82D CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
1st Session } { No. 1213

REVENUE ACT OF 1951

OCTOBER 18, 1951.—Ordered to be printed

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

CONFERENCE REPORT

[To accompany H. R. 4473]

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 4473), to provide revenue, and for other purposes, 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 amendments numbered 2, 3, 5, 94, 98, 119, 120, 123, 124, 125, 126, 130, 132, 133, 134, 135, 136, 138, 139, 140, 144, 145, 146, 147, 148, 149, 150, 152, 155, 157, 158, 159, 160, 161, 162, 164, 165, 170, 177, 182, 183, 201, 202, and 203.

That the House recede from its disagreement to the amendments of the Senate numbered 9, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 44, 47, 48, 49, 50, 51, 52, 56, 57, 58, 60, 61, 62, 63, 65, 66, 68, 69, 70, 71, 72, 73, 74, 75, 76, 87, 95, 103, 105, 106, 108, 109, 112, 113, 114, 115, 116, 117, 153, 169, 171, 176, 180, 181, 186, 187, 189, 190, 192, 195, 196, 204, 205, 206, 207, 208, 209, 212, 218, 223, 229, 230, 232, 233, 242, 243, and 244 and agree to the same.

Amendment numbered 1:

That the House recede from its disagreement to the amendment of the Senate numbered 1, and agree to the same with the following amendments:

Strike out the surtax table beginning on page 1 of the Senate engrossed amendments and insert the following:

"If the surtax net income is:	*The surtax shall be:*
Not over $2,000	*17.4% of the surtax net income.*
Over $2,000 but not over $4,000	*$348, plus 19.4% of excess over $2,000.*
Over $4,000 but not over $6,000	*$736, plus 24% of excess over $4,000.*
Over $6,000 but not over $8,000	*$1,216, plus 27% of excess over $6,000.*
Over $8,000 but not over $10,000	*$1,756, plus 32% of excess over $8,000.*
Over $10,000 but not over $12,000	*$2,396, plus 36% of excess over $10,000.*
Over $12,000 but not over $14,000	*$3,116, plus 40% of excess over $12,000.*
Over $14,000 but not over $16,000	*$3,916, plus 45% of excess over $14,000.*
Over $16,000 but not over $18,000	*$4,816, plus 48% of excess over $16,000.*
Over $18,000 but not over $20,000	*$5,776, plus 51% of excess over $18,000.*
Over $20,000 but not over $22,000	*$6,796, plus 54% of excess over $20,000.*
Over $22,000 but not over $26,000	*$7,876, plus 57% of excess over $22,000.*
Over $26,000 but not over $32,000	*$10,156, plus 60% of excess over $26,000.*
Over $32,000 but not over $38,000	*$13,756, plus 63% of excess over $32,000.*
Over $38,000 but not over $44,000	*$17,536, plus 66% of excess over $38,000.*
Over $44,000 but not over $50,000	*$21,496, plus 70% of excess over $44,000.*
Over $50,000 but not over $60,000	*$25,696, plus 72% of excess over $50,000.*
Over $60,000 but not over $70,000	*$32,896, plus 75% of excess over $60,000.*
Over $70,000 but not over $80,000	*$40,396, plus 79% of excess over $70,000.*
Over $80,000 but not over $90,000	*$48,296, plus 81% of excess over $80,000.*
Over $90,000 but not over $100,000	*$56,396, plus 84% of excess over $90,000.*
Over $100,000 but not over $150,000	*$64,796, plus 86% of excess over $100,000.*
Over $150,000 but not over $200,000	*$107,796, plus 87% of excess over $150,000.*
Over $200,000	*$151,296, plus 88% of excess over $200,000.*

Strike out the surtax table on page 3 of the Senate engrossed amendments and insert the following:

"If the surtax net income is:	*The surtax shall be:*
Not over $2,000	*19.2% of the surtax net income.*
Over $2,000 but not over $4,000	*$384, plus 21.6% of excess over $2,000.*
Over $4,000 but not over $6,000	*$816, plus 26% of excess over $4,000.*
Over $6,000 but not over $8,000	*$1,336, plus 31% of excess over $6,000.*
Over $8,000 but not over $10,000	*$1,956, plus 35% of excess over $8,000.*
Over $10,000 but not over $12,000	*$2,656, plus 39% of excess over $10,000.*
Over $12,000 but not over $14,000	*$3,436, plus 45% of excess over $12,000.*
Over $14,000 but not over $16,000	*$4,336, plus 50% of excess over $14,000.*
Over $16,000 but not over $18,000	*$5,336, plus 53% of excess over $16,000.*
Over $18,000 but not over $20,000	*$6,396, plus 56% of excess over $18,000.*
Over $20,000 but not over $22,000	*$7,516, plus 59% of excess over $20,000.*
Over $22,000 but not over $26,000	*$8,696, plus 63% of excess over $22,000.*
Over $26,000 but not over $32,000	*$11,216, plus 64% of excess over $26,000.*
Over $32,000 but not over $38,000	*$15,056, plus 65% of excess over $32,000.*
Over $38,000 but not over $44,000	*$18,956, plus 69% of excess over $38,000.*
Over $44,000 but not over $50,000	*$23,096, plus 72% of excess over $44,000.*
Over $50,000 but not over $60,000	*$27,416, plus 74% of excess over $50,000.*
Over $60,000 but not over $70,000	*$34,816, plus 77% of excess over $60,000.*
Over $70,000 but not over $80,000	*$42,516, plus 80% of excess over $70,000.*
Over $80,000 but not over $90,000	*$50,516, plus 82% of excess over $80,000.*
Over $90,000 but not over $100,000	*$58,716, plus 85% of excess over $90,000.*
Over $100,000 but not over $150,000	*$67,216, plus 87% of excess over $100,000.*
Over $150,000 but not over $200,000	*$110,716, plus 88% of excess over $150,000.*
Over $200,000	*$154,716, plus 89% of excess over $200,000.*

Strike out the tables on pages 7 and 8 of the Senate engrossed amendments and insert the following:

"Table II

"Taxable years beginning after October 31, 1951, and before January 1, 1954

If adjusted gross income is—		And the number of exemptions is—				If adjusted gross income is—		And the number of exemptions is—													
								1		2			3			4	5	6	7	8 or more
At least	But less than	1	2	3	4 or more	At least	But less than	And taxpayer is single or married filing separately	And taxpayer is head of household	And taxpayer is single or married filing separately	And taxpayer is head of household	And a joint return is filed	And taxpayer is single or married filing separately	And taxpayer is head of household	And a joint return is filed					
		The tax shall be—						The tax shall be—												
$0	$675	$0	$0	$0	$0	$2,325	$2,350	$334	$334	$201	$201	$201	$87	$87	$87	$0	$0	$0	$0	$0
675	700	4	0	0	0	2,350	2,375	339	339	206	206	206	72	72	72	0	0	0	0	0
700	725	9	0	0	0	2,375	2,400	344	344	211	211	211	77	77	77	0	0	0	0	0
725	750	14	0	0	0	2,400	2,425	349	349	216	216	216	82	82	82	0	0	0	0	0
750	775	19	0	0	0	2,425	2,450	354	354	221	221	221	87	87	87	0	0	0	0	0
775	800	24	0	0	0	2,450	2,475	359	359	226	226	226	92	92	92	0	0	0	0	0
800	825	29	0	0	0	2,475	2,500	364	364	231	231	231	97	97	97	0	0	0	0	0
825	850	34	0	0	0	2,500	2,525	369	369	236	236	236	102	102	102	0	0	0	0	0
850	875	39	0	0	0	2,525	2,550	374	374	241	241	241	107	107	107	0	0	0	0	0
875	900	44	0	0	0	2,550	2,575	379	379	246	246	246	112	112	112	0	0	0	0	0
900	925	49	0	0	0	2,575	2,600	384	384	251	251	251	117	117	117	0	0	0	0	0
925	950	54	0	0	0	2,600	2,625	389	389	256	256	256	122	122	122	0	0	0	0	0
950	975	59	0	0	0	2,625	2,650	394	394	261	261	261	127	127	127	0	0	0	0	0
975	1,000	64	0	0	0	2,650	2,675	399	399	266	266	266	132	132	132	0	0	0	0	0
1,000	1,025	69	0	0	0	2,675	2,700	404	404	271	271	271	137	137	137	4	0	0	0	0
1,025	1,050	74	0	0	0	2,700	2,725	409	409	276	276	276	142	142	142	9	0	0	0	0
1,050	1,075	79	0	0	0	2,725	2,750	414	414	281	281	281	147	147	147	14	0	0	0	0
1,075	1,100	84	0	0	0	2,750	2,775	419	419	286	286	286	152	152	152	19	0	0	0	0
1,100	1,125	89	0	0	0	2,775	2,800	424	424	291	291	291	157	157	157	24	0	0	0	0
1,125	1,150	94	0	0	0	2,800	2,825	429	429	296	296	296	162	162	162	29	0	0	0	0
1,150	1,175	99	0	0	0	2,825	2,850	434	434	301	301	301	167	167	167	34	0	0	0	0
1,175	1,200	104	0	0	0	2,850	2,875	439	439	306	306	306	172	172	172	39	0	0	0	0
1,200	1,225	109	0	0	0	2,875	2,900	444	444	311	311	311	177	177	177	44	0	0	0	0
1,225	1,250	114	0	0	0	2,900	2,925	449	449	316	316	316	182	182	182	49	0	0	0	0
1,250	1,275	119	0	0	0	2,925	2,950	455	454	321	321	321	187	187	187	54	0	0	0	0
1,275	1,300	124	0	0	0	2,950	2,975	460	459	326	326	326	192	192	192	59	0	0	0	0
1,300	1,325	129	0	0	0	2,975	3,000	466	465	331	331	331	197	197	197	64	0	0	0	0
1,325	1,350	134	1	0	0	3,000	3,050	474	473	336	338	338	205	205	205	72	0	0	0	0
1,350	1,375	139	6	0	0	3,050	3,100	485	483	348	348	348	215	215	215	82	0	0	0	0
1,375	1,400	144	11	0	0	3,100	3,150	496	494	358	358	358	225	225	225	92	0	0	0	0
1,400	1,425	149	16	0	0	3,150	3,200	507	504	368	368	368	235	235	235	102	0	0	0	0
1,425	1,450	154	21	0	0	3,200	3,250	518	515	378	378	378	245	245	245	112	0	0	0	0
1,450	1,475	159	26	0	0	3,250	3,300	529	525	388	388	388	255	255	255	122	0	0	0	0
1,475	1,500	164	31	0	0	3,300	3,350	541	536	398	398	398	265	265	265	132	0	0	0	0
1,500	1,525	169	36	0	0	3,350	3,400	552	546	408	408	408	275	275	275	142	8	0	0	0
1,525	1,550	174	41	0	0	3,400	3,450	563	557	418	418	418	285	285	285	152	18	0	0	0
1,550	1,575	179	46	0	0	3,450	3,500	574	567	428	428	428	295	295	295	162	28	0	0	0
1,575	1,600	184	51	0	0	3,500	3,550	585	578	438	438	438	305	305	305	171	38	0	0	0
1,600	1,625	189	56	0	0	3,550	3,600	596	588	448	448	448	315	315	315	181	48	0	0	0
1,625	1,650	194	61	0	0	3,600	3,650	607	599	459	459	458	325	325	325	191	58	0	0	0
1,650	1,675	199	66	0	0	3,650	3,700	618	610	470	469	468	335	335	335	201	68	0	0	0
1,675	1,700	204	71	0	0	3,700	3,750	629	620	482	480	478	345	345	345	211	78	0	0	0
1,700	1,725	209	76	0	0	3,750	3,800	640	631	493	490	488	355	355	355	221	88	0	0	0
1,725	1,750	214	81	0	0	3,800	3,850	651	641	504	501	498	365	365	365	231	98	0	0	0
1,750	1,775	219	86	0	0	3,850	3,900	662	652	515	511	508	375	375	375	241	108	0	0	0
1,775	1,800	224	91	0	0	3,900	3,950	673	662	526	522	518	385	385	385	251	118	0	0	0
1,800	1,825	229	96	0	0	3,950	4,000	684	673	537	532	528	395	395	395	261	128	0	0	0
1,825	1,850	234	101	0	0	4,000	4,050	696	683	548	543	538	405	405	405	271	138	5	0	0
1,850	1,875	239	106	0	0	4,050	4,100	707	694	559	553	548	415	415	415	281	148	15	0	0
1,875	1,900	244	111	0	0	4,100	4,150	718	704	570	564	558	425	425	425	291	158	25	0	0
1,900	1,925	249	116	0	0	4,150	4,200	729	715	581	574	568	435	435	435	301	168	35	0	0
1,925	1,950	254	121	0	0	4,200	4,250	740	725	592	585	578	445	445	445	311	178	45	0	0
1,950	1,975	259	126	0	0	4,250	4,300	751	736	603	596	588	455	455	455	321	188	55	0	0
1,975	2,000	264	131	0	0	4,300	4,350	762	746	614	606	598	467	466	465	331	198	65	0	0
2,000	2,025	269	136	2	0	4,350	4,400	773	757	625	617	608	478	476	476	341	208	75	0	0
2,025	2,050	274	141	7	0	4,400	4,450	784	768	636	627	618	489	487	486	351	218	85	0	0
2,050	2,075	279	146	12	0	4,450	4,500	795	778	648	638	628	500	497	496	361	228	95	0	0
2,075	2,100	284	151	17	0	4,500	4,550	800	789	659	648	638	511	508	504	371	238	105	0	0
2,100	2,125	289	156	22	0	4,550	4,600	817	799	670	659	648	522	518	514	381	248	115	0	0
2,125	2,150	294	161	27	0	4,600	4,650	828	810	681	669	658	533	529	524	391	258	125	0	0
2,150	2,175	299	166	32	0	4,650	4,700	839	820	692	680	668	544	539	534	401	268	135	2	0
2,175	2,200	304	171	37	0	4,700	4,750	851	831	703	690	678	555	550	544	411	278	145	12	0
2,200	2,225	309	176	42	0	4,750	4,800	862	841	714	701	688	566	560	554	421	288	155	22	0
2,225	2,250	314	181	47	0	4,800	4,850	873	852	725	711	698	577	571	564	431	298	165	32	0
2,250	2,275	319	186	52	0	4,850	4,900	884	862	736	722	708	589	581	574	441	308	175	42	0
2,275	2,300	324	191	57	0	4,900	4,950	895	873	747	732	718	600	592	584	451	318	185	52	0
2,300	2,325	329	196	62	0	4,950	5,000	906	883	758	743	728	611	603	594	461	328	195	62	0

"Table III

"Taxable years beginning after December 31, 1953

If adjusted gross income is—		And the number of exemptions is—				If adjusted gross income is—		And the number of exemptions is—										
								1		2			3			4	5	6	7	8 or more
At least	But less than	1	2	3	4 or more	At least	But less than	And taxpayer is single or married filing separately	And taxpayer is head of household	And taxpayer is single or married filing separately	And taxpayer is head of household	And a joint return is filed	And taxpayer is single or married filing separately	And taxpayer is head of household	And a joint return is filed					
		The tax shall be—						The tax shall be—												
$0	$675	$0	$0	$0	$0	$2,325	$2,350	$301	$301	$181	$181	$181	$61	$61	$61	$0	$0	$0	$0	$0
675	700	4	0	0	0	2,350	2,375	305	305	185	185	185	65	65	65	0	0	0	0	0
700	725	8	0	0	0	2,375	2,400	310	310	190	190	190	70	70	70	0	0	0	0	0
725	750	13	0	0	0	2,400	2,425	314	314	194	194	194	74	74	74	0	0	0	0	0
750	775	17	0	0	0	2,425	2,450	319	319	199	199	199	79	79	79	0	0	0	0	0
775	800	22	0	0	0	2,450	2,475	323	323	203	203	203	83	83	83	0	0	0	0	0
800	825	26	0	0	0	2,475	2,500	328	328	208	208	208	88	88	88	0	0	0	0	0
825	850	31	0	0	0	2,500	2,525	332	332	212	212	212	92	92	92	0	0	0	0	0
850	875	35	0	0	0	2,525	2,550	337	337	217	217	217	97	97	97	0	0	0	0	0
875	900	40	0	0	0	2,550	2,575	341	341	221	221	221	101	101	101	0	0	0	0	0
900	925	44	0	0	0	2,575	2,600	346	346	226	226	226	106	106	106	0	0	0	0	0
925	950	49	0	0	0	2,600	2,625	350	350	230	230	230	110	110	110	0	0	0	0	0
950	975	53	0	0	0	2,625	2,650	355	355	235	235	235	115	115	115	0	0	0	0	0
975	1,000	58	0	0	0	2,650	2,675	359	359	239	239	239	119	119	119	0	0	0	0	0
1,000	1,025	62	0	0	0	2,675	2,700	364	364	244	244	244	124	124	124	4	0	0	0	0
1,025	1,050	67	0	0	0	2,700	2,725	368	368	248	248	248	128	128	128	8	0	0	0	0
1,050	1,075	71	0	0	0	2,725	2,750	373	373	253	253	253	133	133	133	13	0	0	0	0
1,075	1,100	76	0	0	0	2,750	2,775	377	377	257	257	257	137	137	137	17	0	0	0	0
1,100	1,125	80	0	0	0	2,775	2,800	382	382	262	262	262	142	142	142	22	0	0	0	0
1,125	1,150	85	0	0	0	2,800	2,825	386	386	266	266	266	146	146	146	26	0	0	0	0
1,150	1,175	89	0	0	0	2,825	2,850	391	391	271	271	271	151	151	151	31	0	0	0	0
1,175	1,200	94	0	0	0	2,850	2,875	396	396	276	276	276	156	156	156	36	0	0	0	0
1,200	1,225	98	0	0	0	2,875	2,900	400	400	280	280	280	160	160	160	40	0	0	0	0
1,225	1,250	103	0	0	0	2,900	2,925	405	404	284	284	284	164	164	164	44	0	0	0	0
1,250	1,275	107	0	0	0	2,925	2,950	410	409	289	289	289	169	169	169	49	0	0	0	0
1,275	1,300	112	0	0	0	2,950	2,975	416	414	293	293	293	173	173	173	53	0	0	0	0
1,300	1,325	116	0	0	0	2,975	3,000	420	419	298	298	298	178	178	178	58	0	0	0	0
1,325	1,350	121	1	0	0	3,000	3,050	427	426	305	305	305	185	185	185	65	0	0	0	0
1,350	1,375	125	5	0	0	3,050	3,100	437	436	314	314	314	194	194	194	74	0	0	0	0
1,375	1,400	130	10	0	0	3,100	3,150	447	446	325	325	325	205	205	205	85	0	0	0	0
1,400	1,425	134	14	0	0	3,150	3,200	457	454	332	332	332	212	212	212	92	0	0	0	0
1,425	1,450	139	19	0	0	3,200	3,250	467	464	341	341	341	221	221	221	101	0	0	0	0
1,450	1,475	143	23	0	0	3,250	3,300	476	473	350	350	350	230	230	230	110	0	0	0	0
1,475	1,500	148	28	0	0	3,300	3,350	486	482	359	359	359	239	239	239	119	0	0	0	0
1,500	1,525	152	32	0	0	3,350	3,400	496	492	368	368	368	248	248	248	128	8	0	0	0
1,525	1,550	157	37	0	0	3,400	3,450	506	501	377	377	377	257	257	257	137	17	0	0	0
1,550	1,575	161	41	0	0	3,450	3,500	516	511	386	386	386	266	266	266	146	26	0	0	0
1,575	1,600	166	46	0	0	3,500	3,550	526	520	395	395	395	275	275	275	155	35	0	0	0
1,600	1,625	170	50	0	0	3,550	3,600	536	530	404	404	404	284	284	284	164	44	0	0	0
1,625	1,650	175	55	0	0	3,600	3,650	546	539	414	413	413	293	293	293	173	53	0	0	0
1,650	1,675	179	59	0	0	3,650	3,700	556	549	424	422	422	302	302	302	182	62	0	0	0
1,675	1,700	184	64	0	0	3,700	3,750	566	558	434	431	431	311	311	311	191	71	0	0	0
1,700	1,725	188	68	0	0	3,750	3,800	576	567	445	441	440	320	320	320	200	80	0	0	0
1,725	1,750	193	73	0	0	3,800	3,850	586	577	455	451	449	329	329	329	209	89	0	0	0
1,750	1,775	197	77	0	0	3,850	3,900	596	586	465	460	458	338	338	338	218	98	0	0	0
1,775	1,800	202	81	0	0	3,900	3,950	606	596	475	470	467	347	347	347	227	107	0	0	0
1,800	1,825	206	86	0	0	3,950	4,000	616	606	485	479	476	356	356	356	236	116	0	0	0
1,825	1,850	211	91	0	0	4,000	4,050	626	616	495	489	486	366	365	365	245	125	5	0	0
1,850	1,875	216	95	0	0	4,050	4,100	636	624	503	498	494	374	374	374	254	134	14	0	0
1,875	1,900	220	100	0	0	4,100	4,150	646	634	515	508	503	383	383	383	263	143	25	0	0
1,900	1,925	224	104	0	0	4,150	4,200	656	645	525	517	512	392	392	392	272	152	32	0	0
1,925	1,950	229	109	0	0	4,200	4,250	666	653	535	527	521	401	401	401	281	161	41	0	0
1,950	1,975	233	113	0	0	4,250	4,300	674	662	545	536	530	410	410	410	290	170	50	0	0
1,975	2,000	238	118	0	0	4,300	4,350	684	671	552	545	539	420	419	419	299	179	59	0	0
2,000	2,025	242	122	2	0	4,350	4,400	694	681	562	555	548	430	429	428	308	188	68	0	0
2,025	2,050	247	127	7	0	4,400	4,450	704	690	572	564	557	440	438	437	317	197	77	0	0
2,050	2,075	251	131	11	0	4,450	4,500	714	700	581	574	566	450	448	446	326	206	86	0	0
2,075	2,100	256	136	16	0	4,500	4,550	724	709	592	585	576	460	457	455	335	215	95	0	0
2,100	2,125	260	140	20	0	4,550	4,600	734	719	602	595	584	470	467	464	344	224	104	0	0
2,125	2,150	265	145	25	0	4,600	4,650	744	728	612	606	595	480	476	473	353	233	115	0	0
2,150	2,175	269	149	29	0	4,650	4,700	754	738	622	615	602	490	486	482	362	242	122	2	0
2,175	2,200	274	154	34	0	4,700	4,750	764	747	632	621	611	500	495	491	371	251	131	11	0
2,200	2,225	278	158	38	0	4,750	4,800	775	756	641	630	620	509	504	500	380	260	140	20	0
2,225	2,250	283	163	43	0	4,800	4,850	785	766	651	640	629	519	514	509	389	269	149	29	0
2,250	2,275	287	167	47	0	4,850	4,900	795	775	661	649	638	529	523	518	398	278	158	38	0
2,275	2,300	292	172	52	0	4,900	4,950	805	785	671	659	647	539	533	527	407	287	167	47	0
2,300	2,325	296	176	56	0	4,950	5,000	815	794	681	668	656	549	542	536	416	296	176	56	0**

And the Senate agree to the same.

Amendment numbered 4:

That the House recede from its disagreement to the amendment of the Senate numbered 4, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"(b) IMPOSITION OF TAX.—*There shall be levied, collected, and paid for each taxable year upon the normal-tax net income of every corporation (except a corporation subject to a tax imposed by section 231 (a), Supplement G, or Supplement Q)—*

"(1) CALENDAR YEAR 1951.—*In the case of a taxable year beginning on January 1, 1951, and ending on December 31, 1951, a tax of 28¾ per centum of the normal-tax net income.*

"(2) TAXABLE YEARS BEGINNING AFTER MARCH 31, 1951, AND BEFORE APRIL 1, 1954.—*In the case of taxable years beginning after March 31, 1951, and before April 1, 1954, a tax of 30 per centum of the normal-tax income.*

"(3) TAXABLE YEARS BEGINNING AFTER MARCH 31, 1954.—*In the case of taxable years beginning after March 31, 1954, a tax of 25 per centum of the normal-tax net income.*"

And the Senate agree to the same.

