not subject to the treatment provided in new section 1351. For example, if a life insurance company had insurance reserves of \$1,000 at the time the act of expropriation occurred and subsequently added \$30 of required interest to the reserve before the recovery occurred, then the amount taken into account for purposes of section 1351(c) is \$1,000. The balance, or \$30, is an item of income for the year of recovery.

The bill divides the amount recovered into two portions: the amount with respect to which a deduction was taken on account of the loss; and any excess recovery of the amount over the deduction previously taken. The amount representing the deduction previously taken is

excluded from gross income. In place of including this amount in income, a tax is computed with respect to this deduction under a "tax benefit" rule.

Any recovery in excess of the deduction previously taken is treated as gain on the involuntary conversion of property (as provided in sec. 1033). Thus, if cash in excess of the deduction previously taken is obtained on the recovery (or other property is obtained which is not of a like kind to that expropriated) and there is no reinvestment of this excess within the time specified under the present law in the case of involuntary conversions, gain is recognized with respect to this excess amount. However, if the property recovered is "similar or related in service or use" (or in the case of real estate of a like kind) or that expropriated or there is a reinvestment in such property to, that extent no gain is recognized at the time of the recovery on this portion of the amount received. Where this is true, the basis of the property is reduced to the extent of the gain which is not recognized because of treatment as an involuntary conversion.

Where both cash and similar, etc., property are received in a recovery and the amount of the recovery exceeds the deduction previously taken, then the cash is to be first attributed to this deduction and the similar, etc., property, to the extent appropriate, attributed to the excess recovery over this deduction.

The tax computation under the "tax benefit rule," referred to above, is made by decreasing the loss in the year in which the expropriation occurred (or any year to which it was carried) by the amount of the recovery representing this prior deduction. A tax is then computed on this additional income (if any) and added to the tax liability for the year of recovery.

It should be noted that this additional tax is computed by in effect "restoring" the recovered amount back in the year or years in which the deduction was taken. However, for the purposes of this additional tax, the current year's tax rates (under sec. 11) rather than those applicable to the earlier year are to be used, although in other respects the law applicable in the earlier year or years will be applied. Thus, for example, the rules then applicable in the case of multiple surtax exemptions would govern, rather than those applicable in the year of the recovery.

For purposes of this computation of additional tax, if a series of recoveries has occurred, any recoveries made before the one in question are taken into account in determining income of the prior year or years for purposes of determining the additional tax in case of the current recovery. This includes recoveries whether or not this provision was elected (it includes, for example, those coming under sec. 111 of the code as well as the now sec. 1351(g)).

Adjustments are made for all credits against tax and also carryovers and carrybacks of losses or credits which would normally have resulted had the income in the prior year been greater by the amount now being added back. This gives effect, for example, to the foreign tax credit and the investment credit. It is important to note in this respect that where a foreign tax credit, for example, was not fully utilized in prior years because of a loss deduction, part of the deduction did not reduce the tax for those years. As a result a restoration of income where there was an unused foreign tax credit (except to the extent influenced by the foreign tax credit limitation) may not give rise to an additional tax on the recovery under this provision.

In making these recomputations with respect to prior years, the principles set forth in section 1314(a), relating to the correction of errors, are to apply. Thus, for example, there will be no recomputations of other income items or deductions with respect to such a year because of this provision, but limitations will be changed where they would normally have been different had the additional income been received in the prior year. Thus, for example, the 5-percent limitation on charitable contributions will permit a greater deduction where the actual contributions exceeded the amount previously deductible.

For purposes of this recomputation, taxpayers are also allowed a new choice as to whether they desire to deduct foreign taxes or take a foreign tax credit. Similarly, for this purpose, the taxpayer may make a new election between the "per country" and "overall" limitation in the case of the foreign tax credit. The new choice and election, in the case of foreign taxes, are only for purposes of the computation of the additional tax attributable to the recovery. For all other purposes any prior election or choice made is still binding to the same extent as if this provision were not applicable.

The tax benefit rule described above works in such a manner that where a partial recovery of property occurs, if no tax benefit was derived from a part of the prior deduction (e.g., where part of the deduction represented an unused net operating loss), the recovery is not to result in additional tax if the recovery does not exceed the part of the deduction which gave no tax reduction. This occurs since the loss previously taken is only reduced by the amount of the partial recovery and therefore the recomputation still gives rise to no tax.

The bill also provides that, for purposes of this provision, if an investment (such as a stock or bond) becomes worthless by reason of the expropriation of the assets of the corporation which issued the stock or bond, and thereafter there is a restoration in value of the stock or bond because of the recovery by the corporation of its expropriated property, then the value restored will be treated as a recovery.

The tax on the recovery cannot be reduced by foreign tax credits or investment credits available in the year of recovery.

The bill provides that the tax payable with respect to the recovery on a foreign expropriation loss—both that coming under the tax benefit rule attributable to the deduction previously taken and also any gain taxed on excess recovery—may under certain conditions be paid in 10 equal annual installments bearing interest at 4 percent. As is generally true in the case of installment payments of taxes, if any installment is not paid on time, all of the remaining installments then become due.

