

AMENDING SECTION 153 (B) OF THE INTERNAL REVENUE CODE

APRIL 17, 1951.—Ordered to be printed

Mr. GEORGE, from the Committee on Finance, submitted the following

REPORT

[To accompany H. R. 3196]

The Committee on Finance, to whom was referred the bill (H. R. 3196) to amend section 153 (b) of the Internal Revenue Code, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

GENERAL STATEMENT

The Revenue Act of 1950 added section 153 (b) to the Internal Revenue Code. This section requires trusts which claim charitable deductions under section 162 (a) of the code for 1950 and subsequent years to file an information return containing certain detailed information regarding the operation of the trust. Section 153 (b) was enacted by the Congress as a part of its tax program to prevent the unreasonable accumulations of income of trusts claiming charitable deductions by providing the charitable beneficiary and the general public with information on the amount of income accumulated tax-free.

The attention of your committee has been called to the fact that as presently enacted section 153 (b) includes many trusts under which all the income for trust-accounting purposes must be distributed currently to the income beneficiary. In these cases no useful purpose is served by the requirements of section 153 (b) since the trustee has no discretion to accumulate amounts which are income for trust purposes but is bound by the trust instrument to distribute all such income each year to the beneficiary. In such cases accumulations for the benefit of charitable remaindermen, deductible under section 162 (a), occur only where income for tax purposes is not treated as income under the applicable trust law, as may occur in the case of capital gains.

2 AMENDING SECTION 153 (B) OF THE INTERNAL REVENUE CODE

The purpose of this bill is therefore simply to relieve trusts under which all the trust net income must be distributed currently each year to the beneficiary from the obligation of filing the special return required by section 153 (b) of the code. Furnishing the information required under section 153 (b) in these cases would involve a careful analysis of innumerable trusts and the making of complex calculations for past years which would impose a heavy burden and considerable unnecessary expense upon fiduciaries. Since the furnishing of information in these cases is not necessary to accomplish the purpose for which section 153 (b) was enacted, your committee believes it important to relieve fiduciaries of this obligation.

Since this bill deals only with the necessity for filing information returns, there is no loss of revenue involved. The Treasury Department has no objection to this bill.

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 are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

INTERNAL REVENUE CODE

SEC. 153. INFORMATION REQUIRED FROM CERTAIN TAX-EXEMPT ORGANIZATIONS AND CERTAIN TRUSTS.

* * * * *
(b) TRUSTS CLAIMING CHARITABLE, ETC., DEDUCTIONS UNDER SECTION 162 (a).—Every trust claiming a charitable, etc., deduction under section 162 (a) for the taxable year shall furnish information with respect to such taxable year, at such time and in such manner as the Secretary may by regulations prescribe, setting forth—

- (1) the amount of the charitable, etc., deduction taken under section 162 (a) within such year (showing separately the amount of such deduction which was paid out and the amount which was permanently set aside for charitable, etc., purposes during such year),
- (2) the amount paid out within such year which represents amounts for which charitable, etc., deductions under section 162 (a) have been taken in prior years,
- (3) the amount for which charitable, etc., deductions have been taken in prior years but which has not been paid out at the beginning of such year,
- (4) the amount paid out of principal in the current and prior years for charitable, etc., purposes,
- (5) the total income of the trust within such year and the expenses attributable thereto, and
- (6) a balance sheet showing the assets, liabilities, and net worth of the trust as of the beginning of such year.

This subsection shall not apply in the case of a taxable year if all the net income for such year, determined under the applicable principles of the law of trusts, is required to be distributed currently to the beneficiaries.