Amendment numbered 6:

That the House recede from its disagreement to the amendment of the Senate numbered 6, and agreed to the same with the following amendments:

On page 13, line 13, of the Senate engrossed amendments, strike our "(c)" and insert (*b*).

On page 13, line 24, of the Senate engrossed amendments strike out "16½" and insert *17¼*.

On page 14, line 12, of the Senate engrossed amendments strike out "17" and insert *18*.

And the Senate agree to the same.

Amendment numbered 7:

That the House recede from its disagreement to the amendment of the Senate numbered 7, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

(*c*) *MUTUAL INSURANCE COMPANIES OTHER THAN LIFE OR MARINE.—*

(1) Section 207 (a) (1) (relating to normal tax and surtax on mutual insurance companies, other than life or marine) is hereby amended by striking out subparagraphs (A) and (B) and inserting in lieu thereof the following:

"(A) *Taxable Years Beginning After December 31, 1950, and Before April 1, 1951.—In the case of taxable years beginning after December 31, 1950, and before April 1, 1951, and ending after March 31, 1951—*

"(i) *Normal tax.—A normal tax of 28¾ per centum of the normal-tax net income, or 57½ per centum of the amount*

by which the normal-tax net income exceeds $3,000, whichever is the lesser; plus

"(ii) Surtax.—A surtax of 22 per centum of the corporation surtax net income in excess of $25,000.

"(B) Taxable Years Beginning After March 31, 1951, and Before April 1, 1954.—In the case of taxable years beginning after March 31, 1951, and before April 1, 1954—

"(i) Normal tax.—A normal tax of 30 per centum of the normal-tax net income, or 60 per centum of the amount by which the normal-tax net income exceeds $3,000, whichever is the lesser; plus

"(ii) Surtax.—A surtax of 22 per centum of the corporation surtax net income in excess of $25,000.

"(C) Taxable Years Beginning After March 31, 1954.—In the case of a taxable year beginning after March 31, 1954—

"(i) Normal tax.—A normal tax of 25 per centum of the normal-tax net income, or 50 per centum of the amount by which the normal-tax net income exceeds $3,000, whichever is the lesser; plus

"(ii) Surtax.—A surtax of 22 per centum of the corporation surtax net income in excess of $25,000."

(2) Section 207 (a) (3) (relating to a normal tax and surtax on interinsurers and reciprocal underwriters) is hereby amended by striking out subparagraphs (A) and (B) and inserting in lieu thereof the following:

"(A) Taxable Years Beginning After December 31, 1950, and before April 1, 1951.—In the case of taxable years beginning after December 31, 1950, and before April 1, 1951, and ending after March 31, 1951—

"(i) Normal tax.—A normal tax of 28¾ per centum of the normal-tax net income, or 57½ per centum of the amount by which the normal-tax net income exceeds $50,000, whichever is the lesser; plus

"(ii) Surtax.—A surtax of 22 per centum of the corporation surtax net income in excess of $25,000, or 33 per centum of the amount by which the corporation surtax net income exceeds $50,000, whichever is the lesser.

"(B) Taxable Years Beginning After March 31, 1951, and Before April 1, 1954.—In the case of taxable years beginning after March 31, 1951, and before April 1, 1954—

"(i) Normal tax.—A normal tax of 30 per centum of the normal-tax net income, or 60 per centum of the amount by which the normal-tax net income exceeds $50,000, whichever is the lesser; plus

"(ii) Surtax.—A surtax of 22 per centum of the corporation surtax net income in excess of $25,000, or 33 per centum of the amount by which the corporation surtax net income exceeds $50,000, whichever is the lesser.

"(C) Taxable Years Beginning After March 31, 1954.—In the case of a taxable year beginning after March 31, 1954—

"(i) Normal tax.—A normal tax of 25 per centum of the normal-tax net income, or 50 per centum of the amount by which the normal-tax net income exceeds $50,000, whichever is the lesser; plus

"(ii) *Surtax.*—*A surtax of 22 per centum of the corporation surtax net income in excess of $25,000, or 33 per centum of the amount by which the corporation surtax net income exceeds $50,000, whichever is the lesser.*"

(*d*) REGULATED INVESTMENT COMPANIES.—*Section 362 (b) (relating to tax on regulated investment companies) is hereby amended by striking out paragraphs (3) and (4) and inserting in lieu thereof the following:*

"(3) *In the case of taxable years beginning after December 31, 1950, and before April 1, 1951, and ending after March 31, 1951, there shall be levied, collected, and paid for each taxable year upon its Supplement Q net income a tax equal to 28¾ per centum of the amount thereof. In the case of taxable years beginning after March 31, 1951, and before April 1, 1954, there shall be levied, collected, and paid for each taxable year upon its Supplement Q net income a tax equal to 30 per centum of the amount thereof. In the case of taxable years beginning after March 31, 1954, there shall be levied, collected, and paid for each taxable year upon its Supplement Q net income a tax equal to 25 per centum of the amount thereof.*

"(4) *In the case of taxable years beginning after December 31, 1950, there shall be levied, collected, and paid for each taxable year upon its Supplement Q surtax net income a tax equal to 22 per centum of the amount thereof in excess of $25,000.*"

(*e*) BUSINESS INCOME OF CERTAIN SECTION 101 ORGANIZATIONS.—*Section 421 (a) (1) (relating to imposition of tax on business income of certain section 101 organizations) is hereby amended by inserting before the period at the end thereof the following: "; except that (A) in the case of taxable years beginning before April 1, 1951, and ending after March 31, 1951, the normal tax shall be 28¾ per centum of the Supplement U net income, and (B) in the case of taxable years beginning after March 31, 1951, and before April 1, 1954, the normal tax shall be 30 per centum of the Supplement U net income".*

(*f*) AMENDMENT OF SECTION 15.—*Section 15 (relating to surtax on corporations) is hereby amended to read as follows:*

"SEC. 15. SURTAX ON CORPORATIONS.

"(a) CORPORATION SURTAX NET INCOME.—*For the purposes of this chapter, the term 'corporation surtax net income' means the net income minus the sum of the following credits:*

"(1) *The credit for dividends received provided in section 26 (b);*

"(2) *In the case of a public utility, the credit for dividends paid on its preferred stock provided in section 26 (h);*

"(3) *In the case of a western hemisphere trade corporation (as defined in section 109), the credit provided in section 26 (i).*

"(b) IMPOSITION OF TAX.—*There shall be levied, collected, and paid for each taxable year upon the corporation surtax net income of every corporation (except a corporation subject to a tax imposed by section 231 (a), Supplement G, or Supplement Q) a surtax of 22 per centum of the amount of the corporation surtax net income in excess of $25,000.*

"(c) DISALLOWANCE OF SURTAX EXEMPTION AND MINIMUM EXCESS PROFITS CREDIT.—*If any corporation transfers, on or after January 1, 1951, all or part of its property (other than money) to another corporation which was created for the purpose of acquiring such property or which was not actively engaged in business at the time of such acquisition, and if after such transfer the transferor corporation or its stockholders,*

or both, are in control of such transferee corporation during any part of the taxable year of such transferee corporation, then such transferee corporation shall not for such taxable year (except as may be otherwise determined under section 129 (b)) be allowed either the $25,000 exemption from surtax provided in subsection (b) or the $25,000 minimum excess profits credit provided in the last sentence of section 431, unless such transferee corporation shall establish by the clear preponderance of the evidence that the securing of such exemption or credit was not a major purpose of such transfer. For the purposes of this subsection, control means the ownership of stock possessing at least 80 per centum of the total combined voting power of all classes of stock entitled to vote or at least 80 per centum of the total value of shares of all classes of stock of the corporation. In determining the ownership of stock for the purpose of this subsection, the ownership of stock shall be determined in accordance with the provisions of section 503, except that constructive ownership under section 503 (a) (2) shall be determined only with respect to the individual's spouse and minor children. The provisions of section 129 (b), and the authority of the Secretary under such section, shall, to the extent not inconsistent with the provisions of this subsection, be applicable to this subsection. This subsection shall not apply to any taxable year with respect to which the tax imposed by subchapter D of this chapter is not in effect."

(g) TECHNICAL AMENDMENT.—Section 14 (relating to normal tax on special classes of corporations in the case of taxable years beginning before July 1, 1950) is hereby repealed.

And the Senate agree to the same.

Amendment numbered 8:

That the House recede from its disagreement to the amendment of the Senate numbered 8, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

SEC. 122. CREDITS OF CORPORATIONS.

(a) DIVIDENDS RECEIVED CREDIT.—Paragraphs (1) and (2) of section 26 (b) (relating to credit for dividends received) are hereby amended to read as follows:

"(1) IN GENERAL.—85 per centum of the amount received as dividends (other than dividends described in paragraph (2) on the preferred stock of a public utility) from a domestic corporation which is subject to taxation under this chapter.

"(2) CERTAIN PREFERRED STOCK.—

"(A) Calendar Year 1951.—In the case of a taxable year beginning on January 1, 1951, and ending on December 31, 1951, 61 per centum of the amount received as dividends on the preferred stock of a public utility which is subject to taxation under this chapter and with respect to which the credit provided in section 26 (h) for dividends paid is allowable.

"(B) Taxable Years Beginning After March 31, 1951, and Before April 1, 1954.—In the case of taxable years beginning after March 31, 1951, and before April 1, 1954, 62 per centum of the amount received as dividends on the preferred stock of a public utility which is subject to taxation under this chapter and

with respect to which the credit provided in section 26 (h) for dividends paid is allowable.

"(C) Taxable Years Beginning After March 31, 1954.—In the case of taxable years beginning after March 31, 1954, 59 per centum of the amount received as dividends on the preferred stock of a public utility which is subject to taxation under this chapter and with respect to which the credit provided in section 26 (h) for dividends paid is allowable."

(b) CREDIT FOR DIVIDENDS PAID ON CERTAIN PREFERRED STOCK.—The first sentence of section 26 (h) (1) (relating to amount of credit for dividends paid on certain preferred stock) is hereby amended to read as follows: "In the case of a public utility, (A) for a taxable year beginning on January 1, 1951, and ending on December 31, 1951, an amount equal to 28 per centum of the lesser of (i) the amount of dividends paid during the taxable year on its preferred stock or (ii) the adjusted net income for such taxable year minus the credit for dividends received provided in subsection (b) for such year, (B) for a taxable year beginning after March 31, 1951, and before April 1, 1954, an amount equal to 27 per centum of the lesser of (i) the amount of dividends paid during the taxable year on its preferred stock or (ii) the adjusted net income for such taxable year minus the credit for dividends received provided in subsection (b) for such year, and (C) for a taxable year beginning after March 31, 1954, an amount equal to 30 per centum of the lower of (i) the amount of dividends paid during the taxable year on its preferred stock or (ii) the adjusted net income for such taxable year minus the credit for dividends received provided in subsection (b) for such year."

(c) WESTERN HEMISPHERE TRADE CORPORATIONS.—Section 26 (i) (relating to credit of a western hemisphere trade corporation) is hereby amended to read as follows:

"(i) WESTERN HEMISPHERE TRADE CORPORATIONS.—In the case of a western hemisphere trade corporation (as defined in section 109)—

"(1) CALENDAR YEAR 1951.—In the case of a taxable year beginning on January 1, 1951, and ending on December 31, 1951, an amount equal to 28 per centum of its normal-tax net income computed without regard to the credit provided in this subsection.

"(2) TAXABLE YEARS BEGINNING AFTER MARCH 31, 1951, AND BEFORE APRIL 1, 1954.—In the case of a taxable year beginning after March 31, 1951, and before April 1, 1954, an amount equal to 27 per centum of its normal-tax net income computed without regard to the credit provided in this subsection.

"(3) TAXABLE YEARS BEGINNING AFTER MARCH 31, 1954.—In the case of a taxable year beginning after March 31, 1954, an amount equal to 30 per centum of its normal-tax net income computed without regard to the credit provided in this subsection."

And the Senate agree to the same.

Amendment numbered 10:

That the House recede from its disagreement to the amendment of the Senate numbered 10, and agree to the same with an amendment as follows:

Strike out the matter proposed to be stricken out by the Senate amendment and insert the following:

SEC. 123. COMPUTATION OF ALTERNATIVE CAPITAL GAINS TAX.

Section 117 (c) (1) (relating to alternative tax on corporations) is hereby amended by striking out the second paragraph and inserting in lieu thereof the following:

"(A) A partial tax shall first be computed upon the net income reduced by the amount of such excess, at the rates and in the manner as if this subsection had not been enacted.

"(B) There shall then be ascertained an amount equal to 25 per centum of such excess, except that in the case of any taxable year beginning after March 31, 1951, and before April 1, 1954, there shall be ascertained an amount equal to 26 per centum of such excess.

"(C) The total tax shall be the partial tax computed under subparagraph (A) plus the amount computed under subparagraph (B)."

And the Senate agree to the same.

Amendment numbered 11:

That the House recede from its disagreement to the amendment of the Senate numbered 11, and agree to the same with an amendment as follows:

On page 24, line 16, of the Senate engrossed amendments, strike out "123" and insert *124*; and the Senate agree to the same.

Amendment numbered 12:

That the House recede from its disagreement to the amendment of the Senate numbered 12, and agree to the same with an amendment as follows:

On page 25, line 21, of the Senate engrossed amendments, strike out "124" and insert *125*; and the Senate agree to the same.

Amendment numbered 13:

That the House recede from its disagreement to the amendment of the Senate numbered 13, and agree to the same with the following amendments:

On page 27 of the Senate engrossed amendments strike out lines 1 to 5, inclusive, and insert in lieu thereof the following:

"(3) that portion of a tentative tax consisting of—

"(A) a tentative normal tax of 30 per centum of the normal-tax net income, plus

"(B) a tentative surtax of 20 per centum of the surtax net income in excess of $25,000,

On page 31 of the Senate engrossed amendments strike out subsection (k) and insert in lieu thereof the following:

"(k) TAXABLE YEARS OF CORPORATIONS BEGINNING BEFORE APRIL 1, 1954, AND ENDING AFTER MARCH 31, 1954.—In the case of a taxable year of a corporation beginning before April 1, 1954, and ending after March 31, 1954, the tax imposed by sections 13 and 15, or section 421 (a) (1), shall be an amount equal to the sum of—

"(1) that portion of a tentative tax, computed under the provisions of sections 13 and 15, or section 421 (a) (1), applicable to years beginning on January 1, 1953, which the number of days in such taxable year prior to April 1, 1954, bears to the total number of days in such taxable year, plus

"(2) that portion of a tentative tax, computed under the provisions of sections 13 and 15, or section 421 (a) (1), applicable to years beginning on April 1, 1954, as if such provisions were applicable to such taxable year, which the number of days in such taxable year after March 31, 1954, bears to the total number of days in such taxable year."

And the Senate agree to the same.

Amendment numbered 28:

That the House recede from its disagreement to the amendment of the Senate numbered 28, and agree to the same with the following amendments:

Strike out the surtax table beginning on page 39 of the Senate engrossed amendments and insert the following:

"If the surtax net income is:	*The surtax shall be:*
Not over $2,000	*19.2% of the surtax net income.*
Over $2,000 but not over $4,000	*$384, plus 20.4% of excess over $2,000.*
Over $4,000 but not over $6,000	*$792, plus 24% of excess over $4,000.*
Over $6,000 but not over $8,000	*$1,272, plus 26% of excess over $6,000.*
Over $8,000 but not over $10,000	*$1,792, plus 31% of excess over $8,000.*
Over $10,000 but not over $12,000	*$2,412, plus 32% of excess over $10,000.*
Over $12,000 but not over $14,000	*$3,052, plus 38% of excess over $12,000.*
Over $14,000 but not over $16,000	*$3,812, plus 41% of excess over $14,000.*
Over $16,000 but not over $18,000	*$4,632, plus 44% of excess over $16,000.*
Over $18,000 but not over $20,000	*$5,512, plus 45% of excess over $18,000.*
Over $20,000 but not over $22,000	*$6,412, plus 49% of excess over $20,000.*
Over $22,000 but not over $24,000	*$7,392, plus 51% of excess over $22,000.*
Over $24,000 but not over $28,000	*$8,412, plus 54% of excess over $24,000.*
Over $28,000 but not over $32,000	*$10,572, plus 57% of excess over $28,000.*
Over $32,000 but not over $38,000	*$12,852, plus 60% of excess over $32,000.*
Over $38,000 but not over $44,000	*$16,452, plus 63% of excess over $38,000.*
Over $44,000 but not over $50,000	*$20,232, plus 68% of excess over $44,000.*
Over $50,000 but not over $60,000	*$24,312, plus 69% of excess over $50,000.*
Over $60,000 but not over $70,000	*$31,212, plus 70% of excess over $60,000.*
Over $70,000 but not over $80,000	*$38,212, plus 74% of excess over $70,000.*
Over $80,000 but not over $90,000	*$45,612, plus 76% of excess over $80,000.*
Over $90,000 but not over $100,000	*$53,212, plus 78% of excess over $90,000.*
Over $100,000 but not over $150,000	*$61,012, plus 82% of excess over $100,000.*
Over $150,000 but not over $200,000	*$102,012, plus 85% of excess over $150,000.*
Over $200,000 but not over $300,000	*$144,512, plus 88% of excess over $200,000.*
Over $300,000	*$232,512, plus 89% of excess over $300,000.*

Strike out the surtax table beginning on page 41 of the Senate engrossed amendments and insert the following:

"If the surtax net income is:	*The surtax shall be:*
Not over $2,000	*17% of the surtax net income.*
Over $2,000 but not over $4,000	*$340, plus 18% of excess over $2,000.*
Over $4,000 but not over $6,000	*$700, plus 21% of excess over $4,000.*
Over $6,000 but not over $8,000	*$1,120, plus 23% of excess over $6,000.*
Over $8,000 but not over $10,000	*$1,580, plus 27% of excess over $8,000.*
Over $10,000 but not over $12,000	*$2,120, plus 29% of excess over $10,000.*
Over $12,000 but not over $14,000	*$2,700, plus 33% of excess over $12,000.*
Over $14,000 but not over $16,000	*$3,360, plus 36% of excess over $14,000.*
Over $16,000 but not over $18,000	*$4,080, plus 39% of excess over $16,000.*
Over $18,000 but not over $20,000	*$4,860, plus 40% of excess over $18,000.*
Over $20,000 but not over $22,000	*$5,660, plus 44% of excess over $20,000.*
Over $22,000 but not over $24,000	*$6,540, plus 46% of excess over $22,000.*
Over $24,000 but not over $28,000	*$7,460, plus 49% of excess over $24,000.*
Over $28,000 but not over $32,000	*$9,420, plus 51% of excess over $28,000.*
Over $32,000 but not over $38,000	*$11,460, plus 55% of excess over $32,000.*
Over $38,000 but not over $44,000	*$14,760, plus 59% of excess over $38,000.*
Over $44,000 but not over $50,000	*$18,300, plus 63% of excess over $44,000.*
Over $50,000 but not over $60,000	*$22,080, plus 65% of excess over $50,000.*
Over $60,000 but not over $70,000	*$28,580, plus 68% of excess over $60,000.*
Over $70,000 but not over $80,000	*$35,380, plus 71% of excess over $70,000.*
Over $80,000 but not over $90,000	*$42,480, plus 73% of excess over $80,000.*
Over $90,000 but not over $100,000	*$49,780, plus 77% of excess over $90,000.*
Over $100,000 but not over $150,000	*$57,480, plus 80% of excess over $100,000.*
Over $150,000 but not over $200,000	*$97,480, plus 84% of excess over $150,000.*
Over $200,000 but not over $300,000	*$139,480, plus 87% of excess over $200,000.*
Over $300,000	*$226,480, plus 88% of excess over $300,000.*

And the Senate agree to the same.

Amendment numbered 43:

That the House recede from its disagreement to the amendment of the Senate numbered 43, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

SEC. 311. CREDIT FOR DIVIDENDS RECEIVED.

(a) DIVIDENDS FROM FOREIGN CORPORATION ENGAGED IN TRADE OR BUSINESS IN THE UNITED STATES.—Section 26 (b) (relating to dividends received credit) is hereby amended by inserting after paragraph (2) the following new paragraph:

"(3) DIVIDENDS RECEIVED FROM CERTAIN FOREIGN CORPORATIONS.—In the case of dividends received from a foreign corporation (other than a foreign personal holding company) which is subject to taxation under this chapter, if, for an uninterrupted period of not less than 36 months ending with the close of such foreign corporation's taxable year in which such dividends are paid (or, if the corporation has not been in existence for 36 months at the close of such taxable year, for the period the foreign corporation has been in existence as of the close of such taxable year) such foreign corporation has been engaged in trade or business within the United States and has derived 50 per centum or more of its gross income from sources within the United States—

"(A) an amount equal to 85 per centum of the dividends received out of its earnings or profits specified in clause (2) of the first sentence of section 115 (a), but such amount shall not exceed an amount which bears the same ratio to 85 per centum of such dividends received out of such earnings or profits as the gross income of such foreign corporation for the taxable year from sources within the United States bears to its gross income from all sources for such taxable year, and

"(B) an amount equal to 85 per centum of the dividends received out of that part of its earnings or profits specified in clause (1) of the first sentence of section 115 (a) accumulated after the beginning of such uninterrupted period, but such amount shall not exceed an amount which bears the same ratio to 85 per centum of such dividends received out of such accumulated earnings or profits as the gross income of such foreign corporation from sources within the United States for the portion of such uninterrupted period ending at the beginning of such taxable year bears to its gross income from all sources for such portion of such uninterrupted period.

For determination of earnings or profits distributed in any taxable year, see section 115 (b)."

(b) TECHNICAL AMENDMENT.—Section 119 (a) (2) (B) (relating to rules as to source of income in the case of dividends) is hereby amended by inserting before the semicolon at the end thereof the following: "to the extent exceeding the amount which is 100/85ths of the amount of the credit allowable under section 26 (b) in respect of such dividends".

(c) EFFECTIVE DATE.—The amendments made by this section shall be applicable only with respect to taxable years beginning after December 31, 1950.

And the Senate agree to the same.

Amendment numbered 45:

That the House recede from its disagreement to the amendment of the Senate numbered 45, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

SEC. 313. MUTUAL SAVINGS BANKS, BUILDING AND LOAN ASSOCIATIONS, COOPERATIVE BANKS.

(a) MUTUAL SAVINGS BANKS.—Section 101 (2) (relating to exemption from tax of mutual savings banks) is hereby repealed.

(b) BUILDING AND LOAN ASSOCIATIONS AND COOPERATIVE BANKS.—Section 101 (4) (relating to exemption from tax of building and loan associations and cooperative banks) is hereby amended to read as follows:

"(4) Credit unions without capital stock organized and operated for mutual purposes and without profit; and corporations or associations without capital stock organized prior to September 1, 1951, and operated for mutual purposes and without profit for the purpose of providing reserve funds for, and insurance of, shares or deposits in—

"(A) domestic building and loan associations,

"(B) cooperative banks without capital stock organized and operated for mutual purposes and without profit, or

"(C) mutual savings banks not having capital stock represented by shares;".

(c) EXEMPTIONS FROM EXCESS PROFITS TAX.—Section 454 (corporations exempt from the excess profits tax) is hereby amended by adding at the end thereof the following:

"(h) Any mutual savings bank not having capital stock represented by shares, any domestic building and loan association (as defined in section 3797 (a) (19)), and any cooperative bank without capital stock organized and operated for mutual purposes and without profit."