The bill sets forth rules to permit the taxpayer to pay the tax attributable to the recovery of foreign expropriation losses over the 10-year period where a hardship situation is likely to exist. Thus, the taxpayer has this option where the money received is less than 25 percent of the recovery and is not larger than the tax attributable to the recovery. In addition, even though the cash payments exceed the 25-percent limit or the tax on the recovery, the Secretary of the Treasury may nevertheless permit the tax to be paid in up to 10 equal annual installments if he finds that the payment of the tax at the time of the recovery would result in undue hardship.

The bill provides that where the taxpayer has elected to pay the tax in 10 equal annual installments and property received on the recovery is sold for cash (or exchanged for other property sold for cash) the taxpayers' right to spread the tax payments over 10 years is modified. In such an event, to the extent the cash received exceeds the 25-percent limit or tax on the recovery if smaller, the remaining tax payments are to become due at the time of the due date for the next tax return. Money received in such a case is always attributed first to the payments with the shortest maturity. Money for purposes of this provision includes the dollar value of foreign currencies.

This provision applies to recoveries on or after January 1, 1965, with respect to foreign expropriation losses sustained after December 31, 1958.

Restoration of value of securities after expropriation loss.—The new provision (sec. 80) added by the House passed bill applies only to restoration in the value of securities (as defined in sec. 165(g)(2)). Without this provision there is no assurance that this restoration of value—for which a loss deduction was previously taken—will result in the imposition of any tax. If a stock or bond became worthless by reason of the expropriation after 1958 by a foreign government of the assets of the corporation which issued the stock or bond, and a deduction for the loss was allowed, and the value of the stock is restored in full or in part during any taxable year beginning after 1965 by reason of the recovery by the corporation of money or other property, under this provision the value restored will be included in gross income subject to two limitations. First, the amount included in gross income is not to exceed the amount of the original loss (the adjusted basis of the stock at the time it became worthless). Second, the amount includible in gross income is to be reduced by the amount, if any, by which the loss did not result in a tax benefit.

The following example will illustrate the application of the new provision. The taxpayer owns stock in a corporation having an adjusted basis of \$10,000 and a fair market value of \$30,000 at the time Cuba seized all the assets of the corporation. As a result of the expropriation the stock became worthless and the taxpayer deducted the \$10,000 as a capital loss which was utilized in full against capital gains. In 1970 the Cuban Government returns property to the corporation with the result that there is a restoration in the value of the taxpayer's stock to \$15,000. The first limitation referred to above requires the inclusion in 1970 in gross income of only \$10,000 of the \$15,000 restoration in value since the original loss was only \$10,000. The second limitation referred to above would not apply since eliminating the original capital loss would have produced a tax on \$10,000 of capital gains.

In the above example, if only \$6,000 of the \$10,000 capital loss had been utilized against capital gains, then the second limitation would apply so that the \$10,000 restoration in value would be reduced by the \$4,000 of the capital loss not utilized. If the restoration in value had been to \$3,000 instead of \$15,000, then the second limitation would apply so that the \$3,000 would be reduced to zero since \$4,000 of the original loss did not result in a tax benefit.

The amount included in gross income under this provision will be ordinary income unless the loss resulting from the expropriation was

taken into account as a loss from the sale or exchange of a capital asset. In the latter case the restored value taken into gross income will be treated as a long-term capital gain.

This provision will not apply to a restoration in value if the taxpayer elects the application of section 1351 to the recovery or to any prior recovery with respect to the original loss. Section 1351 has its own rules with respect to restoration of value in case of expropriation losses.

The new provision applies to domestic corporations which are subject to the regular corporate tax (imposed by sec. 11) and to domestic life insurance companies (subject to the tax imposed by sec. 802). Thus, the new section will not apply to individuals, estates, or trusts. If a corporation is subject to the regular corporate tax, or the tax imposed on life insurance companies, it would not lose that status because its tax for the year is computed under the alternative tax in case of capital gains.

The new provision applies to restoration in value occurring in taxable years beginning after December 31, 1965, with respect to the specified types of expropriation losses sustained after December 31, 1958.

V. TWO-MONTH EXTENSION OF INITIAL ENROLLMENT PERIOD FOR SUPPLEMENTARY MEDICAL INSURANCE BENEFITS FOR THE AGED

The committee amendment extends through May 31, 1966, the initial enrollment period for coverage under the program of supplementary medical insurance benefits for the aged provided under part B of title XVIII. Under existing law the initial enrollment period terminated on March 31, 1966.

Coverage under the basic hospital insurance portion of medicare—part A—is automatic and does not require that any premium payments be made by the eligible individual. In contrast to this, part B requires that the older person complete an application for supplementary medical insurance coverage which will cost him \$3 monthly.

The medicare program is complex. Intelligent decision on election of part B coverage requires that older people possess full information not only on part B but also on the interrelationship between that plan and any private health insurance policies they might have. Many private health insurance companies—including Blue Cross and Blue Shield plans—have only recently begun to announce the extent to which they will modify their policies so as to supplement or complement medicare benefits. For many of our older citizens these announcements have come too late to permit sufficient time for thoughtful decision as to whether they should enroll in part B. Undoubtedly, many of those who have not enrolled due to insufficient and late information would elect participation during the extended enrollment period provided by this amendment.