(d) FEDERAL SAVINGS AND LOAN ASSOCIATIONS.—Section 5 (h) of the Home Owners' Loan Act of 1933, as amended (12 U. S. C. 1464 (h)), is hereby amended by striking out "date)" and inserting in lieu thereof the following: "date, and except, in the case of taxable years beginning after December 31, 1951, income, war-profits, and excess-profits taxes)".

(e) BAD DEBT RESERVES.—Section 23 (k) (1) (relating to deduction from gross income of bad debts) is hereby amended by adding at the end thereof the following: "In the case of a mutual savings bank not having capital stock represented by shares, a domestic building and loan association, and a cooperative bank without capital stock organized and operated for mutual purposes and without profit, the reasonable addition to a reserve for bad debts shall be determined with due regard to the amount of the taxpayer's surplus or bad debt reserves existing at the close of December 31, 1951. In the case of a taxpayer described in the preceding sentence, the reasonable addition to a reserve for bad debts for any taxable year shall in no case be less than the amount determined by the taxpayer as the reasonable addition for such year; except that the amount determined by the taxpayer under this sentence shall not be greater than the lesser of (A) the amount of its net income for the taxable year, computed without regard to this subsection, or (B) the amount by which 12 per centum of the total deposits or withdrawable accounts of its depositors

at the close of such year exceeds the sum of its surplus, undivided profits, and reserves at the beginning of the taxable year."

(f) DIVIDENDS PAID TO DEPOSITORS.—Section 23 (r) (relating to the deduction from gross income of certain dividends paid by banking corporations) is hereby amended to read as follows:

"(r) DIVIDENDS PAID BY BANKING CORPORATIONS.—

"(1) In the case of mutual savings banks, cooperative banks, and domestic building and loan associations, amounts paid to, or credited to the accounts of, depositors or holders of accounts as dividends on their deposits or withdrawable accounts, if such amounts paid or credited are withdrawable on demand subject only to customary notice of intention to withdraw.

"(2) For deduction of dividends paid by certain other banking corporations, see section 121."

(g) DEDUCTION FOR REPAYMENT OF CERTAIN LOANS.—Section 23 (relating to deductions from gross income) is hereby amended by adding at the end thereof the following:

"(dd) REPAYMENT BY MUTUAL SAVINGS BANKS, ETC., OF CERTAIN LOANS.—In the case of a mutual savings bank not having capital stock represented by shares, a domestic building and loan association, or a cooperative bank without capital stock organized and operated for mutual purposes and without profit, amounts paid by the taxpayer during the taxable year in repayment of loans made prior to September 1, 1951, by (1) the United States or any agency or instrumentality thereof which is wholly owned by the United States, or (2) any mutual fund established under the authority of the laws of any State."

(h) DEFINITION OF BANK.—Section 104 (a) (relating to definition of bank) is hereby amended by inserting at the end thereof the following: "Such term also means a domestic building and loan association."

(i) DEFINITION OF DOMESTIC BUILDING AND LOAN ASSOCIATION.—Section 3797 (a) (relating to definitions for the purposes of the Internal Revenue Code) is hereby amended by adding at the end thereof the following new paragraph:

"(19) DOMESTIC BUILDING AND LOAN ASSOCIATION.—The term 'domestic building and loan association' means a domestic building and loan association, a domestic savings and loan association, and a Federal savings and loan association, substantially all the business of which is confined to making loans to members."

(j) EFFECTIVE DATE.—The amendments made by this section shall be applicable only with respect to taxable years beginning after December 31, 1951.

And the Senate agree to the same.

Amendment numbered 46:

That the House recede from its disagreement to the amendment of the Senate numbered 46, and agree to the same with the following amendments:

On page 67, line 8, of the Senate engrossed amendments, insert after the period the following: *Allocations made after the close of the taxable year and on or before the fifteenth day of the ninth month following the close of such year shall be considered as made on the last day of such taxable year to the extent the allocations are attributable to income derived before the close of such year.*

On page 67, line 10, of the Senate engrossed amendments, insert after "patronage" the following: *in the same or preceding years*

On page 68, line 25, of the Senate engrossed amendments, strike out the quotation marks and insert the following: *This subsection shall not apply in the cases of any corporation (including any cooperative or nonprofit corporation engaged in rural electrification) exempt from taxation under section 101 (10) or (11) or in the case of any corporation subject to a tax imposed by supplement G.*"

On page 69 of the Senate engrossed amendments strike out line 1 and all that follows through line 9.

On page 69, line 10, of the Senate engrossed amendments, strike out "(e)" and insert (*d*)

And the Senate agree to the same.

Amendment numbered 53:

That the House recede from its disagreement to the amendment of the Senate numbered 53, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"(*i*) *in the case of sand, gravel, slate, stone (including pumice and scoria), brick and tile clay, shale, oyster shell, clam shell, granite, marble, sodium chloride, and, if from brine wells, calcium chloride, magnesium chloride, and bromine, 5 per centum,*

"(*ii*) *in the case of coal, asbestos, brucite, dolomite, magnesite, perlite, wollastonite, calcium carbonates, and magnesium carbonates, 10 per centum,*

"(*iii*) *in the case of metal mines, aplite, bauxite, fluorspar, flake graphite, vermiculite, beryl, garnet, feldspar, mica, talc (including pyrophyllite), lepidolite, spodumene, barite, ball clay, sagger clay, china clay, phosphate rock, rock asphalt, trona, bentonite, gilsonite, thenardite, borax, fuller's earth, tripoli, refractory and fire clay, quartzite, diatomaceous earth, metallurgical grade limestone, chemical grade limestone, and potash, 15 per centum, and*

And the Senate agree to the same.

Amendment numbered 54:

That the House recede from its disagreement to the amendment of the Senate numbered 54, and agree to the same with an amendment as follows:

On page 74 of the Senate engrossed amendments strike out lines 12 and 13 and insert the following: *taxes) is hereby amended by striking out "50 per centum of the value of the net estate" and inserting in lieu thereof "35 per centum of the value of the gross estate".*; and the Senate agree to the same.

Amendment numbered 55:

That the House recede from its disagreement to the amendment of the Senate numbered 55, and agree to the same with an amendment as follows:

On page 74, line 21, of the Senate engrossed amendments strike out "EXCLUSIVE" and insert *EXCLUSION*; and the Senate agree to the same.

Amendment numbered 59:

That the House recede from its disagreement to the amendment of the Senate numbered 59, and agree to the same with an amendment as follows:

Strike out the matter proposed to be stricken out by the Senate amendment and insert the following: *In the case of any taxable year beginning after October 31, 1951, and before November 1, 1953, there shall be ascertained, in lieu of the amount computed under the preceding sentence, an amount equal to 26 per centum of the excess of the net long-term capital gain over the net short-term capital loss.*

And the Senate agree to the same.

Amendment numbered 64:

That the House recede from its disagreement to the amendment of the Senate numbered 64, and agree to the same with an amendment as follows:

On page 79 of the Senate engrossed amendments strike out all after "poultry" in line 14 to and including "acquisition" in line 17; and the Senate agree to the same.

Amendment numbered 67:

That the House recede from its disagreement to the amendment of the Senate numbered 67, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *This paragraph shall not apply to income realized by the owner as a co-adventurer, partner, or principal in the mining of such coal. The date of disposal of such coal shall be deemed to be the date such coal is mined. In determining the gross income, the adjusted gross income, or the net income of the lessee, the deductions allowable with respect to rents and royalties shall be determined without regard to the provisions of this paragraph. This paragraph shall have no application, in the case of coal, for the purposes of applying section 102 or subchapter A of chapter 2 (including the computation under section 117 (c) (1) of a tax in lieu of the tax imposed by section 500)*

And the Senate agree to the same.

Amendment numbered 77:

That the House recede from its disagreement to the amendment of the Senate numbered 77, and agree to the same with an amendment as follows:

Strike out the matter proposed to be stricken out by the Senate amendment and insert the following:

SEC. 328. TREATMENT OF GAIN ON SALES OF CERTAIN PROPERTY BETWEEN SPOUSES AND BETWEEN AN INDIVIDUAL AND A CONTROLLED CORPORATION.

(a) DISALLOWANCE OF CAPITAL GAIN TREATMENT.—Section 117 (relating to capital gains and losses) is hereby amended by adding at the end thereof the following new subsection:

"(o) GAIN FROM SALE OF CERTAIN PROPERTY BETWEEN SPOUSES OR BETWEEN AN INDIVIDUAL AND A CONTROLLED CORPORATION.—

"(1) TREATMENT OF GAIN AS ORDINARY INCOME.—In the case of a sale or exchange, directly or indirectly, of property described in paragraph (2)—

"(A) between a husband and wife; or

"(B) between an individual and a corporation more than 80 per centum in value of the outstanding stock of which is owned by such individual, his spouse, and his minor children and minor grandchildren;

any gain recognized to the transferor from the sale or exchange of such property shall be considered as gain from the sale or exchange of property which is neither a capital asset nor property described in subsection (j).

"(2) SUBSECTION APPLICABLE ONLY TO SALES OR EXCHANGES OF DEPRECIABLE PROPERTY.—This subsection shall apply only in the case of a sale or exchange of property by a transferor which in the hands of the transferee is property of a character which is subject to the allowance for depreciation provided in section 23 (l)."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall be applicable with respect to taxable years ending after April 30, 1951, but shall apply only with respect to sales or exchanges made after May 3, 1951.

And the Senate agree to the same.

Amendment numbered 78:

That the House recede from its disagreement to the amendment of the Senate numbered 78, and agree to the same with the following amendments:

On page 83, line 4, of the Senate engrossed amendments, strike out "328" and insert *329*

On page 83, line 10, of the Senate engrossed amendments, strike out "(o)" and insert *(p)*

On page 83, line 14, of the Senate engrossed amendments insert after "employment" and before the comma the following: *and for a period of not less than 5 years (or for a period ending with his death)*

And the Senate agree to the same.

Amendment numbered 79:

That the House recede from its disagreement to the amendment of the Senate numbered 79, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

SEC. 330. NET OPERATING LOSS CARRY-OVER.

(a) LOSS FOR TAXABLE YEAR BEGINNING BEFORE 1948.—So much of subparagraph (A) of section 122 (b) (2) (relating to the amount of carry-overs) as precedes "the taxpayer" is hereby amended to read as follows:

'(A) Loss for Taxable Year Beginning Before 1948.—Except as provided in subparagraph (D), if for any taxable year beginning before January 1, 1948,".

(b) *ALLOWANCE OF THREE-YEAR LOSS CARRY-OVER FROM TAXABLE YEARS 1948–1949.—Section 122 (b) (2) (relating to the amount of carry-over) is hereby amended by adding after subparagraph (B) the following new subparagraphs:*

"*(C) Loss for Taxable Year Beginning After December 31, 1947, and Before January 1, 1950.—If for any taxable year beginning after December 31, 1947, and before January 1, 1950, the taxpayer has a net operating loss, such net operating loss shall be a net operating loss carry-over for each of the three succeeding taxable years, except that the carry-over in the case of each such succeeding taxable year (other than the first succeeding taxable year) shall be the excess, if any, of the amount of such net operating loss over the sum of the net income for each of the intervening years computed—*

"*(i) with the exceptions, additions, and limitations provided in subsection (d) (1), (2), (4), and (6), and*

"*(ii) by determining the net operating loss deduction for each intervening taxable year without regard to such net operating loss or to the net operating loss for any succeeding taxable year and without regard to any reduction specified in subsection (c).*

For the purpose of the preceding sentence, the net operating loss for any taxable year beginning after December 31, 1947, and before January 1, 1950, shall be reduced by the sum of the net income for each of the two preceding taxable years computed—

"*(iii) with the exceptions, additions, and limitations provided in subsection (d) (1), (2), (4), and (6), and*

"*(iv) by determining the net operating loss deduction without regard to such net operating loss or to the net operating loss for the succeeding taxable year, and without regard to any reduction specified in subsection (c).*

"*(D) Loss for Taxable Year Beginning After December 31, 1946, and Before January 1, 1948, in the Case of a Corporation Which Commenced Business After December 31, 1945.—If for any taxable year beginning after December 31, 1946, and before January 1, 1948, a corporation which commenced business after December 31, 1945, has a net operating loss, such net operating loss shall be a net operating loss carry-over for each of the three succeeding taxable years, except that the carry-over in the case of each such succeeding taxable year (other than the first succeeding taxable year) shall be the excess, if any, of the amount of such net operating loss over the sum of the net income for each of the intervening years computed—*

"*(i) with the exceptions, additions, and limitations provided in subsection (d) (1), (2), (4), and (6), and*

"*(ii) by determining the net operating loss deduction for each intervening taxable year without regard to such net operating loss or to the net operating loss for any succeeding taxable year and without regard to any reduction specified in subsection (c).*

For the purpose of the preceding sentence, the net operating loss for any taxable year beginning after December 31, 1946, shall be reduced by the sum of the net income for each of the two preceding taxable years computed—

"*(iii) with the exceptions, additions, and limitations provided in subsection (d) (1), (2), (4), and (6), and*

"*(iv) by determining the net operating loss deduction without regard to such net operating loss or to the net operating loss for*

the succeeding taxable year, and without regard to any reduction specified in subsection (c)."

(c) *EFFECTIVE DATE.—The amendments made by this section shall be applicable in computing the net operating loss deduction for taxable years beginning after December 31, 1948.*

And the Senate agree to the same.

Amendment numbered 80:

That the House recede from its disagreement to the amendment of the Senate numbered 80, and agree to the same with an amendment as follows:

On page 87, line 17, of the Senate engrossed amendments, strike out "330" and insert *331*; and the Senate agree to the same.

Amendment numbered 81:

That the House recede from its disagreement to the amendment of the Senate numbered 81, and agree to the same with the following amendments:

On page 88, line 7, of the Senate engrossed amendments, strike out "331" and insert *332*

On page 88, line 21, of the Senate engrossed amendments, strike out "a majority" and insert the following: *50 per centum or more*

And the Senate agree to the same.

Amendment numbered 82:

That the House recede from its disagreement to the amendment of the Senate numbered 82, and agree to the same with an amendment as follows:

On page 89, line 5, of the Senate engrossed amendments, strike out "332" and insert *333*; and the Senate agree to the same.

Amendment numbered 83:

That the House recede from its disagreement to the amendment of the Senate numbered 83, and agree to the same with an amendment as follows:

On page 89, line 19, of the Senate engrossed amendments, strike out "333" and insert *334*; and the Senate agree to the same.

Amendment numbered 84:

That the House recede from its disagreement to the amendment of the Senate numbered 84, and agree to the same with the following amendments:

On page 90, line 22, of the Senate engrossed amendments, strike out "334" and insert *335*

On page 91 of the Senate engrossed amendments strike out line 14 and insert the following: *coupons or in registered form, and the term 'securities of the employer corporation' includes securities of a parent or subsidiary corporation (as defined in section 130A (d) (2) and (3)) of the employer corporation.*"; and the Senate agree to the same.

Amendment numbered 85:

That the House recede from its disagreement to the amendment of the Senate numbered 85, and agree to the same with an amendment as follows:

On page 91, line 20, of the Senate engrossed amendments, strike out "335" and insert *336*; and the Senate agree to the same.

Amendment numbered 86:

That the House recede from its disagreement to the amendment of the Senate numbered 86, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *337*; and the Senate agree to the same.

Amendment numbered 88:

That the House recede from its disagreement to the amendment of the Senate numbered 88, and agree to the same with an amendment as follows:

On page 97, line 4, of the Senate engrossed amendments, strike out "337" and insert *338*; and the Senate agree to the same.

Amendment numbered 89:

That the House recede from its disagreement to the amendment of the Senate numbered 89, and agree to the same with an amendment as follows:

On page 98, line 4, of the Senate engrossed amendments, strike out "338" and insert *339*; and the Senate agree to the same.

Amendment numbered 90:

That the House recede from its disagreement to the amendment of the Senate numbered 90, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *340*; and the Senate agree to the same.

Amendment numbered 91:

That the House recede from its disagreement to the amendment of the Senate numbered 91, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

(c) EFFECTIVE DATE.—The amendments made by this section shall be applicable with respect to taxable years beginning after December 31, 1950. The determination as to whether a person shall be recognized as a partner for income tax purposes for any taxable year beginning before January 1, 1951, shall be made as if this section had not been enacted and without inferences drawn from the fact that this section is not expressly made applicable with respect to taxable years beginning before January 1, 1951. In applying this subsection where the taxable year of any family partner is different from the taxable year of the partnership—

(1) if a taxable year of the partnership beginning in 1950 ends within or with, as to all of the family partners, taxable years which begin in 1951, then the amendments made by this section shall be applicable with respect to all distributive shares of income derived by the family partners from such taxable year of the partnership beginning in 1950, and

(2) if a taxable year of the partnership ending in 1951 ends within or with a taxable year of any family partner which began in 1950, then the amendments made by this section shall not be applicable with respect to any of the distributive shares of income derived by the family partners from such taxable year of the partnership.

And the Senate agree to the same.

Amendment numbered 92:

That the House recede from its disagreement to the amendment of the Senate numbered 92, and agree to the same with the following amendments:

On page 103, line 5, of the Senate engrossed amendments, strike out "340" and insert *341*.

On page 106 of the Senate engrossed amendments, strike out all after line 3 over to and including line 23 on page 110 and insert:

"(3) TAX ADJUSTMENT MEASURED BY PRIOR BENEFITS.—*If the provisions of this paragraph are applicable to the taxable year pursuant to an election made by the taxpayer under the provisions of paragraph (5)—*

"(A) *Amount of Recovery.—The amount of the recovery in the taxable year of any money or property in respect of property considered under subsection (a) as destroyed or seized in any prior taxable year shall be an amount equal to the aggregate of such money and the fair market value of such property, determined as of the date of the recovery. For the purpose of this paragraph, in the case of the recovery of the same property or interest considered under subsection (a) as destroyed or seized, the fair market value of such property or interest shall, at the option of the taxpayer, be considered an amount equal to the adjusted basis (for determining loss) of such property or interest in the hands of the taxpayer on the date such property or interest was considered under subsection (a) as destroyed or seized. The amount of the recovery determined under this subparagraph shall be reduced for the purposes of subparagraphs (B) and (C) by the amount of the obligations or liabilities with respect to the property considered under subsection (a) as destroyed or seized in respect of which the recovery was received, if the taxpayer for any previous taxable year chose under subsection (b) (2) to treat such obligations or liabilities as discharged or satisfied out of such property, and such obligations or liabilities were not so discharged or satisfied prior to the date of the recovery.*

"(B) *Adjustment for Prior Tax Benefits.—That part of the amount of the recovery, in respect of any property considered under subsection (a) as destroyed or seized, which is not in excess of the allowable deductions in prior taxable years on account of such destruction or seizure of the property (the amount of such allowable deductions being first reduced by the aggregate amount of any prior recoveries in respect of the same property) shall be excluded from gross income for the taxable year of the recovery for the purpose of computing the tax under this chapter and chapter 2; but there shall be added to, and assessed and collected as a part of, the tax under this chapter for the taxable year of the recovery the total increase in the tax under this chapter and chapter 2 for all taxable years which would result by decreasing, in an amount equal to such part of the recovery so excluded, such deductions allowable in the prior taxable years with respect to the destruction or seizure of the property. Such increase in the tax for each such year so resulting shall be computed in accordance with regulations prescribed by the Secretary. Such regulations shall give effect*

to previous recoveries of any kind (including recoveries described in section 22 (b) (12)) with respect to any prior year, and shall provide for the case where there was no tax for the prior year, but shall otherwise treat the tax previously determined for any year in accordance with the principles set forth in section 3801 (d). All credits allowable against the tax for any year and all carry-overs and carry-backs affected by so decreasing the allowable deductions shall be taken into account in computing the increase in the tax, except that the computation of the excess profits credit under chapter 2 E for any taxable year shall not be affected.

"(C) Gain Upon Recovery.—The amount of any recovery or part thereof, in respect of property considered under subsection (a) as destroyed or seized, which is not excluded from gross income under the provisions of subparagraph (B) 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 112 (f).

"(D) Recoveries Treated as Gross Income for Certain Purposes.—For the purposes of sections 51, 52, and 3801 (b) the recovery in the taxable year of any money or property in respect of property considered under subsection (a) as destroyed or seized in any prior taxable year shall be deemed to be an item includible in gross income for the taxable year in which the recovery is made.

"(4) RESTORATION OF VALUE OF INVESTMENTS REFERABLE TO DESTROYED OR SEIZED PROPERTY.—For the purpose of this subsection the restoration in whole or in part of the value of any interest described in subsection (a) (3) by reason of any recovery of money or property in respect of property to which such interest related and which was considered under subsection (a) (1) or (2) as destroyed or seized shall be deemed a recovery of property in respect of property considered under subsection (a) as destroyed or seized. In applying paragraph (3) of this subsection such restoration shall be treated as the recovery of the same interest considered under subsection (a) as destroyed or seized.

"(5) ELECTION BY TAXPAYER FOR APPLICATION OF PARAGRAPH (3).—If the taxpayer elects to have the provisions of paragraph (3) applicable to any taxable year in which he recovered any money or property in respect of property considered under subsection (a) as destroyed or seized, the provisions of paragraph (3) shall be applicable to all taxable years of the taxpayer beginning after December 31, 1941, and such election, once made, shall be irrevocable. The election shall be made in such manner and at such time as the Secretary may by regulations prescribe, except that no election under this paragraph may be made after December 31, 1952, unless the taxpayer recovers money or property (in respect of property considered under subsection (a) as destroyed or seized) during a taxable year ending after the date of the enactment of the Revenue Act of 1951. If pursuant to such election the provisions of paragraph (3) are applicable to any taxable year—

"(A) the period of limitations provided in sections 275 and 276 on the making of assessments and the beginning of distraint

or a proceeding in court for collection shall not, with respect to—

"(i) the amount to be added to the tax for such taxable year under the provisions of paragraph (3), and

"(ii) any deficiency for such taxable year or for any other taxable year, to the extent attributable to the basis of the recovered property being determined under the provisions of subsection (d) (2),

expire prior to the expiration of two years following the date of the making of such election, and such amount and such deficiency may be assessed at any time prior to the expiration of such period notwithstanding any law or rule of law which would otherwise prevent such assessment and collection, and

"(B) in case refund or credit of any overpayment resulting from the application of the provisions of paragraph (3) to such taxable year is prevented on the date of the making of such election, or within one year from such date, by the operation of any law or rule of law (other than section 3761, relating to compromises), refund or credit of such overpayment may, nevertheless, be made or allowed if claim therefor is filed within one year from such date.

In the case of any taxable year ending before the date of the making by the taxpayer of an election under this paragraph, no interest shall be paid on any overpayment resulting from the application of the provisions of paragraph (3) to such taxable year, and no interest shall be assessed or collected with respect to any amount or any deficiency specified in clause (A), for any period prior to the expiration of six months following the date of the making of such election by the taxpayer."

On page 112 of the Senate engrossed amendments strike out line 6 and all that follows through line 17 and insert:

"(2) PROPERTY RECOVERED IN TAXABLE YEAR TO WHICH SUBSECTION (c) (3) IS APPLICABLE.—In the case of a taxpayer who has made an election under the provisions of subsection (c) (5), the basis of property recovered shall be an amount equal to the value at which such property is included in the amount of the recovery under subsection (c) (3) (A) (determined without regard to the last sentence thereof), reduced by such part of the gain under subsection (c) (3) (C) which is not recognized as provided in section 112 (f)."

On page 113, line 2, of the Senate engrossed amendments, strike out "1940" and insert *1941*

And the Senate agree to the same.

Amendment numbered 93:

That the House recede from its disagreement to the amendment of the Senate numbered 93, and agree to the same with an amendment as follows:

On page 113, line 4, of the Senate engrossed amendments, strike out "341" and insert *342*; and the Senate agree to the same.

Amendment numbered 96:

That the House recede from its disagreement to the amendment of the Senate numbered 96, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

SEC. 344. NONBUSINESS CASUALTY LOSSES.

(a) REMOVAL OF LIMITATION.—Section 122 (d) (5) (relating to net operating loss deduction) is hereby amended by inserting at the end thereof the following new sentence: "This paragraph shall not apply with respect to deductions allowable for losses sustained after December 31, 1950, in respect of property, if the losses arise from fire, storm, shipwreck, or other casualty, or from theft."

(b) EFFECTIVE DATE.—The amendment made by this section shall be applicable in computing the net operating loss deduction for taxable years ending after December 31, 1948.

And the Senate agree to the same.

Amendment numbered 97:

That the House recede from its disagreement to the amendment of the Senate numbered 97, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

SEC. 345. ABATEMENT OF TAX ON CERTAIN TRUSTS FOR MEMBERS OF ARMED FORCES DYING IN SERVICE.

In the case of a trust which accumulated income for a beneficiary who died on or after December 7, 1941, and before January 1, 1948, while in active service as a member of the military or naval forces of the United States or of any of the other United Nations, there shall be allowed as a deduction in computing the net income of such trust (in addition to other deductions allowable under sections 23 and 162 of the Internal Revenue Code) income of the trust for any taxable year (before diminution for income tax) which was accumulated for such beneficiary if—

(1) the income accumulated was for a taxable year of the trust which ended with or within a taxable year (ending on or after December 7, 1941) of such beneficiary during any part of which he was a member of such military or naval forces, or, in the case of the taxable year of the trust during which such beneficiary died, the income accumulated was for the period in such taxable year prior to the death of such beneficiary; and

(2) the amount of such accumulated income was, without regard to this section, taxable to the trust, and

(3) the income for such taxable year accumulated for the beneficiary, if not distributed to him prior to his death, was payable by the trust at or after his death only to his estate, spouse, or lineal ancestors or descendants.

And the Senate agree to the same.

Amendment numbered 99:

That the House recede from its disagreement to the amendment of the Senate numbered 99, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

SEC. 346. LIFE INSURANCE DEPARTMENTS OF MUTUAL SAVINGS BANKS.

(a) COMPUTATION OF TAX.—Supplement A of chapter 1 is hereby amended by adding at the end thereof the following new section:

"SEC. 110. MUTUAL SAVINGS BANKS CONDUCTING LIFE INSURANCE BUSINESS.

"(a) ALTERNATIVE TAX.—In the case of a mutual savings bank not having capital stock represented by shares, authorized under State law to engage in the business of issuing life insurance contracts, and which conducts a life insurance business in a separate department the accounts of which are maintained separately from the other accounts of the mutual savings bank, there shall be levied, collected, and paid, in lieu of the taxes imposed by sections 13 and 15, or section 117 (c) (1), a tax consisting of the sum of the partial taxes determined under paragraphs (1) and (2):

"(1) A partial tax computed upon the net income determined without regard to any items of gross income or deductions properly allocable to the business of the life insurance department, at the rates and in the manner as if this section has not been enacted; and

"(2) a partial tax computed upon the net income (as defined in section 201 (c) (7)) of the life insurance department determined without regard to any items of gross income or deductions not properly allocable to such department, at the rates and in the manner provided in Supplement G with respect to life insurance companies.

"(b) LIMITATIONS OF SECTION.—The provisions of subsection (a) shall be applicable only if the life insurance department would, if it were treated as a separate corporation, qualify as a life insurance company under section 201 (b)."

(b) TECHNICAL AMENDMENT.—Section 13 (relating to normal tax on corporations) is hereby amended by adding at the end thereof the following new subsection:

"(f) MUTUAL SAVINGS BANKS CONDUCTING LIFE INSURANCE BUSINESS.—For special tax, in lieu of the taxes imposed by this section and section 15, in the case of a mutual savings bank conducting a life insurance business, see section 110."

(c) EFFECTIVE DATE.—The amendments made by this section shall be applicable only with respect to taxable years beginning after December 31, 1951.

And the Senate agree to the same.

Amendment numbered 100:

That the House recede from its disagreement to the amendment of the Senate numbered 100, and agree to the same with the following amendments:

On page 120, line 17, of the Senate engrossed amendments, strike out "348" and insert *347*.

On page 120, line 23, of the Senate engrossed amendments, strike out "the taxable year" and insert *a taxable year beginning before January 1, 1953*

And the Senate agree to the same.

Amendment numbered 101:

That the House recede from its disagreement to the amendment of the Senate numbered 101, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

SEC. 348. DEDUCTION WITH RESPECT TO CERTAIN UNRELATED BUSINESS NET INCOME.

(a) UNRELATED BUSINESS NET INCOME.—Section 422 (a) (relating to unrelated business net income) is hereby amended by adding at the end thereof the following: "In the case of an organization described in section 3813 (a) (2) which is a member of a partnership all of whose members are organizations described in section 3813 (a) (2), if a trade or business regularly carried on by such partnership is an unrelated trade or business with respect to such organization, such organization shall, for taxable years beginning before January 1, 1954, be allowed a deduction in an amount equal to the portion of the gross income of such partnership from such unrelated trade or business which such organization is required (by a provision of a written contract executed by such organization prior to January 1, 1950, which provision expressly deals with the disposition of the gross income of the partnership) to pay within the taxable year in discharge of indebtedness incurred by such organization in acquiring its share of such trade or business, or to irrevocably set aside within the taxable year for the discharge of such indebtedness (to the extent that such amount has been so paid or set aside) if (i) such partnership was formed prior to January 1, 1950, for the purpose of carrying on such trade or business, and (ii) substantially all the assets used in carrying on such trade or business were acquired by it or by its members prior to such date. As used in the preceding sentence, the word 'indebtedness' does not include indebtedness incurred after January 1, 1950."

(b) EFFECTIVE DATE.—The amendment made by this section shall be applicable with respect to taxable years beginning after December 31, 1950, and prior to January 1, 1954.

And the Senate agree to the same.

Amendment numbered 102:

That the House recede from its disagreement to the amendment of the Senate numbered 102, and agree to the same with an amendment as follows:

On page 122, line 8, of the Senate engrossed amendments, strike out "350" and insert *349*; and the Senate agree to the same.

Amendment numbered 104:

That the House recede from its disagreement to the amendment of the Senate numbered 104, and agree to the same with the following amendments:

On page 124, line 11, of the Senate engrossed amendments, strike out "contributions—" and insert the following: *contributions;*

On page 124 of the Senate engrossed amendments, after line 11, insert the following:

> *"(v) an organization (organized prior to October 1, 1951) which is exempt under section 101 (6) and which is operated for the purpose of conducting an annual chautauqua program of educational, cultural, and religious activities at a permanent location—*

And the Senate agree to the same.

Amendment numbered 107:

That the House recede from its disagreement to the amendment of the Senate numbered 107, and agree to the same with an amendment as follows:

On page 126 of the Senate engrossed amendments strike out "January" in lines 18 and 19 and insert *April*; and the Senate agree to the same.

Amendment numbered 110:

That the House recede from its disagreement to the amendment of the Senate numbered 110, and agree to the same with the following amendments:

On page 127 of the Senate engrossed amendments strike out "January" in lines 8, 16, 22, and 23 and insert *April*

On page 127, line 18, of the Senate engrossed amendments strike out "April" and insert *July*

On page 128 of the Senate engrossed amendments strike out "January" in lines 6 and 9 and insert *April*

And the Senate agree to the same.

Amendment numbered 111:

That the House recede from its disagreement to the amendment of the Senate numbered 111, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

SEC. 423. REDUCTION OF TAX ON TOBACCO AND SNUFF.

(a) REDUCTION IN RATE.—Section 2000 (a) (relating to tax on tobacco and snuff) is hereby amended by striking out "18 cents per pound", wherever it appears therein, and inserting in lieu thereof "10 cents per pound".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on the first day of the first month which begins more than ten days after the date of the enactment of this Act.

And the Senate agree to the same.

Amendment numbered 118:

That the House recede from its disagreement to the amendment of the Senate numbered 118, and agree to the same with an amendment as follows:

Restore the matter proposed to be stricken out by the Senate amendment and on page 111 of the House engrossed bill, after line 16, insert: *On and after April 1, 1954, the tax imposed by this section shall be 1½ cents a gallon in lieu of 2 cents a gallon.*

And the Senate agree to the same.

Amendment numbered 121:

That the House recede from its disagreement to the amendment of the Senate numbered 121, and agree to the same with an amendment as follows:

On page 130, line 18, of the Senate engrossed amendments, strike out "January" and insert *April*; and the Senate agree to the same.

Amendment numbered 122:

That the House recede from its disagreement to the amendment of the Senate numbered 122, and agree to the same with an amendment as follows:

On page 131, line 1, of the Senate engrossed amendments, strike out "January" and insert *April*; and the Senate agree to the same.

Amendment numbered 127:

That the House recede from its disagreement to the amendment of the Senate numbered 127, and agree to the same with an amendment as follows:

On page 131, line 8, of the Senate engossed amendments, strike out "January" and insert *April*; and the Senate agree to the same.

Amendment numbered 128:

That the House recede from its disagreement to the amendment of the Senate numbered 128, and agree to the same with an amendment as follows:

On page 131, line 11, of the Senate engrossed amendments, strike out "January" and insert *April*; and the Senate agree to the same.

Amendment numbered 129:

That the House recede from its disagreement to the amendment of the Senate numbered 129, and agree to the same with an amendment as follows:

On page 131, line 14, of the Senate engrossed amendments, strike out "January" and insert *April*; and the Senate agree to the same.

Amendment numbered 131:

That the House recede from its disagreement to the amendment of the Senate numbered 131, and agree to the same with an amendment as follows:

On page 132 of the Senate engrossed amendments strike out "January" in lines 1 and 8 and insert *April*; and the Senate agree to the same.

Amendment numbered 137:

That the House recede from its disagreement to the amendment of the Senate numbered 137, and agree to the same with an amendment as follows:

On page 132, line 17, of the Senate engrossed amendments, strike out "January" and insert *April*; and the Senate agree to the same.

Amendment numbered 141:

That the House recede from its disagreement to the amendment of the Senate numbered 141, and agree to the same with the following amendments:

On page 133, line 3, of the Senate engrossed amendments, strike out "444" and insert *464*

On page 133 of the Senate engrossed amendments strike out "January" in lines 11 and 18 and insert *April*

On page 133, line 20, of the Senate engrossed amendments, strike out "February" and insert *May*

On page 134, line 2, of the Senate engrossed amendments, strike out "January" and insert *April*

And the Senate agree to the same.

Amendment numbered 142:

That the House recede from its disagreement to the amendment of the Senate numbered 142, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *455*; and the Senate agree to the same.

Amendment numbered 143:

That the House recede from its disagreement to the amendment of the Senate numbered 143, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *456*; and the Senate agree to the same.

Amendment numbered 151:

That the House recede from its disagreement to the amendment of the Senate numbered 151, and agree to the same with the following amendments:

On page 135, of the Senate engrossed amendments, strike out "452" in lines 8 and 13 and insert *462*

On page 135, line 16, of the Senate engrossed amendments, strike out "December 31, 1953" and insert *March 31, 1954*

And the Senate agree to the same.

Amendment numbered 154:

That the House recede from its disagreement to the amendment of the Senate numbered 154, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *464*; and the Senate agree to the same.

Amendment numbered 156:

That the House recede from its disagreement to the amendment of the Senate numbered 156, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *461 and 463*; and the Senate agree to the same.

Amendment numbered 163:

That the House recede from its disagreement to the amendment of the Senate numbered 163, and agree to the same with the following amendments:

On page 136, line 18, of the Senate engrossed amendments, strike out "461" and insert *471*

On page 137, line 5, of the Senate engrossed amendments, strike out "461" and insert *471*

And the Senate agree to the same.

Amendment numbered 166:

That the House recede from its disagreement to the amendment of the Senate numbered 166, and agree to the same with an amendment as follows:

On page 137, line 13, of the Senate engrossed amendments, strike out "January" and insert *April*; and the Senate agree to the same.

Amendment numbered 167:

That the House recede from its disagreement to the amendment of the Senate numbered 167, and agree to the same with an amendment as follows:

On page 137, line 23, of the Senate engrossed amendments, strike out "January" and insert *April*; and the Senate agree to the same.

Amendment numbered 168:

That the House recede from its disagreement to the amendment of the Senate numbered 168, and agree to the same with an amendment as follows:

On page 138, line 5, of the Senate engrossed amendments, strike out "January" and insert *April*; and the Senate agree to the same.

Amendment numbered 172:

That the House recede from its disagreement to the amendment of the Senate numbered 172, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *490*; and the Senate agree to the same.

Amendment numbered 173:

That the House recede from its disagreement to the amendment of the Senate numbered 173, and agree to the same with the following amendments:

On page 138, line 19, of the Senate engrossed amendments, strike out "473" and insert *483*

On page 139, line 7, of the Senate engrossed amendments, strike out "producer or" and insert *producer of*

And the Senate agree to the same.

Amendment numbered 174:

That the House recede from its disagreement to the amendment of the Senate numbered 174, and agree to the same with the following amendments:

On page 139, line 19, of the Senate engrossed amendments, strike out "474" and insert *484*

On page 140, line 10, of the Senate engrossed amendments, strike out "skates;".

On page 140 of the Senate engrossed amendments strike out lines 19, 20, and 21 and, in lieu thereof, insert the following: *15 per centum, except that on and after April 1, 1954, the rate shall be 10 per centum; fishing rods, creels, reels, and artificial lures, baits, and flies; 10 per centum.*"

And the Senate agree to the same.

Amendment numbered 175:

That the House recede from its disagreement to the amendment of the Senate numbered 175, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *485*; and the Senate agree to the same.

Amendment numbered 178:

That the House recede from its disagreement to the amendment of the Senate numbered 178, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *by striking out "Electric direct motor-driven fans and air circulators;" and inserting in lieu thereof "Electric direct motor-driven fans and air circulators (not of the industrial type); and the following appliances of the household type:"*, (*2*); and the Senate agree to the same.

Amendment numbered 179:

That the House recede from its disagreement to the amendment of the Senate numbered 179, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: (*3*), and on page 139 of the House engrossed bill, in lines 3 and 4, strike out "and the following appliances of the household type:"; and the Senate agree to the same.

Amendment numbered 184:

That the House recede from its disagreement to the amendment of the Senate numbered 184, and agree to the same with an amendment as follows:

Restore the matter proposed to be stricken out by the Senate amendment, omit the matter proposed to be inserted by the Senate amendment, and on page 139, line 11, of the House engrossed bill, strike out "485" and insert *486*; and the Senate agree to the same.

Amendment numbered 185:

That the House recede from its disagreement to the amendment of the Senate numbered 185, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *487*; and the Senate agree to the same.

Amendment numbered 188:

That the House recede from its disagreement to the amendment of the Senate numbered 188, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *15*; and the Senate agree to the same.

Amendment numbered 191:

That the House recede from its disagreement to the amendment of the Senate numbered 191, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *488*; and the Senate agree to the same.

Amendment numbered 193:

That the House recede from its disagreement to the amendment of the Senate numbered 193, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *489*; and the Senate agree to the same.

Amendment numbered 194:

That the House recede from its disagreement to the amendment of the Senate numbered 194, and agree to the same with an amendment as follows:

On page 144, line 11, of the Senate engrossed amendments, strike out "January" and insert *April*; and the Senate agree to the same.

Amendment numbered 197:

That the House recede from its disagreement to the amendment of the Senate numbered 197, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *489*; and the Senate agree to the same.

Amendment numbered 198:

That the House recede from its disagreement to the amendment of the Senate numbered 198, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *a producer or importer of gasoline. The provisions of section 3443 shall be applicable to the floor stocks tax imposed by this subsection so as to entitle, subject to all the provisions of such section, (1) any manufacturer or producer to a refund or credit of such tax under subsection (a) (1) of such section, and (2) any person paying such floor stocks tax to a refund or credit thereof where gasoline is by such person or any other person used or resold for any of the purposes specified in subparagraphs (A) (i), (ii), and (iii) of subsection (a) (3) of such section.*

And the Senate agree to the same.

Amendment numbered 199:

That the House recede from its disagreement to the amendment of the Senate numbered 199, and agree to the same with the following amendments:

On page 145 of the Senate engrossed amendments strike out "January" in lines 6, 12, and 13 and insert *April*

On page 145, line 16, of the Senate engrossed amendments, strike out "April" and insert *July*

On page 146, line 9, of the Senate engrossed amendments, strike out "January" and insert *April*

And the Senate agree to the same.

Amendment numbered 200:

That the House recede from its disagreement to the amendment of the Senate numbered 200, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *490*; and the Senate agree to the same.

Amendment numbered 210:

That the House recede from its disagreement to the amendment of the Senate numbered 210, and agree to the same with an amendment as follows:

On page 147, line 10, of the Senate engrossed amendments, strike out "482" and insert *492*; and the Senate agree to the same.

Amendment numbered 211:

That the House recede from its disagreement to the amendment of the Senate numbered 211, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *493*; and the Senate agree to the same.

Amendment numbered 213:

That the House recede from its disagreement to the amendment of the Senate numbered 213, and agree to the same with an amendment as follows:

On page 148, line 15, of the Senate engrossed amendments, strike out "484" and insert *494*; and the Senate agree to the same.

Amendment numbered 214:

That the House recede from its disagreement to the amendment of the Senate numbered 214, and agree to the same with the following amendments:

On page 149, line 15, of the Senate engrossed amendments, strike out "485" and insert *495*

On page 149 of the Senate engrossed amendments, after the quotation marks in line 24 insert the following: *The determination as to the applicability of the tax imposed by section 3475 in the case of the transportation of any excavated material, other than transportation to which the amendment made by this subsection applies, shall be made as if this subsection had not been enacted and without inferences drawn from the fact that the amendment made by this subsection is not expressly applicable to the transportation of such other excavated material.*

And the Senate agree to the same.

Amendment numbered 215:

That the House recede from its disagreement to the amendment of the Senate numbered 215, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *496*; and the Senate agree to the same.

Amendment numbered 216:

That the House recede from its disagreement to the amendment of the Senate numbered 216, and agree to the same with the following amendments:

On page 150, line 8, of the Senate engrossed amendments, strike out "487" and insert *497*

On page 150 of the Senate engrossed amendments strike out "January" in lines 15 and 22 and insert *April*

On page 151 of the Senate engrossed amendments strike out "January" in lines 10 and 18 and insert *April*

And the Senate agree to the same.

Amendment numbered 217:

That the House recede from its disagreement to the amendment of the Senate numbered 217, and agree to the same with an amendment as follows:

On page 151, line 22, of the Senate engrossed amendments, strike out "488" and insert *498*; and the Senate agree to the same.

Amendment numbered 219:

That the House recede from its disagreement to the amendment of the Senate numbered 219, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

SEC. 501. MAXIMUM TAX FOR NEW CORPORATIONS.

Section 430 (relating to imposition of tax) is hereby amended as follows:

(1) By adding at the end of subsection (a) thereof, as amended by section 121 of this Act, the following:

"(3) in the case of a corporation for which an amount is determined for the taxable year under subsection (c), the amount determined under such subsection."

(2) By redesignating subsection (e) as subsection (f); and

(3) By inserting after subsection (d) the following new subsection:

"(e) NEW CORPORATIONS.—

"(1) ALTERNATIVE AMOUNT.—In the case of a taxpayer which commenced business after July 1, 1945, and whose fifth taxable year ends after June 30, 1950, the amount referred to in subsection (a) (3) shall be—

"(A) If the taxable year is the first or second taxable year of the taxpayer, an amount equal to 5 per centum of the excess profits net income for the taxable year, except that if the excess profits net income exceeds $300,000, the amount shall be the sum of $15,000 plus the amount determined under subparagraph (E) of this paragraph.

"(B) If the taxable year is the third taxable year of the taxpayer, an amount equal to 8 per centum of the excess profits net income for the taxable year, except that if the excess profits net income exceeds $300,000, the amount shall be the sum of $24,000 plus the amount determined under subparagraph (E) of this paragraph.

"(C) If the taxable year is the fourth taxable year of the taxpayer, an amount equal to 11 per centum of the excess profits net income for the taxable year, except that if the excess profits net income exceeds $300,000, the amount shall be the sum of $33,000 plus the amount determined under subparagraph (E) of this paragraph.

"(D) If the taxable year is the fifth taxable year of the taxpayer, an amount equal to 14 per centum of the excess profits net income for the taxable year, except that if the excess profits net income exceeds $300,000, the amount shall be the sum of $42,000 plus the amount determined under subparagraph (E) of this paragraph.

"(E) The amount determined under this subparagraph shall be—

"(i) if the taxable year ends before April 1, 1951, an amount equal to 15 per centum of the excess of the excess profits net income for the taxable year over $300,000.

"(ii) if the taxable year begins on January 1, 1951, and ends on December 31, 1951, an amount equal to 17¼ per centum of the excess of the excess profits net income for the taxable year over $300,000.

"(iii) if the taxable year (other than a taxable year described in clause (ii)) ends after March 31, 1951, an amount equal to 18 per centum of the excess of the excess profits net income for the taxable year over $300,000.

"(2) FIRST FIVE TAXABLE YEARS.—For the purpose of this subsection—

"(A) The taxable year in which the taxpayer commenced business and the first, second, third, and fourth succeeding taxable years shall be considered its first, second, third, fourth, and fifth taxable years, respectively.

"(B) The taxpayer shall be considered to have been in existence and to have had taxable years for any period during which it or any corporation described in any clause of this subparagraph was in existence, and the taxpayer shall be considered to have commenced business on the earliest date on which it or any such corporation commenced business:

"(i) Any corporation which during or prior to the taxable year was a party with the taxpayer to a transaction described in section 445 (g) (2) (A), (B), or (C), determined as if the date 'July 1, 1945' were substituted for the date 'December 1, 1950' in section 445 (g) (2) (C).

"(ii) Any corporation if a group of not more than four persons who control the taxpayer at any time during the taxable year also controlled such corporation at any time during the period beginning twelve months preceding their acquisition of control of the taxpayer and ending with the close of the taxable year; but only if at any time during such period (and while such persons controlled such corporation) such corporation was engaged in a trade or business substantially similar to the trade or business of the taxpayer during the taxable year. For the purpose of this clause, the term 'control' means the ownership of more than 50 per centum of the total combined voting power of all classes of stock entitled to vote, or more than 50 per centum of the total value of shares of all classes of stock. A person shall not be considered a member of the group referred to in this clause unless during the period referred to in this clause he owns stock in such corporation at a time when the members of the group control such corporation and he owns stock in the taxpayer at a time when the members of the group control the taxpayer. For the purpose of this clause, the ownership of stock shall be determined in accordance with the provisions of section 503, except that constructive ownership under section 503 (a) (2) shall be determined only with respect to the individual's spouse and minor children.

"(iii) In case the taxpayer during or prior to the taxable year was a purchasing corporation (as defined in part IV), the selling corporation (as defined in such part) whose properties were acquired in the part IV transaction, but this clause shall not apply unless for the taxable year or for any preceding taxable year the conditions of paragraphs (1), (2), and (3) of section 474 (c) were satisfied with respect to such transaction.

"(iv) Any corporation which, under regulations prescribed by the Secretary, is determined by one or more additional applications of clauses (i) to (iii) to stand indirectly in the same relation to the taxpayer as though such corporation were described in any such clause.

If as of the beginning of December 1, 1950, the adjusted basis for determining gain upon sale or exchange of the aggregate assets theretofore acquired by the taxpayer in transactions described in clauses (i) and (iii) (or acquired in the ordinary course of business in replacement of such assets) and held by it at such time constituted less than 20 per centum of the adjusted basis for determining gain upon sale or exchange of its total assets held at such time, then transactions described in such clauses occurring prior to such date shall be disregarded in determining the date as of which the taxpayer shall be considered to have commenced business.