Many older people are employed and are provided health insurance through their place of employment. The advent of medicare has required modification of many of these health insurance contracts—modification which, in instances, may still not have been made. Uncertainty here, too, has led to delay in the enrollment in part B of otherwise eligible people.

Under present law, coverage under part B becomes effective as of July 1, 1966. The extension of time for enrollment in part B will not interfere with that timetable.

The committee is concerned that every eligible older person be given adequate opportunity to participate in the part B segment of medicare. Based upon the reasons outlined above, as well as other valid considerations, it was agreed that the initial enrollment period for part B should be extended through May 31, 1966.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in *italic*, existing law in which no change is proposed is shown in roman):

INTERNAL REVENUE CODE OF 1954

CHAPTER 1 NORMAL TAXES AND SURTAXES

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Subchapter A Determination of Tax Liability

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PART IV CREDITS AGAINST TAX

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Subpart B Rules for Computing Credit for Investment in Certain Depreciable Property

- Sec. 46. Amount of credit.
- Sec. 47. Certain dispositions, etc., of section 38 property.
- Sec. 48. Definitions; special rules.

SEC. 46. AMOUNT OF CREDIT.

(a) **DETERMINATION OF AMOUNT.**—

(1) **GENERAL RULE.**—The amount of the credit allowed by section 38 for the taxable year shall be equal to 7 percent of the qualified investment (as defined in subsection (c)).

(2) **LIMITATION BASED ON AMOUNT OF TAX.**—Notwithstanding paragraph (1), the credit allowed by section 38 for the taxable year shall not exceed—

(A) so much of the liability for tax for the taxable year as does not exceed \$25,000, plus

(B) 25 percent of so much of the liability for tax for the taxable year as exceeds \$25,000.

(3) **LIABILITY FOR TAX.**—For purposes of paragraph (2), the liability for tax for the taxable year shall be the tax imposed by this chapter for such year, reduced by the sum of the credits allowable under—

(A) section 33 (relating to foreign tax credit),

(B) section 35 (relating to partially tax-exempt interest),

and

(C) section 37 (relating to retirement income).

For purposes of this paragraph, any tax imposed for the taxable year by section 531 (relating to accumulated earnings tax) or by section 541 (relating to personal holding company tax), and any additional tax imposed for the taxable year by section 1351(d)(1) (relating to recoveries of foreign expropriation losses), shall not be considered tax imposed by this chapter for such year.

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Subchapter B—Computation of Taxable Income

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PART II—ITEMS SPECIFICALLY INCLUDED IN GROSS INCOME

- Sec. 71. Alimony and separate maintenance payments.
- Sec. 72. Annuities; certain proceeds of endowment and life insurance contracts.
- Sec. 73. Services of child.
- Sec. 74. Prizes and awards.
- Sec. 75. Declares in tax-exempt securities.
- Sec. 76. Mortgages made or obligations issued by joint-stock land banks.
- Sec. 77. Commodity credit loans.
- Sec. 78. Dividends received from certain foreign corporations by domestic corporations choosing foreign tax credit.
- Sec. 79. Group-term life insurance purchased for employees.
- Sec. 80. Restoration of value of certain securities.

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SEC. 80. RESTORATION OF VALUE OF CERTAIN SECURITIES.

(a) *GENERAL RULE.*—In the case of a domestic corporation subject to the tax imposed by section 11 or 802, if the value of any security (as defined in section 165(g)(2))—

(1) which became worthless by reason of the expropriation, intervention, seizure, or similar taking by the government of any foreign country, any political subdivision thereof, or any agency or instrumentality of the foregoing of property to which such security was related, and

(2) which was taken into account as a loss from the sale or exchange of a capital asset or with respect to which a deduction for a loss was allowed under section 165,

is restored in whole or in part during any taxable year by reason of any recovery of money or other property in respect of the property to which such security was related, the value so restored (to the extent that, when added to the value so restored during prior taxable years, it does not exceed the amount of the loss described in paragraph (2)) shall, except as provided in subsection (b), be included in gross income for the taxable year in which such restoration occurs.

(b) *REDUCTION FOR FAILURE TO RECEIVE TAX BENEFIT.*—The amount otherwise includible in gross income under subsection (a) in respect of any security shall be reduced by an amount equal to the amount (if any) of the loss described in subsection (a)(2) which did not result in a reduction of the taxpayer's tax under this subtitle for any taxable year, determined under regulations prescribed by the Secretary or his delegate.

(c) *CHARACTER OF INCOME.*—For purposes of this subtitle—

(1) *Except as provided in paragraph (2), the amount included in gross income under this section shall be treated as gain from the sale or exchange of property which is neither a capital asset nor property described in section 1231.*

(2) *If the loss described in subsection (a)(2) was taken into account as a loss from the sale or exchange of a capital asset, the amount included in gross income under this section shall be treated as long-term capital gain.*

(d) *TREATMENT UNDER FOREIGN EXPROPRIATION LOSS RECOVERY PROVISION.*—This section shall not apply to any recovery of a foreign expropriation loss to which section 1351 applies.