"(3) LIMITATION.—The provisions of paragraph (1) of this subsection shall not apply to a taxpayer which derives more than 50 per centum of its gross income (determined without regard to dividends and without regard to gains from sales or exchanges of capital assets) for the taxable year from contracts and subcontracts to which the provisions of title I of the Renegotiation Act of 1951 (or the provisions of any prior renegotiation act) are applicable."

And the Senate agree to the same.

Amendment numbered 220:

That the House recede from its disagreement to the amendment of the Senate numbered 220, and agree to the same with the following amendments:

On page 160, line 4, of the Senate engrossed amendments insert, after "corporation", the following: *at the time it renders such services or assistance*

On page 160, line 12, of the Senate engrossed amendments strike out "renders" and insert *rendered*

On page 160, line 19, of the Senate engrossed amendments strike out "constitutes" and insert *constituted*

On page 161, line 1, of the Senate engrossed amendments strike out "owns" and insert the following: *at the time it rendered such services or assistance owned*

And the Senate agree to the same.

Amendment numbered 221:

That the House recede from its disagreement to the amendment of the Senate numbered 221, and agree to the same with an amendment as follows:

On page 161, line 17, of the Senate engrossed amendments strike out the quotation marks and insert the following: *In computing the average base period net income for such substituted period, the excess profits net income for January, February, and March of 1950 shall be computed by use of the 'weighted excess profits net income', as defined in section 435 (e) (2) (E), for the taxable year in which such months fall."*; and the Senate agree to the same.

Amendment numbered 222:

That the House recede from its disagreement to the amendment of the Senate numbered 222, and agree to the same with the following amendments:

On page 164, line 4, of the Senate engrossed amendments strike out "regulation" and insert *regulations*

On page 165, line 4, of the Senate engrossed amendments strike out the period and quotation marks and insert the following: , *and such monthly excess profits net income shall be in lieu of the monthly excess profits net income determined under paragraphs (1) and (2) of section 462 (b).*"

And the Senate agree to the same.

Amendment numbered 224:

That the House recede from its disagreement to the amendment of the Senate numbered 224, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

SEC. 506. ADJUSTMENTS FOR CHANGES IN INADMISSIBLE ASSETS IN CASE OF BANKS.

(a) AMENDMENT OF SECTION 435 (g).—Section 435 (g) (relating to net capital addition or reduction) is hereby amended by redesignating paragraph (8) as paragraph (11) and by adding after paragraph (7) the following new paragraph:

"(8) ADJUSTMENTS FOR CHANGES IN INADMISSIBLE ASSETS IN CASE OF BANKS.—In the case of a bank (as defined in section 104)—

"(A) If the increase in total assets for the taxable year exceeds the net capital addition computed without regard to the adjustment under paragraph (1) for an increase in inadmissible assets, then the net capital addition for the taxable year shall not be less than the excess of—

"(i) the amount determined under the first sentence of paragraph (1) over

"(ii) an amount which bears the same ratio to the increase in inadmissible assets for the taxable year, determined under paragraph (5), as the amount computed under such first sentence bears to the increase in total assets for the taxable year.

"(B) If the decrease in total assets for the taxable year exceeds the net capital reduction computed without regard to the adjustment under paragraph (2) for a decrease in inadmissible assets, then the net capital reduction for the taxable year shall not be less than the excess of—

"(i) the amount determined under the first sentence of paragraph (2) over

"(ii) an amount which bears the same ratio to the decrease in inadmissible assets for the taxable year, determined under paragraph (5), as the amount computed under such first sentence bears to the decrease in total assets for the taxable year.

For the purpose of this paragraph, the increase or decrease in total assets for the taxable year shall be computed in the same manner as

the increase or decrease in inadmissible assets for the taxable year is computed under paragraph (5), except that such computations shall be made with respect to all assets, whether admissible or inadmissible assets as defined in section 440."

(b) AMENDMENT OF SECTION 438.—Section 438 (relating to new capital credit changes) is hereby amended by adding after subsection (f) the following new subsection:

"(g) ADJUSTMENTS FOR INADMISSIBLE ASSETS IN CASE OF BANKS.—In the case of a bank (as defined in section 104), if the increase in total assets for the taxable year (determined in the manner provided in the last sentence of section 435 (g) (8)) exceeds the net new capital addition computed without regard to the adjustment under subsection (b) for an increase in inadmissible assets, then the net new capital addition for the taxable year shall not be less than the excess of the amount determined under the first sentence of subsection (b) over an amount which bears the same ratio to the increase in inadmissible assets for the taxable year, determined under section 435 (g) (5), as the amount computed under such first sentence bears to such increase in total assets for the taxable year."

(c) AMENDMENT OF SECTION 435 (f).—Section 435 (f) (relating to capital additions in base period) is hereby amended as follows:

(1) By inserting immediately after the word "reduced" in paragraph (1) thereof the following: "(but not below zero)".

(2) By adding at the end of paragraph (1) thereof the following: "For special rule in the case of banks, see paragraph (6)."

(3) By renumbering paragraph (6) as paragraph (7), and by adding immediately after paragraph (5) the following new paragraph:

"(6) YEARLY BASE PERIOD CAPITAL OF BANKS.—In the case of a bank (as defined in section 104), the yearly base period capital for any taxable year shall be determined as follows:

"(A) A tentative yearly base period capital shall be computed under paragraph (1) without regard to paragraph (1) (A).

"(B) The tentative yearly base period capital so determined shall be reduced by the amount determined under section 440 (b) (relating to inadmissible assets). For the purpose of this subparagraph, the computation under section 440 (b) shall include only the daily amounts (described in such section) for the first day of such taxable year."

(d) EFFECTIVE DATE OF SUBSECTION (c) (3).—The amendment made by subsection (c) (3) (adding a new paragraph (6) to section 435 (f)) shall be applicable with respect to taxable years beginning on or after the date of the enactment of this Act, and, at the election of the taxpayer made in accordance with regulations prescribed by the Secretary, shall be applicable to all taxable years ending after June 30, 1950.

And the Senate agree to the same.

Amendment numbered 225:

That the House recede from its disagreement to the amendment of the Senate numbered 225, and agree to the same with an amendment as follows:

On page 169 of the Senate engrossed amendments strike out lines 9 to 20, inclusive, and insert the following:

"(9) DECREASE IN INADMISSIBLE ASSETS.—

"(A) Except as otherwise provided in subparagraph (B) (relating to banks), the excess of the amount computed under

paragraph (2) (A) or (B), whichever is applicable to the taxpayer (whether or not any amount is determined under the first sentence of paragraph (2)), over the amount, if any, computed under the first sentence of paragraph (2) shall be considered the net capital addition for the taxable year or shall be added to the net capital addition otherwise determined under paragraph (1), as the case may be. The amount of the excess so determined shall be subject to the exceptions and limitations provided in paragraph (10).

"(B) In the case of a bank (as defined in section 104), the computation under subparagraph (A) shall be made by substituting for the amount computed under paragraph (2) (A) or (B) whichever of the following amounts is the lesser:

"(i) An amount which bears the same ratio to the decrease in inadmissible assets as the sum of the equity capital (as defined in section 437 (c)) and the daily borrowed capital (as defined in section 439 (b)), each determined as of the first day of the first taxable year ending after June 30, 1950, bears to the total assets as of the beginning of such day;

"(ii) If paragraph (8) (B) is applicable, the amount computed under paragraph (8) (B) (ii).

And the Senate agree to the same.

Amendment numbered 226:

That the House recede from its disagreement to the amendment of the Senate numbered 226, and agree to the same with an amendment as follows:

On page 172 of the Senate engrossed amendments strike out line 25 and all that follows over to and including the period in line 3 on page 173 and insert the following: *'Government obligations' means obligations described in section 22 (b) (4) any part of the interest from which is excludible from gross income or allowable as a credit against net income; but such term shall include only such obligations as in the hands of the taxpayer are property described in section 117 (a) (1) (A).*; and the Senate agree to the same.

Amendment numbered 227:

That the House recede from its disagreement to the amendment of the Senate numbered 227, and agree to the same with an amendment as follows:

On page 175 of the Senate engrossed amendments strike out line 11 and all that follows through line 17 on page 177 and insert the following:

"(h) ALTERNATIVE AVERAGE BASE PERIOD NET INCOME.—

"(1) ELIGIBILITY REQUIREMENTS.—A taxpayer which commenced business on or before the first day of its base period shall be entitled to the benefits of this subsection if—

"(A) the aggregate excess profits net income (if any) for the 12 months selected under paragraph (2) (B) is less than 35 per centum of one-half of the aggregate excess profits net income for the 24 months remaining under such paragraph; and

"(B) normal production, output, or operation was interrupted or diminished because of the occurrence, within 12 months preceding (i) the first day of the 12-month period selected under

paragraph (2) (B) (i), or (ii) the first day of any period of 6 or more consecutive months selected under paragraph (2) (B) (ii), of events unusual or peculiar in the experience of such taxpayer. This subsection shall have no application unless the taxpayer has an aggregate excess profits net income for the 24 months remaining under paragraph (2) (B).

"(2) COMPUTATION.—If the taxpayer is entitled to the benefits of this subsection, its average base period net income computed under this subsection shall be computed as follows:

"(A) By determining under subsection (b) the period subject to adjustment under this section. For the purposes of subparagraph (B) but not for the purposes of paragraph (1) (B) such period shall be considered a period of 36 consecutive months.

"(B) By selecting from such period whichever of the following 12 months results in the higher remaining aggregate excess profits net income—

"(i) the 12 consecutive months the elimination of which produces the highest remaining aggregate excess profits net income, or

"(ii) the 12 months which remain after retaining the 24 consecutive months which produce the highest remaining aggregate excess profits net income.

"(C) By computing for each of the 12 months selected under subparagraph (B) a substitute excess profits net income computed under subsection (e).

"(D) By computing the sum of—

"(i) the aggregate of the substitute excess profits net income, as determined under subparagraph (C), for the 12 months selected under subparagraph (B), but the amount computed under this clause shall not exceed one-half of the aggregate excess profits net income for the 24 months remaining under subparagraph (B), and

"(ii) the aggregate of the excess profits net income for each of the 24 months remaining under subparagraph (B), computed in the manner provided by the second sentence of section 435 (d) (1).

"(E) By dividing by three the amount ascertained under subparagraph (D).

"(3) AGGREGATE EXCESS PROFITS NET INCOME.—The 'aggregate excess profits net income' for any period shall be computed for the purposes of this subsection in the same manner as under subsection (b)."

And the Senate agree to the same.

Amendment numbered 228:

That the House recede from its disagreement to the amendment of the Senate numbered 228, and agree to the same with an amendment as follows:

On page 178 of the Senate engrossed amendments strike out line 10 and all that follows through the word "the" in line 11 and insert *The*; and the Senate agree to the same.

Amendment numbered 231:

That the House recede from its disagreement to the amendment of the Senate numbered 231, and agree to the same with an amendment as follows:

On page 181, line 3, of the Senate engrossed amendments insert, after "Commission or", the following: *if the rates for such furnishing or sale are subject*; and the Senate agree to the same.

Amendment numbered 234:

That the House recede from its disagreement to the amendment of the Senate numbered 234, and agree to the same with an amendment as follows:

On page 183 of the Senate engrossed amendments strike out line 15 and all that follows through line 21 on page 184 and insert the following:

"(1) The adjusted basis of the taxpayer's total facilities (as defined in section 444 (d)) as of the beginning of its base period (when added to the total facilities at such time of all corporations with which the taxpayer has the privilege under section 141 of filing a consolidated return for its first taxable year under this subchapter) did not exceed $10,000,000;

"(2) The basis (unadjusted) of the taxpayer's total facilities (as defined in section 444 (d)) at the close of its base period was 250 per centum or more of the basis (unadjusted) of its total facilities at the beginning of its base period;

"(3) The percentage of the taxpayer's aggregate gross income which was from contracts with the United States and related subcontracts was (A) at least 70 per centum for the period comprising all taxable years beginning after December 31, 1941, and ending before January 1, 1946, (B) less than 20 per centum for the period comprising all taxable years ending after December 31, 1945, and before January 1, 1950, and (C) less than 20 per centum for the period comprising all taxable years ending after December 31, 1949, and beginning before July 1, 1950; and

"(4) The average monthly excess profits net income of the taxpayer (computed in the manner provided in section 443 (e)) for—

"(A) the period comprising all taxable years ending with or within the last 24 months of its base period, and

"(B) the last taxable year ending before the first day of its base period,

are each 300 per centum or more of the average monthly excess profits net income (so computed) of the taxpayer for the period comprising all taxable years ending with or within the first 24 months of its base period."

And the Senate agree to the same.

Amendment numbered 235:

That the House recede from its disagreement to the amendment of the Senate numbered 235, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

SEC. 517. BASE PERIOD CATASTROPHE.

Section 459, as added by section 516 of this Act, is hereby amended by adding after subsection (a) thereof the following new subsection:

"(b) BASE PERIOD CATASTROPHE.—

"(1) ELIGIBILITY REQUIREMENTS.—A taxpayer shall be entitled to the benefits of this subsection only if it was engaged throughout its base period primarily in manufacturing and if—

"(A) the taxpayer suffered during the last thirty-six months of its base period a catastrophe by fire, storm, explosion, or other casualty which destroyed or rendered inoperative a production facility constituting a complete plant or plants having in the hands of the taxpayer immediately prior to the catastrophe an adjusted basis equal to 15 per centum or more of the adjusted basis of all the taxpayer's production facilities at such time;

"(B) as a result of such catastrophe the taxpayer's normal production or operation was substantially interrupted for a period of more than twelve consecutive months; and

"(C) the taxpayer, prior to the end of its base period, replaced such production facility with a production facility which at the end of its base period had in its hands an adjusted basis not less than the adjusted basis immediately prior to the catastrophe of the production facility destroyed or rendered inoperative.

"(2) COMPUTATION.—The taxpayer's base period net income determined under this subsection shall be the amount computed under subparagraph (A) or the amount computed under subparagraph (B), whichever results in the lesser tax under this subchapter for the taxable year for which the tax is being computed:

"(A) The amount computed under section 435 (d) by substituting for the excess profits net income for each month in the taxable year in which the catastrophe described in paragraph (1) occurred an amount equal to the aggregate, divided by the number of months in the base period preceding such taxable year, of the excess profits net income for each month (computed under section 435 (d) (1)) in the base period preceding such taxable year. The average base period net income computed under this subparagraph shall, for the purpose of section 435 (a) (1) (B), be considered an average base period net income determined under section 435 (d).

"(B) The amount computed under section 435 (e) (2) (G) (i) and (ii)."

And the Senate agree to the same.

Amendment numbered 236:

That the House recede from its disagreement to the amendment of the Senate numbered 236, and agree to the same with the following amendments:

On page 187, line 16, of the Senate engrossed amendments insert after the semicolon the following: *and*

On page 188, line 2, of the Senate engrossed amendments insert after the semicolon the following: *and either*

On page 188, line 9, of the Senate engrossed amendments strike out "consolidation began; and" and insert the following: *operations were consolidated; or*

On page 188, line 21, of the Senate engrossed amendments strike out "consolidation began" and insert the following: *operations were consolidated*

On page 188, line 23, of the Senate engrossed amendments insert after the period the following: *In determining such excess amount proper adjustment shall be made for increase in labor costs and newsprint following such consolidation. Proper adjustment shall also be made for any case in which a taxable year referred to in this subsection is a period of less than twelve months.*

And the Senate agree to the same.

Amendment numbered 237:

That the House recede from its disagreement to the amendment of the Senate numbered 237, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

SEC. 519. TELEVISION BROADCASTING COMPANIES.

Section 459, as added by sections 516 to 518 of this Act, is hereby amended by adding after subsection (c) thereof the following new subsections:

"(d) TELEVISION BROADCASTING COMPANIES.—

"(1) IN GENERAL.—In the case of a taxpayer engaged in the business of television broadcasting throughout a period beginning before January 1, 1951, and ending with the close of the taxable year, the taxpayer's average base period net income determined under this subsection shall be the amount computed under paragraph (2) or (3), whichever is applicable.

"(2) IF ENGAGED IN TELEVISION BROADCASTING AT CLOSE OF BASE PERIOD.—If the taxpayer was engaged in the business of television broadcasting at the close of its base period, the average base period net income computed under this paragraph shall be computed as follows:

"(A) If the taxpayer was engaged during its base period in any business or businesses other than television broadcasting, by computing the average base period net income under section 435 (d) for such other business or businesses (determined without regard to income, deductions, losses, or other items attributable to the television broadcasting business).

"(B) By multiplying such part of its total assets (as defined in section 442 (f)), for the last day of its base period, as was attributable to the television broadcasting business by—

"(i) the base period rate of return determined under section 447 (c) for the industry classification which includes radio broadcasting, or

"(ii) if the taxpayer was engaged during its base period in the business of radio broadcasting, its individual rate of return computed under paragraph (4),

whichever rate of return produces the greater average base period net income under this subsection. If the amount computed under this subparagraph is computed by the use of the rate of return specified in clause (i), the amount so computed shall be reduced by an amount equal to such portion of the

total interest paid or incurred by the taxpayer, for the period of 12 months following the close of its base period, as is attributable to its television broadcasting business.

"(C) By adding the amount computed under subparagraph (B) to the amount, if any, computed under subparagraph (A).

"(3) COMMENCING TELEVISION BROADCASTING AFTER BASE PERIOD AND BEFORE 1951.—If the taxpayer acquires its television broadcasting business after the close of its base period and before January 1, 1951, the average base period net income computed under this paragraph shall be computed as provided in paragraph (2), except that—

"(A) the applicable rate of return under paragraph (2) (B) shall be multiplied by such part of its total assets (as defined in section 442 (f)), for the last day of the calendar month in which it first engaged in such business, as was attributable to such business, and

"(B) the reduction specified in the last sentence of paragraph (2) (B) shall, if applicable, be equal to such portion of the total interest paid or incurred by the taxpayer, for the period of 12 months following the month in which it first engaged in such business, as is attributable to such business.

"(4) INDIVIDUAL RATE OF RETURN.—The individual rate of return shall be computed as follows:

"(A) By determining the amount of the taxpayer's total assets (as defined in section 442 (f)) attributable to the business of radio broadcasting for the last day of each month in its base period.

"(B) By computing the aggregate of the amounts ascertained under subparagraph (A) and dividing by 48.

"(C) By computing for each month in the base period the excess profits net income of the radio broadcasting business (determined without regard to income, deductions, losses, or other items attributable to any other business), by adding such amounts for all of the months in the base period, and by dividing by 4.

"(D) By dividing the amount computed under subparagraph (C) by the amount computed under subparagraph (B).

"(5) RULES FOR APPLICATION OF SUBSECTION.—

"(A) For the purpose of section 435 (a) (1) (B), an average base period net income determined under this subsection shall be considered an average base period net income determined under section 435 (d); but, in computing the base period capital addition under section 435 (f), the computations under such section shall be adjusted, under regulations prescribed by the Secretary, so as to exclude therefrom items attributable to the television broadcasting business.

"(B) If any part of the total assets referred to in paragraph (2) (B) or paragraph (3) (A), whichever is applicable, were acquired, directly or indirectly, through the use of assets attributable at any time during the base period to a business of the taxpayer other than television broadcasting, the amount determined under paragraph (2) (A) shall be properly adjusted by eliminating from the excess profits net income (computed for the purpose of paragraph (2) (A)) for each month prior to such

acquisition such portion thereof as is attributable to the assets used, directly or indirectly, for such acquisition. For the purpose of this subparagraph, the excess profits net income for any month shall be attributed to such assets on the basis of the ratio, as of the beginning of the day of the acquisition, of such assets to total assets (as defined in section 442 (f)) determined without regard to assets attributable to the television broadcasting business.

"(C) The Secretary shall by regulations prescribe rules for the application of this subsection, including rules for the computation of the taxpayer's net capital addition or reduction.

"(6) APPLICATION OF PART II.—The Secretary shall prescribe regulations for the application of Part II for the purpose of this subsection in the case of an acquiring corporation or a component corporation in a transaction described in section 461 (a) which occurred prior to January 1, 1951.

"(e) BASIS OF ASSETS.—For the purposes of this section, any reference to the adjusted basis of property or to the basis (unadjusted) of property means the adjusted basis or the basis (unadjusted), as the case may be, for determining gain upon sale or exchange."

And the Senate agree to the same.

Amendment numbered 238:

That the House recede from its disagreement to the amendment of the Senate numbered 238, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

SEC. 520. INCREASE IN CAPACITY FOR PRODUCTION OR OPERATION.

Section 444 (f) (relating to increase in capacity for production or operation) is hereby amended to read as follows:

"(f) RULES FOR APPLICATION OF SECTION.—

"(1) The benefits of this section shall not be allowed unless the taxpayer makes application therefor in accordance with section 447 (e).

"(2) If, during its first taxable year ending after June 30, 1950, the taxpayer completed construction of (including the installation of the machinery or equipment for use in) a factory building or other manufacturing establishment, such factory building or other manufacturing establishment and such machinery or equipment shall, for the purpose of determining whether there is an increase in capacity under the provisions of subsection (b), be considered to have been added to its total facilities on the last day of its base period if—

"(A) the taxpayer, prior to the end of its base period, had completed construction work representing more than 40 per centum of the total cost of construction of such factory building or other manufacturing establishment, and

"(B) the completion of such factory building or other manufacturing establishment was in pursuance of a plan to which the taxpayer was committed prior to the end of its base period.

This paragraph shall not apply in determining the amount of the taxpayer's total assets for the purpose of subsection (c)."

And the Senate agree to the same.

Amendment numbered 239:

That the House recede from its disagreement to the amendment of the Senate numbered 239, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

SEC. 521. EXCESS PROFITS CREDIT BASED ON INCOME IN CONNECTION WITH CERTAIN TAXABLE ACQUISITIONS.

(a) GENERAL RULE.—Subchapter D (relating to the excess profits tax) of chapter 1 is hereby amended by inserting immediately following section 472 the following new part:

"Part IV—Excess Profits Credit Based on Income in Connection With Certain Taxable Acquisitions Occurring Prior to December 1, 1950.

"SEC. 474. EXCESS PROFITS CREDIT BASED ON INCOME—CERTAIN TAXABLE ACQUISITIONS.

"(a) DEFINITIONS.—For the purpose of this part—

"(1) PURCHASING CORPORATION.—The term 'purchasing corporation' means a corporation which, before December 1, 1950, acquired—

"(A) In a transaction other than a transaction described in section 461 (a), substantially all of the properties (other than cash) of another corporation, of a partnership, or of a business owned by a sole proprietorship; or

"(B) Properties of another corporation or of a partnership if (i) such properties constituted, immediately prior to the acquisition, substantially all of the properties (other than cash) of one or more separate businesses of such other corporation or such partnership, (ii) such other corporation or such partnership was engaged in one or more separate businesses other than those described in clause (i), and (iii) substantially all of the properties (other than cash) of such other corporation or such partnership were acquired, in furtherance of a single plan of complete liquidation for such other corporation or such partnership, by the purchasing corporation, and by one or more other persons, in transactions other than transactions described in section 461 (a).

"(2) SELLING CORPORATION.—The term 'selling corporation' means a corporation, a partnership, or a business owned by a sole proprietorship, as the case may be, properties of which were acquired by a purchasing corporation in a transaction described in paragraph (1).

"(3) PART IV TRANSACTION.—The term 'part IV transaction' means a transaction described in paragraph (1).