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Subchapter N—Tax Based on Income From Sources Within or Without the United States

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PART III INCOME FROM SOURCES WITHOUT THE UNITED STATES

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Subpart A --Foreign Tax Credit

- Sec. 901. Taxes of foreign countries and of possessions of United States.
- Sec. 902. Credit for corporate stockholder in foreign corporation.
- Sec. 903. Credit for taxes in lieu of income, etc., taxes.
- Sec. 904. Limitation on credit.
- Sec. 905. Applicable rules.

SEC. 901. TAXES OF FOREIGN COUNTRIES AND OF POSSESSIONS OF UNITED STATES.

(a) *ALLOWANCE OF CREDIT.*—If the taxpayer chooses to have the benefits of this subpart, the tax imposed by this chapter shall, subject to the applicable limitation of section 904, be credited with the amounts provided in the applicable paragraph of subsection (b) plus, in the case of a corporation, the taxes deemed to have been paid under sections 902 and 960. Such choice for any taxable year may be made or changed at any time before the expiration of the period prescribed for making a claim for credit or refund of the tax imposed by this chapter for such taxable year. The credit shall not be allowed against the tax imposed by section 531 (relating to the tax on accumulated earnings), against the additional tax imposed for the taxable year under section 1333 (relating to war loss recoveries) or under section 1351 (relating to recoveries of foreign expropriation losses), or against the personal holding company tax imposed by section 541.

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Subchapter Q—Readjustment of Tax Between Years and Special Limitations

- Part I. Income averaging.
- Part II. Mitigation of effect of limitations and other provisions.
- Part III. Involuntary liquidation and replacement of LIFO inventories.
- Part IV. War loss recoveries.
- Part V. Claim of right.
- Part VI. Other limitations.
- Part VII. Recoveries of foreign expropriation losses.

PART VII—RECOVERIES OF FOREIGN EXPROPRIATION LOSSES

Sec. 1351. Treatment of recoveries of foreign expropriation losses.

SEC. 1351. TREATMENT OF RECOVERIES OF FOREIGN EXPROPRIATION LOSSES.

(a) **ELECTION.**—

(1) **IN GENERAL.**—*This section shall apply only to a recovery, by a domestic corporation subject to the tax imposed by section 11 of 802, of a foreign expropriation loss sustained by such corporation and only if such corporation was subject to the tax imposed by section 11 or 802, as the case may be, for the year of the loss and elects to have the provisions of this section apply with respect to such loss.*

(2) **TIME, MANNER, AND SCOPE.**—*An election under paragraph (1) shall be made at such time and in such manner as the Secretary or his delegate may prescribe by regulations. An election made with respect to any foreign expropriation loss shall apply to all recoveries in respect of such loss.*

(b) **DEFINITION OF FOREIGN EXPROPRIATION LOSS.**—*For purposes of this section, the term "foreign expropriation loss" means any loss sustained by reason of the expropriation, intervention, seizure, or similar taking of property by the government of any foreign country, any political subdivision thereof, or any agency or instrumentality of the foregoing. For purposes of the preceding sentence, a debt which becomes worthless shall, to the extent of any deduction allowed under section 166(a), be treated as a loss.*

(c) **AMOUNT OF RECOVERY.**—

(1) **GENERAL RULE.**—*The amount of any recovery of a foreign expropriation loss is the amount of money and the fair market value of other property received in respect of such loss, determined as of the date of receipt.*

(2) **SPECIAL RULE FOR LIFE INSURANCE COMPANIES.**—*The amount of any recovery of a foreign expropriation loss includes, in the case of a life insurance company, the amount of decrease of any item taken into account under section 810(c), to the extent such decrease is attributable to the release, by reason of such loss, of its liabilities with respect to such item.*

(d) **ADJUSTMENTS FOR PRIOR TAX BENEFITS.**—

(1) **IN GENERAL.**—*That part of the amount of a recovery of a foreign expropriation loss to which this section applies which, when added to the aggregate of the amounts of previous recoveries with respect to such loss, does not exceed the allowable deductions in prior taxable years on account of such loss shall be excluded from gross*

income for the taxable year of the recovery for purposes of computing the tax under this subtitle; but there shall be added to, and assessed and collected as a part of, the tax under this subtitle for such taxable year an amount equal to the total increase in the tax under this subtitle for all taxable years which would result by decreasing, in an amount equal to such part of the recovery so excluded, the deductions allowable in the prior taxable years on account of such loss. For purposes of this paragraph, if the loss to which the recovery relates was taken into account as a loss from the sale or exchange of a capital asset, the amount of the loss shall be treated as an allowable deduction even though there were no gains against which to allow such loss.

(2) *COMPUTATION.*—The increase in the tax for each taxable year referred to in paragraph (1) shall be computed in accordance with regulations prescribed by the Secretary or his delegate. Such regulations shall give effect to previous recoveries of any kind (including recoveries described in section 111, relating to recovery of bad debts, etc.) with respect to any prior taxable year, but shall otherwise treat the tax previously determined for any taxable year in accordance with the principles set forth in section 1314(a) (relating to correction of errors). Subject to the provisions of paragraph (3), all credits allowable against the tax for any taxable year, and all carryovers and carrybacks affected by so decreasing the allowable deductions, shall be taken into account in computing the increase in the tax.

(3) *FOREIGN TAXES.*—For purposes of this subsection—

(A) any choice made under subpart A of part III of subchapter N (relating to foreign tax credit) for any taxable year may be changed,

(B) subject to the provisions of section 904(b), an election to have the limitation provided by section 904(a)(2) apply may be made, and

(C) notwithstanding section 904(b)(1), an election previously made to have the limitation provided by section 904(a)(2) apply may be revoked with respect to any taxable year and succeeding taxable years.

(4) *SUBSTITUTION OF CURRENT NORMAL TAX AND SURTAX RATES.*—For purposes of this subsection, the normal tax rate provided by section 11(b) and the surtax rate provided by section 11(c) which are in effect for the taxable year of the recovery shall be treated as having been in effect for all prior taxable years.

(e) *GAIN ON RECOVERY.*—That part of the amount of a recovery of a foreign expropriation loss to which this section applies which is not excluded from gross income under subsection (d)(1) 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 1033.

(f) *BASIS OF RECOVERED PROPERTY.*—The basis of property (other than money) received as a recovery of a foreign expropriation loss to which this section applies shall be an amount equal to its fair market value on the date of receipt, reduced by such part of the gain under subsection (e) which is not recognized as provided in section 1033.

(g) *RESTORATION OF VALUE OF INVESTMENTS.*—For purposes of this section, if the value of any interest in, or with respect to, property (including any interest represented by a security, as defined in section 165 (g)(2))—

(1) which became worthless by reason of the expropriation, intervention, seizure, or similar taking of such property by the government of any foreign country, any political subdivision thereof, or any agency or instrumentality of the foregoing, and

(2) which was taken into account as a loss from the sale or exchange of a capital asset or with respect to which a deduction for a loss was allowed under section 165 or a deduction for a bad debt was allowed under section 166,

is restored in whole or in part by reason of any recovery of money or other property in respect of the property which became worthless, the value so restored shall be treated as property received as a recovery in respect of such loss or such bad debt.

(h) *SPECIAL RULE FOR EVIDENCES OF INDEBTEDNESS.*—Bonds or other evidences of indebtedness received as a recovery of a foreign expropriation loss to which this section applies shall not be considered to have any original issue discount within the meaning of section 1232(a)(2).

(i) *ADJUSTMENTS FOR SUCCEEDING YEARS.*—For purposes of this subtitle, proper adjustment shall be made, under regulations prescribed by the Secretary or his delegate, in—

(1) the credit under section 33 (relating to foreign tax credit),

(2) the credit under section 38 (relating to investment credit),

(3) the net operating loss deduction under section 172, or the operations loss deduction under section 812,

(4) the capital loss carryover under section 1212(a), and

(5) such other items as may be specified by such regulations,

for the taxable year of a recovery of a foreign expropriation loss to which this section applies, and for succeeding taxable years, to take into account items changed in making the computations under subsection (d) for taxable years prior to the taxable year of such recovery.

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CHAPTER 62—TIME AND PLACE FOR PAYING TAX

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Subchapter B—Extensions of Time for Payment

Sec. 6161. Extension of time for paying tax.

Sec. 6162. Extension of time for payment of tax on gain attributable to liquidation of personal holding companies.

Sec. 6163. Extension of time for payment of estate tax on value of reversionary or remainder interest in property.

Sec. 6164. Extension of time for payment of taxes by corporations expecting carrybacks.

Sec. 6165. Bonds where time to pay tax or deficiency has been extended.

Sec. 6166. Extension of time for payment of estate tax where estate consists largely of interest in closely held business.

Sec. 6167. Extension of time for payment of tax attributable to recovery of foreign expropriation losses.

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SEC. 6167. EXTENSION OF TIME FOR PAYMENT OF TAX ATTRIBUTABLE TO RECOVERY OF FOREIGN EXPROPRIATION LOSSES.

(a) *EXTENSION ALLOWED BY ELECTION.*—If—

(1) a corporation has a recovery of a foreign expropriation loss to which section 1351 applies, and

(2) the portion of the recovery received in money is less than 25 percent of the amount of such recovery (as defined in section 1351(c)) and is not greater than the tax attributable to such recovery,

the tax attributable to such recovery shall, at the election of the taxpayer, be payable in 10 equal installments on the 15th day of the third month of each of the taxable years following the taxable year of the recovery. Such election shall be made at such time and in such manner as the Secretary or his delegate may prescribe by regulations. If an election is made under this subsection, the provisions of this subtitle shall apply as though the Secretary or his delegate were extending the time for payment of such tax.

(b) *EXTENSION PERMITTED BY SECRETARY.*—If a corporation has a recovery of a foreign expropriation loss to which section 1351 applies and if an election is not made under subsection (a), the Secretary or his delegate may, upon finding that the payment of the tax attributable to such recovery at the time otherwise provided in this subtitle would result in undue hardship, extend the time for payment of such tax for a reasonable period or periods not in excess of 9 years from the date on which such tax is otherwise payable.