"(b) AVERAGE BASE PERIOD NET INCOME OF PURCHASING CORPORATION.—The average base period net income of a purchasing corporation, if computed with reference to this part, shall be determined under section 435 (d). The average base period net income under section 435 (d) of a purchasing corporation shall be determined by computing its excess profits net income either with or without reference to this part, whichever produces the lesser tax under this subchapter for the taxable

year for which the tax is being computed. If computed with reference to this part, the excess profits net income of a purchasing corporation for any month of its base period shall be its excess profits net income (or deficit therein), computed without reference to this part, and increased or decreased, as the case may be, by the addition or reduction resulting from including—

"(1) In the case of a transaction described in subsection (a) (1) (A), the excess profits net income (or deficit therein) for such month of the selling corporation, or

"(2) In the case of a transaction described in subsection (a) (1) (B), the excess profits net income (or deficit therein) for such month of the selling corporation properly attributable to the business or businesses acquired by the purchasing corporation and properly allocable to such purchasing corporation.

The excess profits net income of a purchasing corporation for any month, recomputed as provided in the previous sentence, shall not be less than zero.

"(c) LIMITATIONS.—This part shall apply only if each of the following conditions is satisfied:

"(1) The selling corporation (A) did not, after the part IV transaction (or the last transaction described in subsection (a) (1) (B)), continue any business activities other than those incident to its complete liquidation, and (B) within a reasonable time after ceasing business activities, completely liquidated in a transaction other than a transaction described in section 461 (a), and ceased existence.

"(2) During so much of the base period of the purchasing corporation and of the period thereafter as preceded the part IV transaction, the properties acquired in the part IV transaction were substantially all of the properties (other than cash) which were used, or which in the ordinary course of business replaced properties used, by the selling corporation (or by a component corporation, as defined in section 461 (b), of such selling corporation) in the production of the excess profits net income (or deficit therein) which under subsection (b) increases or decreases the excess profits net income of the purchasing corporation. For the purpose of this paragraph, if a business in the hands of both the selling corporation and the purchasing corporation was operated under a substantially identical franchise or license, granted by the same person, such franchise or license shall be deemed acquired by the purchasing corporation from the selling corporation.

"(3) The business or businesses acquired in the part IV transaction (including the properties so acquired or properties in replacement thereof) were operated by the purchasing corporation from the date of such transaction to the end of the taxable year or were transferred during the taxable year by the purchasing corporation in a part II transaction to which the provisions of section 462 (b) (4) are applicable.

"(d) SPECIAL RULES.—

"(1) For the purpose of subsection (a) (1), the properties of a selling corporation shall be considered to have been acquired by a purchasing corporation only if acquired from—

"(A) such selling corporation, or

"(B) persons who received the properties upon the liquidation of such selling corporation and who forthwith transferred such

properties to the purchasing corporation in a transaction other than a transaction described in section 461 (a).

"(2) The computations required by this part in the case of a selling corporation which is a partnership or a business owned by a sole proprietorship shall be made, under regulations prescribed by the Secretary, as if such partnership or such business owned by a sole proprietorship had been a corporation.

"(3) In no case shall more than 100 per centum of the excess profits net income (or deficit therein) for any month of a selling corporation be allocated to the purchasing corporation or, in the case of transactions described in subsection (a) (1) (B), to the several persons (or to any one or more of such persons) receiving the properties of such selling corporation in such transactions.

"(e) SUCCESSIVE TRANSACTIONS.—

"(1) PART IV TRANSACTION FOLLOWING PART IV TRANSACTION.—In the case of a selling corporation which was a purchasing corporation in a previous part IV transaction, or which acquired properties of a purchasing corporation in a transaction to which section 462 (b) (4) is applicable, the computations under this part with respect to the selling corporation shall be made without regard to the previous part IV transaction.

"(2) PART IV TRANSACTION FOLLOWING PART II TRANSACTION.—Subject to the provisions of paragraph (1), in the case of a selling corporation which was an acquiring corporation as defined in section 461 (a) in a previous transaction, its excess profits net income (or deficit therein) which increases or decreases the excess profits net income (or deficit therein) of the purchasing corporation under subsection (b) (1) or (2), and its capital changes which are taken into account under this part in determining the capital changes of the purchasing corporation, shall be determined with the application of the rules of part II to such selling corporation with respect to the part II transaction.

"(3) PART II TRANSACTION FOLLOWING PART IV TRANSACTION.—For rules applicable in the case of a part II transaction following a part IV transaction, see sections 462 (b) (4), 463 (c), and 464 (c).

"(f) REGULATIONS.—The Secretary shall by regulations prescribe rules for the application of this part. Such regulations shall include the following rules:

"(1) BASE PERIOD CAPITAL ADDITION.—Rules (consistent with the principles of section 464) for the determination of the base period capital addition of the purchasing corporation by reference to the capital changes of the selling corporation and of the purchasing corporation.

"(2) NET CAPITAL ADDITION OR REDUCTION.—Rules (consistent with the principles of section 463) for the determination of the net capital addition or reduction of the purchasing corporation by reference to the capital changes of the selling corporation and of the purchasing corporation.

"(3) EXCESS PROFITS NET INCOME.—Rules (consistent with the principles of section 462 (i)) for the determination of the amount of excess profits net income (or deficit therein) of the selling corporation attributable to the business or businesses acquired by a purchasing corporation in a transaction described in subsection (a) (1) (B) and properly allocable to such purchasing corporation.

"(4) DUPLICATION.—Rules for the application under this part of the principles of section 462 (j) (1) and the other provisions of part II relating to the prevention of duplication.

"(5) EXCESS PROFITS CREDIT.—In the event that the part IV transaction occurred in a taxable year of the purchasing corporation which ended after June 30, 1950, rules (consistent with the principles of section 462 (j) (2)) for the determination of the excess profits credit of such corporation for the year in which the transaction occurred.

Such rules shall not include the principles of section 461 (c) (relating to the excess profits credit of the component corporation), of section 462 (b) (2) (relating to constructive excess profits net income for months during which a corporation was not in existence), of section 462 (l) (relating to minimum average base period net income in the case of certain acquiring corporations), or of such other provisions of part II as relate to sections 435 (e), 442, 443, 444, 445, or 446."

(b) TECHNICAL AMENDMENTS.—

(1) Section 435 (a) (3) (relating to amount of excess profits credit) is hereby amended by inserting before the period at the end thereof the following: ", and in the case of certain taxable acquisitions, see part IV of this subchapter".

(2) Section 461 (relating to definitions under part II) is amended by inserting at the end thereof the following new subsections:

"(g) COMPONENT CORPORATION WHICH WAS A PURCHASING CORPORATION IN A PREVIOUS TRANSACTION.—See section 462 (b) (4) for rules applicable if the component corporation was a purchasing corporation (as defined in part IV) in a previous part IV transaction, or if (as an acquiring corporation in a previous part II transaction) it was subject to the provisions of section 462 (b) (4).

"(h) DEFINITION OF PART II TRANSACTION.—For the purpose of this subchapter, the term 'part II transaction' means a transaction described in section 461 (a)."

(3) Section 462 (b) (relating to the method of recomputing the excess profits net income of an acquiring corporation under part II) is hereby amended by adding at the end thereof the following new paragraph:

"(4) If the average base period net income of the acquiring corporation is determined under section 435 (d) with reference to this subsection, and if the provisions of section 474 (b) (relating to the computation of excess profits net income in the case of certain purchasing corporations) were applicable to the component corporation immediately prior to the part II transaction (or would have been applicable if such part II transaction had occurred in a taxable year of the component corporation ending after June 30, 1950), then the excess profits net income (or deficit therein) of the component corporation shall, for the purpose of this subsection, be determined with the application of the provisions of section 474 (b). For the purpose of this paragraph, if a component corporation was an acquiring corporation in a previous part II transaction and, immediately prior to the later part II transaction, the provisions of this paragraph were applicable to such component corporation, its excess profits net income (or deficit therein) shall be determined with the application of the

provisions of the preceding sentence. This paragraph shall be applicable to an acquiring corporation only if—

"(A) the properties acquired by the acquiring corporation from the component corporation include substantially all of the properties (other than cash), or properties acquired in the ordinary course of business in the replacement of properties, which the component corporation acquired either from the selling corporation in the part IV transaction or from a previous component corporation subject (immediately prior to such acquisition) to the provisions of this paragraph;

"(B) the business or businesses acquired by the acquiring corporation were operated by the acquiring corporation from the date of such transaction to the end of the taxable year or were transferred during the taxable year by the acquiring corporation in a part II transaction to which the provisions of this paragraph are applicable; and

"(C) in the event that the part II transaction is one described in section 461 (a) (1) (E), the provisions of section 462 (i) (6) are satisfied."

(4) Section 462 (i) (6) (relating to allocation rules in the case of transactions described in section 461 (a) (1) (E)) is hereby amended by adding at the end thereof the following: "Notwithstanding the provisions of paragraph (1), if an acquiring corporation in a transaction described in section 461 (a) (1) (E) determines its average base period net income under section 435 (d) by recomputing its excess profits net income under the provisions of section 462 (b) (4), the amount of the component corporation's excess profits net income for any month which shall be taken into account by the acquiring corporation shall be such portion of the component corporation's excess profits net income for such month as is determined on the basis of the earnings experience of the assets transferred and the assets retained by the component corporation."

(5) Section 463 (relating to capital changes) is amended by inserting at the end thereof the following new subsection:

"(c) COMPONENT CORPORATION WHICH WAS A PURCHASING CORPORATION IN A PREVIOUS TRANSACTION.—The Secretary shall provide by regulations for the application of this section in cases to which section 462 (b) (4) is applicable."

(6) Section 464 (relating to capital changes during the base period) is amended by inserting at the end thereof the following new subsection:

"(c) The Secretary shall provide by regulation for the application of this section in cases to which section 462 (b) (4) is applicable."

And the Senate agree to the same.

Amendment numbered 240:

That the House recede from its disagreement to the amendment of the Senate numbered 240, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

SEC. 522. STRATEGIC MINERALS.

Section 450 (b) (1) (relating to corporations engaged in mining of strategic minerals) is hereby amended by inserting after "chromite," the following: "bauxite,".

And the Senate agree to the same.

Amendment numbered 241:

That the House recede from its disagreement to the amendment of the Senate numbered 241, and agree to the same with an amendment as follows:

On page 199, line 16, of the Senate engrossed amendments strike out "510" and insert *506 (d)*; and the Senate agree to the same.

Amendment numbered 245:

That the House recede from its disagreement to the amendment of the Senate numbered 245, and agree to the same with the following amendments:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *or to the benefit of a hospital, or an institution for the rehabilitation of physically handicapped persons, which maintains or is building for proper maintenance a hospital or institution staffed or to be staffed by qualified professional persons for the treatment of the sick and/or the rehabilitation of the physically handicapped,*

On page 150, line 25, of the House bill strike out the quotation marks and insert the following: *The determination as to whether an organization other than one described in this subsection is exempt under section 101 of the Internal Revenue Code from taxation for any taxable year beginning before January 1, 1951, shall be made as if this subsection and section 301 (b) of this Act had not been enacted and without inferences drawn from the fact that this subsection and the amendment made by section 301 (b) are not expressly made applicable with respect to taxable years beginning before January 1, 1951."*

And the Senate agree to the same.

Amendment numbered 246:

That the House recede from its disagreement to the amendment of the Senate numbered 246, and agree to the same with an amendment as follows:

Strike out the matter proposed to be stricken out by the Senate amendment and insert the following:

SEC. 602. EXCESS PROFITS CREDIT BASED ON INCOME.

(a) PERCENTAGE OF AVERAGE BASE PERIOD NET INCOME TAKEN INTO ACCOUNT.—

(1) IN GENERAL.—Paragraph (1) (A), and paragraph (2), of section 435 (a) (relating to excess profits credit based on income) are each amended by striking out "85 per centum" and inserting in lieu thereof "83 per centum".

(2) TAXABLE YEARS BEGINNING BEFORE JULY 1, 1951, AND ENDING AFTER JUNE 30, 1951.—Section 435 (a) is hereby amended by adding at the end thereof the following new paragraphs:

"(4) CALENDAR YEAR 1951.—In the case of a taxable year beginning on January 1, 1951, and ending on December 31, 1951, there shall be used, for the purposes of paragraph (1) (A) and paragraph (2), in lieu of 85 per centum of the average base period net income, an amount equal to 84 per centum of the average base period net income.

"(5) TAXABLE YEARS (OTHER THAN CALENDAR YEAR 1951) BEGINNING BEFORE JULY 1, 1951, AND ENDING AFTER JUNE 30, 1951.—*In the case of any taxable year (other than a taxable year described in paragraph (4)) beginning before July 1, 1951, and ending after June 30, 1951, there shall be used, for the purposes of paragraph (1) (A) and paragraph (2), in lieu of 85 per centum of the average base period net income, an amount equal to the sum of—*

"(A) *that portion of an amount equal to 85 per centum of the average base period net income which the number of days in such taxable year prior to July 1, 1951, bears to the total number of days in such taxable year, plus*

"(B) *that portion of an amount equal to 83 per centum of the average base period net income which the number of days in such taxable year after June 30, 1951, bears to the total number of days in such taxable year.*"

(b) EFFECTIVE DATE.—*The amendments made by subsection (a) shall be applicable only with respect to taxable years ending after June 30, 1951.*

And the Senate agree to the same.

Amendment numbered 247:

That the House recede from its disagreement to the amendment of the Senate numbered 247, and agree to the same with the following amendments:

On page 200, line 13, of the Senate engrossed amendments strike out "602" and insert *603*

On page 201 of the Senate engrossed amendments strike out lines 15 to 25, inclusive, and insert the following:

"(A) *shall not, with respect to any such tax, exceed an amount which bears the same ratio to the amount of such tax actually paid to such foreign country as the value of property which is—*

"(i) *situated within such foreign country,*

"(ii) *subjected to such tax, and*

"(iii) *included in the gross estate*

bears to the value of all property subjected to such tax; and

"(B) *shall not, with respect to all such taxes, exceed an amount which bears the same ratio to the tax imposed by section 810*

On page 202, line 14, of the Senate engrossed amendments strike out "taxes" and insert *tax*

On page 205 of the Senate engrossed amendments strike out all after line 23 over to and including line 12 on page 206 and insert the following:

"(A) *For the purposes of paragraph (2) (A), 'such taxes paid to the foreign country' shall, with respect to any tax paid to the foreign country, be the amount computed under section 813 (c) (2) (A).*

And the Senate agree to the same.

Amendment numbered 248:

That the House recede from its disagreement to the amendment of the Senate numbered 248, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *604*; and the Senate agree to the same.

Amendment numbered 249:

That the House recede from its disagreement to the amendment of the Senate numbered 249, and agree to the same with an amendment as follows:

On page 208, line 21, of the Senate engrossed amendments, strike out "604" and insert *605*; and the Senate agree to the same.

Amendment numbered 250:

That the House recede from its disagreement to the amendment of the Senate numbered 250, and agree to the same with an amendment as follows:

On page 209, line 14, of the Senate engrossed amendments, strike out "605" and insert *606*; and the Senate agree to the same.

Amendment numbered 251:

That the House recede from its disagreement to the amendment of the Senate numbered 251, and agree to the same with an amendment as follows:

On page 210, line 14, of the Senate engrossed amendments, strike out "606" and insert *607*; and the Senate agree to the same.

Amendment numbered 252:

That the House recede from its disagreement to the amendment of the Senate numbered 252, and agree to the same with an amendment as follows:

On page 211, line 2, of the Senate engrossed amendments, strike out "607" and insert *608*; and the Senate agree to the same.

Amendment numbered 253:

That the House recede from its disagreement to the amendment of the Senate numbered 253, and agree to the same with an amendment as follows:

On page 211, line 9, of the Senate engrossed amendments, strike out "608" and insert *609*; and the Senate agree to the same.

Amendment numbered 254:

That the House recede from its disagreement to the amendment of the Senate numbered 254, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

SEC. 610. REVERSIONARY INTERESTS IN CASE OF LIFE INSURANCE.

If refund or credit of any overpayment resulting from the application of section 503 of the Revenue Act of 1950 was prevented on October 25, 1950, by the operation of any law or rule of law (other than section 3760 of the Internal Revenue Code, relating to closing agreements, and other than section 3761 of such code, relating to compromises), refund or credit of such overpayment may, nevertheless, be made or allowed if claim therefor was filed after October 25, 1949, and on or before October 25, 1950.

And the Senate agree to the same.

Amendment numbered 255:

That the House recede from its disagreement to the amendment of the Senate numbered 255, and agree to the same with an amendment as follows:

On page 212, line 14, of the Senate engrossed amendments, strike out "610" and insert *611*; and the Senate agree to the same.

Amendment numbered 256:

That the House recede from its disagreement to the amendment of the Senate numbered 256, and agree to the same with an amendment as follows:

On page 214, line 2, of the Senate engrossed amendments, strike out "611" and insert *612*; and the Senate agree to the same.

Amendment numbered 257:

That the House recede from its disagreement to the amendment of the Senate numbered 257, and agree to the same with an amendment as follows:

On page 214, line 14, strike out "612" and insert *613*; and the Senate agree to the same.

Amendment numbered 258:

That the House recede from its disagreement to the amendment of the Senate numbered 258, and agree to the same with an amendment as follows:

On page 215, line 6, of the Senate engrossed amendments, strike out "613" and insert *614*; and the Senate agree to the same.

Amendment numbered 259:

That the House recede from its disagreement to the amendment of the Senate numbered 259, and agree to the same with an amendment as follows:

On page 216, line 2, of the Senate engrossed amendments, strike out "614" and insert *615*; and the Senate agree to the same.

Amendment numbered 260:

That the House recede from its disagreement to the amendment of the Senate numbered 260, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *616*; and the Senate agree to the same.

Amendment numbered 261:

That the House recede from its disagreement to the amendment of the Senate numbered 261, and agree to the same with an amendment as follows:

On page 216, line 8, of the Senate engrossed amendments, strike out "616" and insert *617*; and the Senate agree to the same.

Amendment numbered 262:

That the House recede from its disagreement to the amendment of the Senate numbered 262, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

SEC. 618. PROHIBITION UPON DENIAL OF SOCIAL SECURITY ACT FUNDS.

No State or any agency or political subdivision thereof shall be deprived of any grant-in-aid or other payment to which it otherwise is or has become entitled pursuant to title I, IV, X, or XIV of the Social Security Act, as amended, by reason of the enactment or enforcement by such State of any legislation prescribing any conditions under which public access may be had to records of the disbursement of any such funds or payments within such State, if such legislation prohibits the use of any list or names obtained through such access to such records for commercial or political purposes.

And the Senate agree to the same.

Amendment numbered 263:

That the House recede from its disagreement to the amendment of the Senate numbered 263, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

SEC. 619. REMOVAL OF TAX EXEMPTION FROM EXPENSE ALLOWANCES OF THE PRESIDENT, THE VICE PRESIDENT, THE SPEAKER, AND MEMBERS OF CONGRESS.

(a) EXPENSE ALLOWANCE OF THE PRESIDENT.—Section 102 of title 3 of the United States Code is amended by striking out "no tax liability shall accrue and for which no accounting shall be made by him" and inserting in lieu thereof "no accounting, other than for income tax purposes, shall be made by him".

(b) EXPENSE ALLOWANCE OF THE VICE PRESIDENT.—Section 111 of title 3 of the United States Code is amended by striking out "for which no tax liability shall occur or accounting be made by him" and inserting in lieu thereof "for which no accounting, other than for income tax purposes, shall be made by him".

(c) EXPENSE ALLOWANCE OF THE SPEAKER OF THE HOUSE OF REPRESENTATIVES.—Subsection (e) of the first section of the Act entitled "An Act to increase rates of compensation of the President, Vice President, and the Speaker of the House of Representatives", approved January 19, 1949 (Public Law 2, 81st Congress), is amended by striking out "for which no tax liability shall occur or accounting be made by him" and inserting in lieu thereof "for which no accounting, other than for income tax purposes, shall be made by him".

(d) EXPENSE ALLOWANCES OF MEMBERS OF CONGRESS.—Section 601 (b) of the Legislative Reorganization Act of 1946 is amended by striking out "for which no tax liability shall incur, or accounting be made" and inserting in lieu thereof "for which no accounting, other than for income tax purposes, shall be made".

(e) EFFECTIVE DATES.—The amendments made by subsections (a) and (b) of this section shall become effective at noon on January 20, 1953, and the amendments made by subsections (c) and (d) shall become effective at noon on January 3, 1953.

And the Senate agree to the same.

Amendment numbered 264:

That the House recede from its disagreement to the amendment of the Senate numbered 264, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

TABLE OF CONTENTS

And the Senate agree to the same.

R. L. DOUGHTON,
JERE COOPER,
JOHN D. DINGELL,
W. D. MILLS,
RICHARD M. SIMPSON,
Managers on the Part of the House.

WALTER F. GEORGE,
TOM CONNALLY,
HARRY F. BYRD,
E. D. MILLIKIN,
ROBERT A. TAFT,
Managers on the Part of the Senate.

90721—51——5

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. 4473) to provide revenue, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

Amendment No. 1: The House bill provided for an increase in individual income-tax rates by a percentage increase of 12½ percent of the tax liability under existing law, with an over-all effective ceiling rate of 90 percent of the net income of the taxpayer. The House bill also increased the alternative tax on capital gains by 12½ percent. The Senate amendment eliminated the increase in the alternative tax on capital gains and provided, in general, for an increase of 11 percent of the present tax liability, or 8 percent of the amount by which the surtax net income exceeds present taxes, whichever produced the lesser increase in tax. The Senate amendment provided an over-all ceiling rate of 88 percent of the net income of the taxpayer.

Under the conference agreement the increase in the combined normal tax and surtax under existing law will, in general, be 11¾ percent of the present rates or 9 percent of the amount by which the surtax net income exceeds present taxes, whichever is the lesser, except that the increase in the first surtax bracket will be only 11 percent. Special rates are provided for the calendar year 1951 so as to reflect November 1, 1951, as the effective date of the increase in tax. The ceiling rate of 88 percent contained in the Senate amendment is retained under the conference agreement, and no increase in tax is provided with respect to the alternative tax on capital gains. Under the House bill no termination date was provided for the increase in the taxes. The Senate amendment provided for the termination of the increased rates on January 1, 1954, and the conference agreement retains the termination date.

Amendments Nos. 2 and 3: These amendments are clerical. The Senate recedes.

Amendments Nos. 4 and 5: The House bill provided for an increase in the normal tax on corporations, in general, from 25 to 30 percent of normal tax net income, applicable to taxable years beginning after December 31, 1950. The Senate provided for an increase in the corporation normal tax from 25 to 27 percent and an increase in the corporation surtax from 22 to 25 percent. Under the Senate amendment, the increases in normal tax and surtax were to be effective as of April 1, 1951, and were to terminate on December 31, 1953. Special rates were provided for the calendar year 1951 to reflect the April 1 effective date. Under the conference agreement on amendments 4 and 5, the normal tax is increased from 25 to 30 percent as provided in the House bill with no increase in the surtax. The increase in normal tax is to be effective as of April 1, 1951, with a normal tax rate of 28¾ percent for the calendar year 1951. The conference

agreement provides that the increase in normal tax is to terminate as of March 31, 1954.

Amendment No. 6: The House bill amended section 430 (a) (2) of the code (relating to maximum excess profits tax) so as to increase the percentage used under existing law for computing the maximum excess profits tax from 62 to 70 percent. The Senate amendment provided a new method for computing the maximum excess profits tax which, in general, was 16⅔ percent of the excess profits net income for the calendar year 1951 and was 17 percent of the excess profits net income for taxable years beginning after March 31, 1951. The 17 percent figure of the Senate amendment was comparable to a 69 percent figure under the method provided in the House bill. The House recedes with an amendment which adopts the Senate method of computing the maximum tax but increases the 17 percent figure to 18 percent (comparable to the House bill 70 percent figure) for taxable years beginning after March 31, 1951. Under the conference agreement the maximum excess profits tax for the calendar year 1951 is 17¼ percent of the excess profits net income for such year.