(c) *ACCELERATION OF PAYMENTS.*—If—

(1) an election is made under subsection (a),

(2) during any taxable year before the tax attributable to such recovery is paid in full—

(A) any property (other than money) received on such recovery is sold or exchanged, or

(B) any property (other than money) received on any sale or exchange described in subparagraph (A) is sold or exchanged, and

(3) the amount of money received on such sale or exchange (reduced by the amount of the tax imposed under chapter 1 with respect to such sale or exchange), when added to the amount of money—

(A) received on such recovery, and

(B) received on previous sales or exchanges described in subparagraphs (A) and (B) of paragraph (2) (as so reduced), exceeds the amount of money which may be received under subsection (a)(2).

an amount of the tax attributable to such recovery equal to such excess shall be payable on the 15th day of the third month of the taxable year following the taxable year in which such sale or exchange occurs. The amount of such tax so paid shall be treated, for purposes of this section, as a payment of the first unpaid installment or installments (or portion thereof) which become payable under subsection (a) following such taxable year.

(d) *PRORATION OF DEFICIENCY TO INSTALLMENTS.*—If an election is made under subsection (a), and a deficiency attributable to the recovery of a foreign expropriation loss has been assessed, the deficiency shall be prorated to such installments. The part of the deficiency so prorated to any installment the date for payment of which has not arrived shall be

collected at the same time as, and as part of, such installment. The part of the deficiency so prorated to any installment the date for payment of which has arrived shall be paid upon notice and demand from the Secretary or his delegate. This subsection shall not apply if the deficiency is due to negligence, to intentional disregard of rules and regulations, or to fraud with intent to evade tax.

(e) *TIME FOR PAYMENT OF INTEREST.*—If the time for payment for any amount of tax has been extended under this section, interest payable under section 6601 on any unpaid portion of such amount shall be paid annually at the same time as, and as part of, each installment payment of the tax. Interest, on that part of a deficiency prorated under this section to any installment the date for payment of which has not arrived, for the period before the date fixed for the last installment preceding the assessment of the deficiency, shall be paid upon notice and demand from the Secretary or his delegate. In applying section 6601(j) (relating to the application of the 4-percent rate of interest in the case of recoveries of foreign expropriation losses to which this section applies) in the case of a deficiency, the entire amount which is prorated to installments under this section shall be treated as an amount of tax the payment of which is extended under this section.

(f) *TAX ATTRIBUTABLE TO RECOVERY OF FOREIGN EXPROPRIATION LOSS.*—For purposes of this section, the tax attributable to a recovery of a foreign expropriation loss is the sum of—

(1) the additional tax imposed by section 1351(d)(1) on such recovery, and

(2) the amount by which the tax imposed under subtitle A is increased by reason of the gain on such recovery which under section 1351(e) is considered as gain on the involuntary conversion of property.

(g) *FAILURE TO PAY INSTALLMENT.*—If any installment under this section is not paid on or before the date fixed for its payment by this section (including any extension of time for the payment of such installment), the unpaid portion of the tax payable in installments shall be paid upon notice and demand from the Secretary or his delegate.

(h) *CROSS-REFERENCES.*—

(1) *Interest.*—For provisions requiring the payment of interest at the rate of 4 percent per annum for the period of an extension, see section 6601(j).

(2) *Security.*—For authority of the Secretary or his delegate to require security in the case of an extension under this section, see section 6165.

(3) *Period of limitation.*—For extension of the period of limitation in the case of an extension under this section, see section 6503(f).

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CHAPTER 66—LIMITATIONS

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Subchapter A—Limitations on Assessment and Collection

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SEC. 6503. SUSPENSION OF RUNNING OF PERIOD OF LIMITATION.**(a) ISSUANCE OF STATUTORY NOTICE OF DEFICIENCY.—**

(1) **GENERAL RULE.**—The running of the period of limitations provided in section 6501 or 6502 on the making of assessments or the collection by levy or a proceeding in court, in respect of any deficiency as defined in section 6211 (relating to income, estate, and gift taxes), shall (after the mailing of a notice under section 6212(a)) be suspended for the period during which the Secretary or his delegate is prohibited from making the assessment or from collecting by levy or a proceeding in court (and in any event, if a proceeding in respect of the deficiency is placed on the docket of the Tax Court, until the decision of the Tax Court becomes final), and for 60 days thereafter.

(2) **CORPORATION JOINING IN CONSOLIDATED INCOME TAX RETURN.**—If a notice under section 6212(a) in respect of a deficiency in tax imposed by subtitle A for any taxable year is mailed to a corporation, the suspension of the running of the period of limitations provided in paragraph (1) of this subsection shall apply in the case of corporations with which such corporation made a consolidated income tax return for such taxable year.

(b) ASSETS OF TAXPAYER IN CONTROL OR CUSTODY OF COURT.—The period of limitations on collection after assessment prescribed in section 6502 shall be suspended for the period the assets of the taxpayer (other than the estate of a decedent or of an incompetent) are in the control or custody of the court in any proceeding before any court of the United States or of any State or Territory or of the District of Columbia, and for 6 months thereafter.

(c) LOCATION OF PROPERTY OUTSIDE THE UNITED STATES OR REMOVAL OF PROPERTY FROM THE UNITED STATES.—In case collection is hindered or delayed because property of the taxpayer is situated or held outside the United States or is removed from the United States, the period of limitations on collection after assessment prescribed in section 6502 shall be suspended for the period collection is so hindered or delayed. The total suspension of time under this subsection shall not in the aggregate exceed 6 years.

(d) EXTENSIONS OF TIME FOR PAYMENT OF ESTATE TAX.—The running of the period of limitations for collection of any tax imposed by chapter 11 shall be suspended for the period of any extension of time for payment granted under the provisions of section 6161 (a)(2) or (b)(2) or under the provisions of section 6166.

(e) CERTAIN POWERS OF APPOINTMENT.—The running of the period of limitations for assessment or collection of any tax imposed by chapter 11 shall be suspended in respect of the estate of a decedent claiming a deduction under section 2055(b)(2) until 30 days after the expiration of the period for assessment or collection of the tax imposed by chapter 11 on the estate of the surviving spouse.

(f) EXTENSIONS OF TIME FOR PAYMENT OF TAX ATTRIBUTABLE TO RECOVERIES OF FOREIGN EXPROPRIATION LOSSES.—*The running of the period of limitations for collection of the tax attributable to a recovery of a foreign expropriation loss (within the meaning of section 6167(f)) shall be suspended for the period of any extension of time for payment under subsection (a) or (b) of section 6167.*

[(f)](g) CROSS REFERENCES.—

For suspension in case of—

- (1) Deficiency dividends of a personal holding company, see section 547(f).
- (2) Bankruptcy and receiverships, see subchapter B of chapter 70.
- (3) Claims against transferees and fiduciaries, see chapter 71.

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CHAPTER 67—INTEREST

SUBCHAPTER A. Interest on underpayments.
 SUBCHAPTER B. Interest on overpayments.

Subchapter A—Interest on Underpayments

- Sec. 6601. Interest on underpayment, nonpayment, or extensions of time for payment, of tax.
- Sec. 6602. Interest on erroneous refund recoverable by suit.

SEC. 6601. INTEREST ON UNDERPAYMENT, NONPAYMENT, OR EXTENSIONS OF TIME FOR PAYMENT, OF TAX.

(a) **GENERAL RULE.**—If any amount of tax imposed by this title (whether required to be shown on a return, or to be paid by stamp or by some other method) is not paid on or before the last date prescribed for payment, interest on such amount at the rate of 6 percent per annum shall be paid for the period from such last date to the date paid.

(b) **EXTENSIONS OF TIME FOR PAYMENT OF ESTATE TAX.**—If the time for payment of an amount of tax imposed by chapter 11 is extended as provided in section 6161(a)(2) or 6166, or if the time for payment of an amount of such tax is postponed or extended as provided by section 6163, interest shall be paid at the rate of 4 percent, in lieu of 6 percent as provided in subsection (a).

(c) **LAST DATE PRESCRIBED FOR PAYMENT.**—For purposes of this section, the last date prescribed for payment of the tax shall be determined under chapter 62 with the application of the following rules:

(1) **EXTENSIONS OF TIME DISREGARDED.**—The last date prescribed for payment shall be determined without regard to any extension of time for payment.

(2) **INSTALLMENT PAYMENTS.**—In the case of an election under section 6152(a) or 6156(a) to pay the tax in installments—

(A) The date prescribed for payment of each installment of the tax shown on the return shall be determined under section 6152(b) or 6156(b), as the case may be, and

(B) The last date prescribed for payment of the first installment shall be deemed the last date prescribed for payment of any portion of the tax not shown on the return.

(3) **JEOPARDY.**—The last date prescribed for payment shall be determined without regard to any notice and demand for payment issued, by reason of jeopardy (as provided in chapter 70), prior to the last date otherwise prescribed for such payment.

(4) **LAST DATE FOR PAYMENT NOT OTHERWISE PRESCRIBED.**—In the case of taxes payable by stamp and in all other cases in which the last date for payment is not otherwise prescribed, the last

date for payment shall be deemed to be the date the liability for tax arises (and in no event shall be later than the date notice and demand for the tax is made by the Secretary or his delegate).

(d) **SUSPENSION OF INTEREST IN CERTAIN INCOME, ESTATE, AND GIFT TAX CASES.**—In the case of a deficiency as defined in section 6211 (relating to income, estate, and gift taxes), if a waiver of restrictions under section 6213(d) on the assessment of such deficiency has been filed, and if notice and demand by the Secretary or his delegate for payment of such deficiency is not made within 30 days after the filing of such waiver, interest shall not be imposed on such deficiency for the period beginning immediately after such 30th day and ending with the date of notice and demand.

(e) **INCOME TAX REDUCED BY CARRYBACK OR ADJUSTMENT FOR CERTAIN UNUSED DEDUCTIONS.**—

(1) **NET OPERATING LOSS CARRYBACK.**—If the amount of any tax imposed by subtitle A is reduced by reason of a carryback of a net operating loss, such reduction in tax shall not affect the computation of interest under this section for the period ending with the last day of the taxable year in which the net operating loss arises.

(2) **INVESTMENT CREDIT CARRYBACK.**—If the credit allowed by section 38 for any taxable year is increased by reason of an investment credit carryback, such increase shall not affect the computation of interest under this section for the period ending with the last day of the taxable year in which the investment credit carryback arises.

(3) **ADJUSTMENT FOR CERTAIN UNUSED DEDUCTIONS OF LIFE INSURANCE COMPANIES.**—If the amount of any tax imposed by subtitle A is reduced by operation of section 815(d)(5) (relating to reduction of policyholders surplus account of life insurance companies for certain unused deductions), such reduction in tax shall not affect the computation of interest under this section for the period ending with the last day of the last taxable year to which the loss described in section 815(d)(5)(A) is carried under section 812(b)(2).