Amendments Nos. 7, 8, and 9: Senate amendments Nos. 7 and 8 amended section 207 (a) (tax on certain insurance companies), 362 (b) (tax on regulated investment companies), section 421 (a) (tax on business income of certain tax exempt organizations), and section 26 (relating to credits for corporations) of the code to make changes conforming to the action of the Senate with respect to the corporate normal and surtax rate increases. These amendments also made other technical conforming changes in the code. Senate amendment No. 9 struck out section 123 of the House bill which provided for the allowance of only one surtax exemption and one minimum excess profits credit to certain controlled groups of corporations. The House recedes on amendments Nos. 7 and 8 with conforming amendments and an amendment adding a new section 15 (c) to the code (relating to disallowance of surtax exemptions and minimum excess profits credit) and the House recedes on amendment No. 9.

The new subsection (c) of section 15 applies to the situation where a corporation, on or after January 1, 1951, transfers property (other than money) to one or more corporations created for the purpose of acquiring such property, or to one or more corporations not actively engaged in business at the time of such acquisition, if after such transfer the transferor corporation or its stockholders, or both, are in control of the transferee during any part of a taxable year of such transferee corporation. In such case the transferee corporation shall not be allowed either the $25,000 exemption from surtax or the $25,000 minimum excess profits credit unless it establishes by the clear preponderance of the evidence that the securing of the $25,000 exemption or the $25,000 minimum excess profits credit, or both, was not a major purpose of the transfer of the property to it by the transferor. The term "control" is defined as the ownership of stock possessing at least 80 percent of the total combined voting power of all classes of stock entitled to vote or at least 80 percent of the total value of shares of all classes of stock of the corporation. Under the amendment the ownership of stock is to be determined in accordance with the provisions of section 503, except that constructive ownership under section 503 (a) (2) is to be determined only with respect to the individual's spouse and minor children. The Secretary, to the

extent not inconsistent with the provisions of the new subsection, is granted the same authority as under section 129 (b) to allow in whole or in part a surtax exemption or a minimum excess profits credit which might otherwise be disallowed under the subsection or to apportion such exemption or credit among the corporations involved. For example: Corporation A transfers on January 1, 1952, all of its property to corporations B and C in exchange for the entire stock of such corporations. Immediately thereafter corporation A is dissolved, its stockholders becoming the stockholders of B and C. Assuming that a major purpose for such transfers is to secure additional surtax exemptions and minumum excess profits credits, the Secretary has the authority to allow one such exemption and credit and to apportion such exemption and credit between corporations B and C. It is provided that the subsection shall not be applicable to any taxable year with respect to which the tax imposed by subchapter D of chapter 1 (relating to the excess profits tax) is not in effect. It is not intended that the new subsection shall in any way delimit or abrogate any of the existing provisions of the code (including sec. 129), or any principle established by judicial decision, which have the effect of preventing the avoidance of income or excess profits taxes.

Amendment No. 10: This amendment strikes out all of section 124 of the House bill which provided, in the case of corporations, for an increase from 25 percent to 28.125 percent of the alternative tax (under sec. 117 (c) (1) of the code) on capital gains. The House recedes with an amendment changing the section number from 124 to 123, and providing for an increase of the alternative tax from 25 percent to 26 percent, effective in the case of taxable years beginning after March 31, 1951, and before April 1, 1954. Under the conference agreement, the amendment will have no effect on taxable years beginning before April 1, 1951, even though the taxable year ends after that date, but the 26-percent rate will apply in full to a taxable year ending after March 31, 1954, if the taxable year begins before April 1, 1954.

Amendment No. 11: This amendment provides, in general, that corporations subject to a tax imposed by chapter 1 of the code for a taxable year ending after March 31, 1951, but prior to October 1, 1951, shall after the date of the enactment of the bill and on or before January 15, 1952, make a return for such taxable year with respect to such tax and such taxable year. The House recedes with a clerical amendment.

Amendment No. 12: This amendment, which corresponds to section 125 of the House bill, provides the effective date of part II of title I. The House recedes with a clerical amendment.

Amendment No. 13: This amendment, relating to the computation of tax by certain fiscal year taxpayers, corresponds to subsection (a) of section 131 of the House bill with such changes as are necessary to reflect the normal tax and surtax rates and the termination dates provided by the Senate amendments. The House recedes with amendments conforming to the conference action with respect to the corporate income tax rates.

Amendments Nos. 14, 15, 16, 17, 18, 19, 20, and 21: These amendments are clerical amendments. The House recedes.

Amendment No. 22: This amendment strikes out part I of title II of the House bill providing for the withholding of tax at the source on dividends, interest, and royalties. The House recedes.

Amendment No. 23: This amendment, which corresponds to part II of title II of the House bill (relating to increase in withholding of tax at source on wages) amends section 1622 (a) of the code by changing the percentage rate of withholding from 18 percent to 20 percent in the case of wages paid on or after November 1, 1951, and before January 1, 1954. It also amends section 1622 (c) (1), relating to wage-bracket withholding, to provide new tables which reflect the increased tax rates. It also provides, as did the House bill, for additional withholding of tax on wages upon agreement by employer and employee and provides that the amendments made thereby shall be applicable only with respect to wages paid on or after November 1, 1951. The House recedes.

Amendments Nos. 24, 25, 26, and 27: These amendments are clerical and conforming amendments. The House recedes.

Amendment No. 28: Section 301 of the House bill amended section 12 (c) of the code to provide for a head of a household approximately one-half of the income-splitting benefits provided for a husband and wife who file a joint return. Under the Senate amendment the head of a household was afforded approximately one-fourth of such benefits. The House recedes with an amendment conforming to the House action in affording approximately one-half of such benefits and making the necessary changes in the surtax tables to conform to the conference action with respect to individual income tax rates and effective date provisions.

Amendment No. 29: Under the House bill, a taxpayer might qualify as a head of a household by reason of such household constituting the principal place of abode of a descendant of a stepson or stepdaughter of the taxpayer. Under the Senate amendment, such descendants are eliminated from the category of persons in respect of whom the taxpayer may qualify as head of a household. The House recedes.

Amendment No. 30: This amendment adds subsection (b) to section 301 of the bill to provide that in the case of a head of a household who elects the benefits of section 51 (f) (1) of the code (relating to tax computed by collector in case of wage earners) the tax shall be computed by the collector under supplement T without regard to the taxpayer's status as head of a household. The House recedes.

Amendment No. 31: This amendment amends section 22 (b) (1) of the code (relating to exclusion of life insurance proceeds from gross income) to provide for a limited exclusion for amounts paid by an employer to the beneficiaries of an employee by reason of the employee's death. The House recedes.

Amendment No. 32: This amendment amends sections 113 (a) (5) and (22) (b) (2) of the code to provide that the basis of a survivor's interest in a joint and survivor annuity, the value of which is required to be included in the estate of a decedent annuitant dying after December 31, 1950, shall be considered to be acquired by "bequest, devise, or inheritance" and that such basis (that is, the value of such survivor's interest at the time of the decedent's death) shall be considered, for purposes of determining the amount to be included in the income of the survivor, to be the consideration paid for the survivor's annuity. The House recedes.

Amendment No. 33: This amendment provides for the permanent enactment of section 22 (b) (9) of the code, relating to exclusion from gross income of income attributable to the discharge of certain indebtedness in the case of a corporation which consents to reduction in basis of its properties in an amount equal to the income excluded, and extends for three years the application of section 22 (b) (10), relating to the exclusion of income of a railroad corporation attributable to the discharge of its indebtedness in a receivership proceeding. The amendment is similar to H. R. 2416, which was passed by the House on April 12, 1951 (H. Report No. 311). The House recedes.

Amendment No. 34: This amendment makes certain changes in section 22 (b) (13) of the Internal Revenue Code, relating to the additional allowance for certain members of the Armed Forces.

Section 22 (b) (13) of existing law excludes from gross income certain compensation received for active service in the Armed Forces of the United States for any month during any part of which the recipient served in a combat zone after June 24, 1950, and prior to January 1, 1952. This amendment extends this latter date from January 1, 1952, to January 1, 1954.

This amendment also extends the exclusion to certain compensation received for active service in the Armed Forces of the United States for any month during any part of which the recipient was hospitalized at any place as a result of wounds, disease, or injury incurred while serving in a combat zone after June 24, 1950, and prior to January 1, 1954, provided that during all of such month there are combatant activities in some combat zone. The House recedes.

Amendment No. 35: This amendment revises section 22 (d) (6) (F) (iii) of the code, which provision was added to section 22 (d) (6) by Public Law 919 (81st Cong., 2d sess.), so as to vary the application of the rule with respect to replacement of involuntary liquidations of inventories in certain cases where such replacement is made during taxable years ending after June 30, 1950, and prior to January 1, 1953. The effect of the amendment would be to permit the replacement of the World War II involuntary liquidations during taxable years ending after June 30, 1950, and prior to January 1, 1953, without requiring that the involuntary liquidations occurring during such years be first replaced, thus enabling the replacement of the World War II liquidations to be made in time to permit them to qualify for the benefits of section 22 (d) (6). The House recedes.

Amendment No. 36: This amendment amends section 23 (x) (relating to the deduction of medical expenses) by eliminating the 5 percent limitation with respect to the deduction of medical, dental, etc., expenses paid during the taxable year, not compensated for by insurance or otherwise, for the care of the taxpayer or his spouse if either the taxpayer or his spouse attains the age of 65 before the close of the taxable year. The limitation with respect to the maximum deduction allowable under section 23 (x) remains unchanged. The amendment is effective with respect to taxable years beginning after December 31, 1950. The House recedes.

Amendment No. 37: This amendment adds paragraph (7) to section 23 (aa) of the Internal Revenue Code to provide, in general, that an election to take or not to take the standard deduction for any taxable year may be changed after the time prescribed for filing a return for such year. The House recedes.

Amendment No. 38: This amendment is clerical. The House recedes.

Amendment No. 39: Section 302 of the House bill would add a new subparagraph (D) to section 23 (a) (1) of the code providing, in general, that all expenditures paid or incurred after December 31, 1950, in the development of a mine or other natural deposit (other than an oil or gas well), to the extent paid or incurred after the existence of ores or minerals in commercially marketable quantities has been disclosed, shall be deducted ratably as the produced ores or minerals benefited by such expenditures are sold. Section 302 of the House bill also amended section 113 (b) (1) by adding a new subparagraph (J) thereto to provide for adjustment to the basis of the mine or deposit for amounts allowed as a deduction under new subparagraph (D) as added to section 23 (a) (1).

The Senate bill made technical changes in the House provisions and inserted the substance of subparagraph (D) as added to section 23 (a) (1) by the House bill in a new subsection (cc) to be added to section 23 of the code. The Senate bill also added a provision to the new subsection (cc) which, in general, would allow the taxpayer to elect to deduct development expenditures either in the taxable year paid or incurred or ratably during the taxable years in which the produced ores or minerals benefited by such expenditures are sold. The House recedes.

Amendments Nos. 40 and 41: These amendments are clerical. The House recedes.

Amendment No. 42: This amendment changes section 25 (b) (1) (D) of the code to increase the gross income test of a dependent from $500 to $600. The House recedes.

Amendment No. 43: This amendment adds to section 26 (b) of the code a new paragraph to provide for a dividends received credit in the case of dividends received from a foreign corporation (other than a foreign personal holding company) subject to taxation under chapter 1 of the code which for a stipulated uninterrupted period of time has been engaged in trade or business within the United States and has derived during such period 50 percent or more of its gross income from sources within the United States.

The House recedes with an amendment under which the dividends received credit will be allowed with respect to dividends received from such a foreign corporation in an amount equal to—

(A) 85 percent of the dividends received out of its earnings or profits of the taxable year (computed as of the close of the taxable year without diminution by reason of any distributions made during the taxable year) without regard to the amount of the earnings or profits at the time the distribution was made, but such amount shall not exceed an amount which bears the same ratio to 85 percent of such dividends received out of such earnings or profits as the gross income of such foreign corporation for such taxable year from sources within the United States bears to its gross income from all sources for such taxable year, and

(B) 85 percent of the dividends received out of that part of its earnings or profits specified in clause (1) of the first sentence of section 115 (a) accumulated after the beginning of such uninterrupted period, but such amount shall not exceed an amount which bears the same ratio to 85 percent of such dividends re-

ceived out of such accumulated earnings or profits as the gross income of such foreign corporation from sources within the United States for the portion of such uninterrupted period ending at the beginning of the taxable year bears to its gross income from all sources for such portion of such uninterrupted period.

The determination of earnings or profits distributed in any taxable year shall be made in accordance with section 115 (b) of the code.

The application of this amendment is illustrated by the following example: Corporation A (a foreign corporation filing its return on a calendar year basis) whose stock is 100 percent owned by Corporation B (a domestic corporation filing its return on a calendar-year basis) for the first time engaged in trade or business in the United States on January 1, 1940, and qualified under this amendment for the entire period beginning from that date and ending with December 31, 1951. Corporation A had accumulated earnings or profits of $50,000, immediately prior to January 1, 1940, and had earnings or profits of $10,000 for each taxable year during the uninterrupted period from January 1, 1940, through December 31, 1951. It derived for the period from January 1, 1940, through December 31, 1950, 90 percent of its gross income from sources within the United States, and in 1951 derived 95 percent of its gross income from sources within the United States. During the calendar years, 1940, 1941, 1942, 1943, and 1944 corporation A distributed in each year $15,000; during the calendar years 1945, 1946, 1947, 1948, 1949, and 1950 it distributed in each year $5,000; and during the year 1951, $50,000. For 1951 a dividends-received credit of $31,025 will be given corporation B with respect to the $50,000 received from corporation A, computed as follows:

(1) $8,075 which is $8,500 (85 percent of the $10,000 of earnings or profits of the taxable year) multiplied by 95 percent (the portion of the gross income of A corporation derived during the taxable year from sources within the United States) plus

(2) $22,950 which is $25,500 (85 percent of $30,000 (that part of the earnings or profits accumulated after the beginning of the uninterrupted period)) multiplied by 90 percent (the portion of the gross income derived from sources within the United States during that portion of the uninterrupted period ending at the beginning of the taxable year).

If, in the foregoing example, corporation A for the taxable year 1951 had incurred a deficit of $10,000 (shown to have been incurred prior to December 31), and if it had distributed $50,000 on December 31, 1951, the dividends received credit which corporation B would receive would be $15,300, computed by multiplying $17,000 (85 percent of $20,000 earnings or profits accumulated after the beginning of the uninterrupted period) by 90 percent (the portion of the gross income from United States sources during that part of the uninterrupted period ending at the beginning of the taxable year).

Amendment No. 44: This amendment adds to section 51 of the code (relating to individual returns) a new subsection (g) providing for the filing of a joint return by a taxpayer and his spouse for a taxable year for which a joint return could have been made under section 51 (b) even though the time prescribed by law for filing the return for such taxable year has expired. This provision is effective with respect to taxable years beginning after December 31, 1950: The House recedes.

Amendment No. 45: This amendment adds section 313 to the bill which relates to income-tax treatment of mutual savings banks, building and loan associations, and cooperative banks, effective with respect to taxable years beginning after December 31, 1951. The House recedes with an amendment.

Subsection (a) of section 313 as agreed to in conference repeals section 101 (2) of the code (relating to exemption from tax of mutual savings banks).

Subsection (b) amends section 101 (4) of the code to repeal the exemption from tax of building and loan associations and cooperative banks. Credit unions without capital stock organized and operated for mutual purposes and without profit will remain tax-exempt under section 101 (4) of the code.

The amendment to section 101 (4) of the code made by subsection (b) will also continue to exempt from tax corporations or associations without capital stock organized prior to September 1, 1951, and operated for mutual purposes and without profit for the purpose of providing reserve funds for, and insurance of, shares or deposits in (A) domestic building and loan associations (as defined in sec. 3797 (a) (19), (B) cooperative banks without capital stock organized and operated for mutual purposes and without profit, or (C) mutual savings banks not having capital stock represented by shares.

Subsection (c) amends section 454 of the code to add to the list of corporations exempt from the excess profits tax any mutual savings bank not having capital stock represented by shares, any domestic building and loan association (as defined in sec. 3797 (a) (19)), and any cooperative bank without capital stock organized and operated for mutual purposes and without profit.

Subsection (d) amends section 5 (h) of the Home Owners Loan Act of 1933 (48 Stat. 132; 12 U. S. C., sec. 1464 (h)), to remove the language in such section exempting Federal savings and loan associations from Federal income tax, war-profits, and excess profits taxes, in the case of taxable years beginning after December 31, 1951. These associations will not, of course, be subject to the excess profits tax, by reason of the amendment made by subsection (c).

Subsection (e) amends section 23 (k) (1) (relating to deduction from gross income of bad debts) to provide rules with respect to a reasonable addition to a reserve for bad debts in the case of a mutua savings bank not having capital stock represented by shares, a domestic building and loan association, and a cooperative bank without capital stock organized and operated for mutual purposes and without profit. Where 12 percent of the total deposits or withdrawable accounts of the institution's depositors at the close of the taxable year exceeds the sum of its surplus, undivided profits and reserves at the beginning of the taxable year it may take a deduction for a reasonable addition to a reserve for bad debts for such year in any amount determined by it to be a reasonable addition for such year, except that such amount shall not be greater than the lesser of (A) the amount of its net income for such year computed without regard to this provision, or (B) the amount by which such 12 percent of its total deposits exceeds its surplus, undivided profits, and reserves at the beginning of such year. Where the sum of the institution's surplus, undivided profits, and reserves at the beginning of the taxable year equals or exceeds 12 percent of its total deposits or withdrawable accounts at the close of

such year, any deduction for such year for a reasonable addition to a reserve for bad debts will be determined under the general provisions of section 23 (k) (1). In determining a deduction for a reasonable addition to a reserve for bad debts, and in determining the sum of the surplus, undivided profits, and reserves, there will be taken into account surplus, undivided profits, and bad debt reserves accumulated prior to the close of December 31, 1951 (i. e., during the period for which the institution was not subject to taxation).

Subsection (f) amends section 23 (r) (relating to the deduction from gross income of certain dividends paid by banking corporations) to provide that in the case of mutual savings banks, cooperative banks, and domestic building and loan associations (for definition of domestic building and loan associations, see section 3797 (a) (19) as added by section 313 (i) of the bill), there shall be allowed as deductions in computing net income any amounts paid to, or credited to the accounts of, depositors or holders of accounts as dividends on their deposits or withdrawable accounts, if such amounts may be withdrawn on demand subject only to customary notice of intention to withdraw. For example, if an institution has the right to receive 30 days' notice prior to the withdrawal of a deposit or of any amounts paid or credited to the account thereof, the amounts credited will nevertheless be considered as withdrawable on demand subject only to customary notice of intention to withdraw.

Subsection (g) amends section 23 of the code (relating to deductions from gross income) to provide a deduction for repayment of certain loans by a mutual savings bank not having capital stock represented by shares, a domestic building and loan association (as defined in section 3797 (a) (19) of the code) or a cooperative bank without capital stock organized and operated for mutual purposes and without profit. It provides that amounts paid by the taxpayer during the taxable year in repayment of loans made prior to September 1, 1951, by the United States or any agency or instrumentality thereof which is wholly owned by the United States, or by a mutual fund established under the authority of the laws of any State, shall be allowed as a deduction in computing net income of the taxpayer. An example for this purpose of an agency or instrumentality wholly owned by the United States would be the Reconstruction Finance Corporation.

Subsection (h) amends section 104 (a) of the code (defining the term bank) to include, within the definition of bank, a domestic building and loan association.

Subsection (i) amends section 3797 (a) of the code (relating to definitions for the purpose of the Internal Revenue Code) to define the term "domestic building and loan association" to mean a domestic building and loan association, a domestic savings and loan association, and a Federal savings and loan association, substantially all the business of which is confined to making loans to members. This amendment is of a clarifying nature and is not intended to change the existing meaning of a domestic building and loan association.

Subsection (j) provides that the amendments made by the section shall be applicable only with respect to taxable years beginning after December 31, 1951.

Amendment No. 46: This amendment in general amends section 101 (12) of the code to subject tax-exempt cooperatives to normal tax and surtax on earnings not definitely allocated to the accounts of patrons.

The House recedes with an amendment making a clerical change, and with the following additional amendments. First, it is provided that amounts allocated to patrons with respect to income not derived from patronage, if made after the close of the taxable year and on or before the fifteenth day of the ninth following month, shall be considered as made during the taxable year to the extent such allocations are attributable to income derived before the close of the taxable year. Second, it is made clear that in taking into account patronage dividends to patrons with respect to their patronage in computing the net income of the cooperative, it is immaterial whether such dividends relate to patronage of the taxable year of the cooperative or to patronage of preceding taxable years. Third, the provision of the Senate amendment relating to withholding on patronage dividends in the event withholding is required on corporate dividends is stricken from the bill. Fourth, it is provided that the provisions of subsection (f) of section 148 (relating to information returns of patronage dividends paid by corporations), as amended by the Senate amendment, shall not apply in the case of any corporation (including any cooperative or nonprofit corporation engaged in rural electrification) exempt from taxation under section 101 (10) or (11) or in the case of any insurance corporation subject to a tax imposed by supplement G.

Under the conference agreement, patronage dividends allocated by a cooperative to its patrons will not be treated as taxable income to the cooperative.

Amendment No. 47: This amendment, which adds a new subparagraph (D) to section 102 (d) (1) of the Internal Revenue Code, provides that the excess of the net long-term capital gain for the taxable year over the net short-term capital loss for such year, less the taxes imposed by chapter 1 of the code attributable to such excess, shall be deducted from the net income in computing section 102 net income. However, the fact that such excess is not to be taken into account in the tax basis on which the penalty tax under section 102 is imposed will not prevent capital gains from being taken into consideration in determining whether earnings or profits of a corporation have been permitted to accumulate beyond the reasonable needs of the business. The House recedes.

Amendment No. 48: This amendment amends section 112 (b) (7) of the code (relating to election as to recognition of gain in certain corporate liquidations), so as to make it applicable to cases in which the liquidation is pursuant to a plan adopted after December 31, 1950, and the transfer of all the property under the liquidation occurs within one calendar month in 1951 or 1952. The House recedes.

Amendment No. 49: This amendment amends sections 112 (b) and 113 (a) of the code to provide for the nonrecognition of gain in certain cases, where, pursuant to a plan of reorganization, a shareholder of a corporation which is a party to the reorganization receives stock (other than preferred stock) in another corporation which is a party to the reorganization without the surrender by such shareholder of stock. This amendment is applicable with respect to taxable years ending after the date of the enactment of this act, but applies only with respect to distribution of stock made after such date. The House recedes.

Amendment No. 50: This is a clerical amendment. The House recedes.

Amendment No. 51: Section 303 of the House bill provides, in general, that any gain from a sale of property used by the taxpayer as his principal residence will not be recognized if the taxpayer within a period beginning 1 year prior to the date of such sale and ending 1 year after such date purchases property and uses it as his principal residence except to the extent that the taxpayer's selling price of the old residence exceeds his cost of purchasing the new residence. The Senate amendment provides that, where the taxpayer is constructing the new residence, such period shall include 18, rather than 12, months after such sale. If the taxpayer commenced construction of the new residence more than 1 year prior to the date of the sale of the old residence, in determining the taxpayer's cost of building the new residence there will be included only so much of the cost as is attributable to the construction made during the period beginning 1 year prior to the date of the sale of the old residence and ending 18 months after such date. The House recedes.

Amendment No. 52: This is a clerical amendment. The House recedes.