(f) **APPLICABLE RULES.**—Except as otherwise provided in this title—

(1) **INTEREST TREATED AS TAX.**—Interest prescribed under this section on any tax shall be paid upon notice and demand, and shall be assessed, collected, and paid in the same manner as taxes. Any reference in this title (except subchapter B of chapter 63, relating to deficiency procedures) to any tax imposed by this title shall be deemed also to refer to interest imposed by this section on such tax.

(2) **NO INTEREST ON INTEREST.**—No interest under this section shall be imposed on the interest provided by this section.

(3) **INTEREST ON PENALTIES, ADDITIONAL AMOUNTS, OR ADDITIONS TO THE TAX.**—Interest shall be imposed under subsection (a) in respect of any assessable penalty, additional amount, or addition to the tax only if such assessable penalty, additional amount, or addition to the tax is not paid within 10 days from the date of notice and demand therefor, and in such case interest shall be imposed only for the period from the date of the notice and demand to the date of payment.

(4) PAYMENTS MADE WITHIN 10 DAYS AFTER NOTICE AND DEMAND.—If notice and demand is made for payment of any amount, and if such amount is paid within 10 days after the date of such notice and demand, interest under this section on the amount so paid shall not be imposed for the period after the date of such notice and demand.

(g) SATISFACTION BY CREDITS.—If any portion of a tax is satisfied by credit of an overpayment, then no interest shall be imposed under this section on the portion of the tax so satisfied for any period during which, if the credit had not been made, interest would have been allowable with respect to such overpayment.

(h) LIMITATION ON ASSESSMENT AND COLLECTION.—Interest prescribed under this section on any tax may be assessed and collected at any time during the period within which the tax to which such interest relates may be collected.

(i) EXCEPTION AS TO ESTIMATED TAX.—This section shall not apply to any failure to pay estimated tax required by section 6153 (or section 59 of the Internal Revenue Code of 1939) or section 6154.

(j) EXTENSIONS OF TIME FOR PAYMENT OF TAX ATTRIBUTABLE TO RECOVERIES OF FOREIGN EXPROPRIATION LOSSES.—*If the time for payment of an amount of the tax attributable to a recovery of a foreign expropriation loss (within the meaning of section 6167(f)) is extended as provided in subsection (a) or (b) of section 6167, interest shall be paid at the rate of 4 percent, in lieu of 6 percent as provided in subsection (a).*

[(j)] (k) NO INTEREST ON CERTAIN ADJUSTMENTS.—

For provisions prohibiting interest on certain adjustments in tax, see section 6205(a).

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SOCIAL SECURITY ACT

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TITLE XVIII—HEALTH INSURANCE FOR THE AGED

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**PART B—SUPPLEMENTARY MEDICAL INSURANCE
BENEFITS FOR THE AGED**

* * * * *

Enrollment Periods

SEC. 1837. (a) An individual may enroll in the insurance program established by this part only in such manner and form as may be prescribed by regulations, and only during an enrollment period prescribed in or under this section.

(b)(1) No individual may enroll for the first time under this part more than 3 years after the close of the first enrollment period during which he could have enrolled under this part.

(2) An individual whose enrollment under this part has terminated may not enroll for the second time under this part unless he does so in a general enrollment period (as provided in subsection (e)) which begins within 3 years after the effective date of such termination. No individual may enroll under this part more than twice.

(c) In the case of individuals who first satisfy paragraphs (1) and (2) of section 1836 before **[January] March** 1, 1966, the initial general enrollment period shall begin on the first day of the second month which begins after the date of enactment of this title and shall end on **[March] May** 31, 1966. For purposes of this subsection and subsection (d), an individual who satisfies paragraph (2) of section 1836 solely by reason of subparagraph (B) thereof shall be treated as satisfying such paragraph (2) on the first day on which he is (or on filing application would be) entitled to hospital insurance benefits under part A.

(d) In the case of an individual who first satisfies paragraphs (1) and (2) of section 1836 on or after **[January] March** 1, 1966, his initial enrollment period shall begin on the first day of the third month before the month in which he first satisfies such paragraphs and shall end seven months later.

(e) There shall be a general enrollment period, after the period described in subsection (c), during the period beginning on October 1 and ending on December 31 of each odd-numbered year beginning with 1967.

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SOCIAL SECURITY AMENDMENTS OF 1965

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SEC. 102. * * *

(b) If—

(1) an individual was eligible to enroll under section 1837(c) of the Social Security Act before **[April] June** 1, 1966, but failed to enroll before such date, and

(2) it is shown to the satisfaction of the Secretary of Health, Education, and Welfare that there was good cause for such failure to enroll before **[April] June** 1, 1966,

such individual may enroll pursuant to this subsection at any time before October 1, 1966. The determination of what constitutes good cause for purposes of the preceding sentence shall be made in accordance with regulations of the Secretary. In the case of any individual who enrolls pursuant to this subsection, the coverage period (within the meaning of section 1838 of the Social Security Act) shall begin on the first day of the 6th month after the month in which he so enrolls.