Amendment No. 53: The House bill granted a percentage depletion allowance at the rate of 5 percent in the case of deposits of asbestos, sand, gravel, stone (including pumice, scoria, and slate), brick clay, tile clay, shale, oyster shell, clam shell, granite, and marble. The Senate amendment granted percentage depletion in the case of asbestos at the rate of 10 percent and added to the above list sodium chloride and, if produced from brine wells, calcium chloride, magnesium chloride, potassium chloride, and bromine. The Senate amendment removed slate from the parenthetical clause following stone and included it as a separate item in this 5-percent category. The House bill increased the 5-percent rate of percentage depletion now allowed for coal to 10 percent. The Senate amendment followed this treatment in the case of coal and included in this new 10-percent category those minerals which the House bill would have allowed percentage depletion at a rate of 15 percent. These minerals are borax, fuller's earth, tripoli, refractory and fire clay, quartzite, perlite, diatomaceous earth, metallurgical grade limestone, and chemical grade limestone. The Senate amendment also added wollastonite, magnesite, dolomite, brucite, and calcium and magnesium carbonates, to this 10-percent list, and added aplite and garnet to the list now allowed percentage depletion at the 15-percent rate.

The bill, as passed by both the House and the Senate, made technical amendments to section 114 (b) (4) (A) which do not alter its substance. The House bill changed the parenthetical clause, stating that thenardite produced from brines or mixtures of brine would be allowed percentage depletion, to state that thenardite, including thenardite from brines or mixtures of brine, would be permitted such allowance. The Senate amendment achieved the same effect by striking the parenthetical clause.

The amendments made by both Houses are applicable only with respect to taxable years beginning after December 31, 1950.

The House recedes with an amendment which restores borax, fuller's earth, tripoli, refractory and fire clay, quartzite, diatomaceous earth, metallurgical grade limestone, and chemical grade limestone to the 15-percent category in which they appeared in the House bill and which removes potassium chloride from the list of minerals to which

the Senate bill granted the percentage depletion allowance at the 5-percent rate. Potassium chloride is entitled, under existing law, to percentage depletion allowance at 15 percent. Under the conference agreement calcium carbonates are granted an allowance of 10 percent, while marble, which is a calcium carbonate, receives 5 percent. It is intended, in any case where a mineral is specifically provided for at a stated rate of percentage allowance, that the specific provision will govern over the allowance provided (whether higher or lower) for a more general classification.

It is the intention, in including stone in the 5-percent percentage depletion category, to limit such term to its commonly understood meaning. Thus, depletion would be allowed in the case of common stone which is crushed for use in building roads but would not be allowed in the case of precious stones such as diamonds.

Amendment No. 54: Section 115 (g) (3) of the Internal Revenue Code provides in substance that section 115 (g) (1), relating to the treatment as dividends of amounts distributed in redemption of stock, shall be inapplicable where the redemption is of stock the value of which is included in determining the value of the gross estate of a decedent provided, among other limitations, that the value of the stock in such corporation comprises more than 50 percent of the value of the net estate of the decedent. Under the Senate amendment, the 50-percent limitation would be reduced to 25 percent. The House recedes with an amendment under which the value of the stock of the corporation must comprise more than 35 percent of the value of the gross estate of the decedent. The amendment would be applicable with respect to distributions in redemptions made after the date of enactment of the act.

Amendment No. 55: This amendment amends section 116 (a) of the Internal Revenue Code so as to apply the exemption of earned income received from sources without the United States to (1) an individual citizen of the United States who has been a bona fide resident of a foreign country or countries for an uninterrupted period which includes an entire taxable year or (2) an individual citizen of the United States who during any period of 18 consecutive months is physically present in a foreign country or countries for a total of at least 510 full days in such period. Amounts paid by the United States or any agency thereof do not come within the provisions of this amendment. The amendment further amends the Internal Revenue Code to adapt the provisions respecting collection of income tax at source on wages to the substantive changes made to section 116 (a) of the code, and to eliminate withholding of Federal income tax with respect to wages which are required by law of any foreign country to be withheld upon for income taxes of such foreign country. The House recedes with a clerical amendment.

Amendment Nos. 56, 57, and 58: These are clerical amendments. The House recedes.

Amendment No. 59: This amendment strikes out the provision of the House bill which provided for an increase, in the case of individuals, of the alternative tax on capital gains from 25 percent to 28.125 percent. The House recedes with an amendment providing (effective in the case of taxable years beginning after October 31, 1951, and before November 1, 1953) for an increase of the alternative tax from 25 percent to 26 percent. Under the conference agreement, the

amendment will have no effect on a taxable year beginning before November 1, 1951, even though the taxable year ends after that date, but the 26-percent rate will apply in full to a taxable year ending after November 1, 1953, if the taxable year began before that date.

Amendment Nos. 60, 61, and 62: These are clerical amendments. The House recedes.

Amendment No. 63: This amendment provides rules for the application of section 117 (j) in cases where land bearing an unharvested crop is sold. The provision applies in cases where the land has been held for more than 6 months. The period that the crop has been on the land is immaterial. The House recedes.

Amendment No. 64: The House bill contained a provision which, effective for taxable years after 1950, amended section 117 (j) (1) of the code to provide that the term "property used in the trade or business" includes livestock held by the taxpayer for draft, breeding, or dairy purposes for 12 months or more. The Senate amendment restates this provision to provide that the term "property used in the trade or business" includes livestock, regardless of age, held by the taxpayer for draft, breeding, or dairy purposes, and held by him for 12 months or more from the date of acquisition. The Senate amendment also provided that the term does not include poultry except that the term does include turkeys regardless of age, held by the taxpayer for breeding purposes, and held by him for 12 months or more from the date of acquisition. The Senate amendment also included rules respecting effective date. The House recedes with an amendment striking out the reference to turkeys. This provision of the bill is not intended to change the present application of section 117 (j) of the code to race horses in any situation in which such race horses fall within the term "property used in the trade or business."

Amendments Nos. 65 through 72: Section 307 of the House bill (which corresponds to section 325 of the Senate bill) extended capital gains treatment to certain coal royalties. The Senate amendments added certain additional rules and conforming amendments to other sections of the code. The House recedes on amendments Nos. 65, 66, 68, 69, 70, 71, and 72, and recedes on amendment No. 67 with an amendment which strikes all references to timber, and which provides that the provisions in regard to coal added by the bill shall have no application for the purpose of applying section 102 or subchapter A of chapter 2, including the computation under section 117 (c) (1) of a tax in lieu of the tax imposed by section 500.

Amendment No. 73: This is a clerical amendment. The House recedes.

Amendment No. 74: The House bill provided that the amendments relating to collapsible corporations shall be applicable to taxable years beginning after December 31, 1950. This amendment limits the effective date to taxable years ending after August 31, 1951, and limits the application of the amendment to gains realized after such date. The House recedes.

Amendment No. 75: This is a clerical amendment. The House recedes

Amendment No. 76: Section 309 of the House bill added a new subsection (n) to section 117 of the code to provide rules for the treatment of capital gains and ordinary losses by a dealer in securities

in order to prevent the dealer from obtaining the most beneficial tax result by a shift in securities from one account to another or by insufficient identification of securities alleged to be within a particular account. Under the amendment the provisions of section 117 (n) are made inapplicable to the extent that these provisions are inconsistent with the provisions of section 117 (i) relating to bond, etc., losses of banks. The House recedes.

Amendment No. 77: This amendment strikes out section 310 of the House bill. The House recedes with an amendment which adds a new subsection (o) to section 117 of the Internal Revenue Code so as to provide that in the case of a sale or exchange, directly or indirectly, of depreciable property (1) between husband and wife, or (2) between an individual and a corporation in which he, his spouse, and his minor children and minor grandchildren own more than 80 percent of the value of the outstanding stock, any gain recognized to the transferor shall be considered ordinary income and not capital gain. The transfer of the property can be from the corporation to the stockholder or from the stockholder to the corporation. The property transferred must be property which in the hands of the transferee is property of a character which is subject to the allowance for depreciation provided in section 23 (l) of the code. This amendment shall be applicable only with respect to sales or exchanges made after May 3, 1951.

Amendment No. 78: This amendment adds a new subsection to section 117 of the code, to provide that certain payments received by an employee after the termination of his employment, which under existing law are taxable as ordinary income, shall be treated as gains from the sale or exchange of a capital asset held for more than 6 months. The House recedes with clerical amendments and with an amendment which provides that such payments (commencing after termination of the employment) must be payable for a period of not less than 5 years or for the period of the employee's life following the termination of his employment.

Amendment No. 79: This amendment, for which there is no corresponding provision in the House bill, amends section 122 (b) (2) (relating to the amount of net operating loss carry-overs) to provide for a 4-year carry-over of 1948 and 1949 net operating losses by both corporate and noncorporate taxpayers, and for a 4-year carry-over of 1946 and 1947 net operating losses by certain new corporations. The amendments to section 122 (b) (2) are made applicable in computing the net operating-loss deduction for taxable years beginning after December 31, 1948. The House recedes with an amendment which eliminates the provisions of the Senate amendment for the carry-over of 1946 net operating losses by new corporations, reduces from four to three the number of years to which the 1947 net operating loss may be carried forward by new corporations, and reduces from four to three the number of years to which 1948 and 1949 net operating losses may be carried forward by all taxpayers.

Amendment No. 80: This amendment amends subsection (d) of section 130A, relating to definition of the term "restricted stock option," to provide that if the grant of an option is subject to stockholder approval, the date of the grant of the option shall be determined as if the option had not been subject to stockholder approval.

The amendment is made effective as if it had been enacted as a part of section 218 of the Revenue Act of 1950. The House recedes with a clerical amendment.

Amendment No. 81: This amendment adds to the bill a new section 331 pursuant to the provisions of which (1) a domestic corporation which owns at least 10 percent of the voting stock of a foreign corporation from which it receives dividends in a taxable year will, for purpose of computing the foreign tax credit of such domestic corporation, be deemed to have paid a proportion of certain foreign taxes paid, or deemed to be paid, by such foreign corporation, and (2) such foreign corporation will, for the purpose of the above computation, be deemed to have paid a proportion of certain foreign taxes paid by any other foreign corporation from which it receives dividends in a taxable year, if the former foreign corporation owns a majority of the voting stock of the latter foreign corporaton. The House recedes with a clerical amendment and an amendment pursuant to which (2) above will be operative if the former foreign corporation owns 50 percent or more of the voting stock of the latter foreign corporation.

Amendment No. 82: This amendment amends section 147 of the code to give to the Secretary the authority to require information returns reporting payments of interest, regardless of amount. Under existing law, except in the case of certain payments, information returns may not be required from persons making payment of interest unless the payment is $600 or more. The House recedes with a clerical amendment.

Amendment No. 83: This amendment adds a new section 154 to supplement D of chapter 1 of the code, relating to returns and payment of taxes.

Such section 154 provides that, where any individual dies after June 24, 1951, and prior to January 1, 1954, while in active service as a member of the Armed Forces of the United States, if his death occurred while serving in a combat zone, as determined under section 22 (b) (13) of the code, or at any place as a result of wounds, disease, or injury incurred while so serving, (1) the tax imposed by chapter 1 of the code will not apply with respect to the taxable year in which falls the date of his death, or with respect to any prior taxable year which ended on or after the first day he was so serving in a combat zone after June 24, 1950, and (2) the tax (including interest, additions to the tax, and additional amounts) imposed by chapter 1 of the code and under the corresponding title of each prior revenue law for all taxable years preceding those specified in (1) above, which is unpaid at the date of his death shall not be assessed, and if assessed the assessment shall be abated, and if collected shall be credited or refunded as an overpayment. The House recedes with a clerical amendment.

Amendment No. 84: This amendment amends section 165 (b) of the code, relating to distributions to an employee by a trust which qualifies for exemption under section 165 (a).

Under section 165 (b), amounts distributed or made available to an employee by such a trust (in excess of the employee's contributions) are taxed to the employee only in the years in which distributed or made available and, if the total distributions are paid to the employee in one taxable year on account of the employee's separation from the service, the amount of the distribution (to the extent exceeding the

employee's contribution) is taxed at capital gain rates (as from sale or exchange of a capital asset held for more than 6 months).

Under the amendment, where such a total distribution occurs in one taxable year, and consists in whole or in part of securities of the employer corporation, that part of the excess (of the amounts distributed over the amount of the employee's contributions) as consists of net unrealized appreciation attributable to that part of the total distributions made in securities of such employer corporation shall be excluded from income in the year of distribution, and shall be subject to tax only when the securities are sold (or otherwise disposed of in a taxable transaction). The amount of the net unrealized appreciation which is excluded shall in the hands of the recipient not be included in the basis of the stock or other securities distributed.

The House recedes with an amendment providing that the proposed treatment is also to apply to securities issued by a parent or subsidiary corporation of the employer corporation.

Amendment No. 85: Under section 311 of the House bill, the special rule for 1949 and 1950, set forth in section 202 (b) (2) of the code for use in determining the reserve and other policy liability credit of life insurance companies, would have been extended to apply to taxable years beginning in 1951. Under this amendment there is substituted for this provision a system for taxing such companies, but only for taxable years beginning in 1951, which is different from that contained in present law. Under this system, in lieu of allowing life insurance companies an adjustment of their normal tax net income and of their corporation surtax net income, by means of the reserve and other policy liability credit, for purposes of a tax imposed at the regular corporate rates, a low-rate tax is imposed on the normal tax net income of such companies without allowance of any such credit. Under the Senate amendment there is imposed for 1951 a tax equal to 3¾ percent of the first $200,000 of the 1951 adjusted normal tax net income of such companies and 6½ percent of the amount in excess thereof. The House recedes with a clerical amendment.

Amendment No. 86: This is a clerical amendment. The House recedes with a clerical amendment.

Amendment No. 87: This amendment makes technical and clarifying changes in the section of the House bill providing for tax treatment under supplement Q of chapter 1 of the code of certain registered management investment companies certified by the Securities and Exchange Commission as principally engaged in furnishing capital to corporations principally engaged in development or exploitation of inventions, technological improvements, new processes, or products not previously generally available. The House recedes.

Amendment No. 88: This amendment, for which there is no corresponding provision in the House bill, makes a minor change in the definition of "system group" contained in section 373 (d) of the Internal Revenue Code. Under this amendment, in determining whether one or more of the corporations in a utility system owns the required 90 percent of each class of the stock of another corporation in the same system, there is disregarded not only stock which is preferred to both dividends and assets, which type of stock may be disregarded for this purpose under present law, but also stock which is limited and preferred as to dividends but which is not preferred as to assets, provided that the total value of such stock is less than 1

percent of the aggregate value of all classes of stock which are not preferred as to both dividends and assets. This amendment is applicable to all taxable years affected by exchanges and distributions made after December 31, 1947. The House recedes with a clerical amendment.

Amendment No. 89: This amendment subjects governmental colleges and universities and corporations wholly owned by such colleges or universities to the supplement U tax on their unrelated business net income, effective for taxable years beginning after December 31, 1951. The House recedes with a clerical amendment.

Amendment No. 90: This is a clerical amendment. The House recedes with a clerical amendment.

Amendment No. 91: This amendment provides for retroactive application to taxable years beginning after December 31, 1938, and before January 1, 1951, of the provisions added by the bill to the Internal Revenue Code with respect to the treatment of family partnerships for income tax purposes, which provisions are applicable generally to taxable years beginning after December 31, 1950. The House recedes with an amendment revising the effective date provision to provide that the amendments made by the bill with respect to family partnerships shall be applicable only with respect to taxable years beginning after December 31, 1950, and to provide rules for cases where the taxable year of the partner differs from that of the partnership.

In applying the proposed treatment of family partnerships to taxable years beginning after December 31, 1950, where the taxable year of a partnership begins in 1950 and ends within or with, as to all the family partners, taxable years which begin in 1951, the proposed treatment shall apply to all distributive shares derived by the family partners from the taxable year of the partnership beginning in 1950; however, where a taxable year of the partnership ending in 1951 (whether beginning in 1950 or 1951) ends within or with a taxable year of a family partner which began in 1950, the proposed treatment is not applicable to any of the distributive shares of income derived by the family partners from such taxable year of the partnership.

Amendment No. 92: This amendment, for which there is no corresponding provision in the bill as it passed the House, amends section 127 of the code to provide an alternative treatment of war loss recoveries, applicable at the election of the taxpayer. Under the amendment the amount of the recovery, to the extent that it does not exceed the allowable deductions in prior taxable years on account of the destruction or seizure of property in respect of which the recovery is received, is excluded from gross income for the taxable year in which the recovery is received. In lieu of including such amount in gross income for the taxable year of the recovery, there is to be added to the tax imposed by chapter 1 for such taxable year the total increase in the tax under chapter 1 and chapter 2 for all taxable years which would result by decreasing, in an amount equal to such part of the recovery so excluded, deductions allowable in prior taxable years with respect to the destruction or seizure of the property. To the extent that the amount of the recovery exceeds the allowable deductions in prior taxable years on account of the destruction or seizure of the property, such amount is treated for the taxable year of the recovery as gain on the involuntary conversion of property and is recog-

nized or nonrecognized as provided in section 112 (f). This amendment also provides a new rule for the determination of the unadjusted basis of property where the alternative treatment of the recovery is applicable pursuant to election made by the taxpayer. The House recedes with amendments which revise section 127 (c) (3) (A) and (5), and make minor changes in the phrasing of section 127 (c) (3) (B) and (C) and section 127 (d) (2). The effective date of the amendment is also changed so that it will be applicable to taxable years beginning after December 31, 1941.

Section 127 (c) (3) (A), relating to the definition of "amount of recovery" for the purposes of the new alternative treatment, is revised under the conference agreement so that in the case of recovery of the same property or interest considered under section 127 (a) as destroyed or seized, such property or interest may be included in the amount of recovery at its fair market value, determined as of the date of recovery, or at the option of the taxpayer at the adjusted basis (for determining loss) of such property or interest in the hands of the taxpayer on the date of the loss. Subparagraph (A) is also revised to provide that for the purposes of section 127 (c) (3) (B) and (C) (but not section 127 (d) (2)) the amount of recovery shall be reduced by the amount of the obligations or liabilities with respect to the property recovered, if the taxpayer for any previous taxable year chose under section 127 (b) (2) to treat such obligations or liabilities as discharged or satisfied out of such property, and such obligations or liabilities were not so discharged or satisfied prior to the date of the recovery.

These two new rules incorporated into section 127 (c) (3) (A) may be illustrated by the following examples:

Example (1): The taxpayer on December 11, 1941, owned Blackacre, a property located in Germany. The adjusted basis of such property in the hands of the taxpayer on such date was $1,000,000. Under section 127 (a) such property was deemed destroyed or seized in the year 1941 and the taxpayer's loss of $1,000,000 was an allowable deduction for such year whether or not the taxpayer claimed such deduction. A recovery with respect to such loss is required to be taken into account under section 127 (c). Assume that in 1946 the taxpayer recovered this property and that on the date of recovery it had a fair market value of $500,000. If the taxpayer elects to proceed under the provisions of section 127 (c) (3), he has an option to include in the amount of the recovery respecting this property either the fair market value on the date of the recovery ($500,000) or an amount equal to the adjusted basis of the property as of the date of the loss ($1,000,000). Assuming the taxpayer had no previous recovery with respect to this property, its unadjusted basis under section 127 (d) (2) for the period subsequent to recovery would be $500,000 or $1,000,000 depending upon whether the taxpayer chose to include the property in the amount of recovery in 1946 at its fair market value on the date of the recovery or its adjusted basis as of the date of loss. If the taxpayer chooses to treat $1,000,000 (the adjusted basis of the property on the date of the loss in 1941) as the amount of the recovery, there would be added to the tax for 1946 the total increase in the tax which would result by decreasing from $1,000,000 to zero the amount of the deduction allowable in 1941 on account of the destruction or seizure of Blackacre. If the taxpayer chooses to treat only $500,000 (fair market value on date of recovery) as the amount

of the recovery, there would be added to the tax for 1946 the amount of the total increase in tax resulting from decreasing to $500,000 the amount of the deduction allowable in 1941. If the $1,000,000 allowable as a deduction in 1941 did not result in any tax benefit, then there would be nothing to be added to the tax for 1946, whether the taxpayer chooses the amount of the recovery as $500,000 or as $1,000,000.

Example (2): The taxpayer on December 11, 1941, owned an industrial plant in Germany. The adjusted basis of such property in the hands of the taxpayer on such date was $5,000,000. The property on such date was subject to a mortgage of $3,000,000. Under the provisions of section 127 (b) (2) the taxpayer chose to treat the mortgage as discharged or satisfied out of the property. Assume that in 1946 the taxpayer recovered this property and that on the date of recovery it had a fair market value of $5,000,000, and is still subject to the mortgage of $3,000,000. If the taxpayer elects to have the provisions of section 127 (c) (3) apply, the amount of the recovery respecting this property for the purposes of subparagraph (B) is considered to be $2,000,000. Since this amount is equal to the allowable deduction in 1941 under section 127 (b), all of such amount is excluded from gross income in 1946; however, there is to be added to the income tax for such year the total increase in the tax under chapter 1 and chapter 2 for all taxable years which would result from eliminating the allowable deduction of $2,000,000 in 1941. For the purposes of paragraph (C) the amount of recovery is likewise considered to be $2,000,000, so that there is no amount to be treated for 1946 as gain from the involuntary conversion of the property. However, this rule which reduces the amount of the recovery on account of liabilities and obligations is not applicable in applying the provisions of section 127 (d) (2). Under that section the amount of the recovery in respect of the property is $5,000,000, and since there was no amount considered as gain upon involuntary conversion of the property in 1946, such amount is not reduced and the basis of the property is $5,000,000.

Under the conference agreement, as under existing law and the Senate amendment, property considered as destroyed or seized under section 127 (a) of the code is considered as not being in existence from the date of the loss to the date of its recovery. Thus, depreciation on the recovered property is not allowable for the period between the date of the loss and the date of the recovery.

Section 127 (c) (5), relating to the election by the taxpayer to have the provisions of section 127 (c) (3) apply to war loss recoveries, has been revised under the conference agreement to provide that if the taxpayer elects to have the provisions of paragraph (3) applicable in any taxable year in which he recovers any money or property in respect of property considered under section 127 (a) as destroyed or seized, the provisions of paragraph (3) shall be applicable to all taxable years of the taxpayer beginning after December 31, 1941. Such election once made is irrevocable. The election by the taxpayer is to be made in such manner and at such time as the Secretary may by regulations prescribe. However, no election may be made after December 31, 1952, by the taxpayer unless he receives war loss recoveries during a taxable year ending after the date of enactment of the Revenue Act of 1951.

If under an election made by the taxpayer the provisions of section 127 (c) (3) are applicable to any taxable year, the period of limitations provided in section 275 and 276 of the code for the assessment and collection of (1) the amount to be added to the tax for such taxable year under section 127 (c) (3), and (2) any deficiency for such taxable year or for any other taxable year to the extent attributable to the basis of the recovered property being determined under section 127 (d) (2), shall not expire prior to the expiration of 2 years following the date of the making of such election. Any amount and any deficiency specified in clauses (1) and (2) of the preceding sentence may be assessed at any time prior to the expiration of such 2-year period, notwithstanding any law or rule of law which would otherwise prevent such assessment and collection.

Paragraph (5) further provides that if section 127 (c) (3) is applicable to any taxable year pursuant to the taxpayer's election, and credit or refund of any overpayment resulting from the application of section 127 (c) (3) to such taxable year is prevented on the date of the making of such election, or within 1 year from such date, by any law or rule of law (other sec. 3761 of the Internal Revenue Code, relating to compromises), credit or refund of such overpayment may nevertheless be made or allowed if claim therefor is filed within 1 year from such date.

Paragraph (5) further provides that in the case of any taxable year ending before the date of the making by the taxpayer of an election, no interest shall be paid upon any overpayment resulting from the application of the provisions of section 127 (c) (3) to such year, and no interest shall be assessed or collected with respect to any amount or any deficiency specified in clauses (1) and (2) above, for any period prior to the expiration of 6 months following the date of the making of such election by the taxpayer.

Amendment No. 93: This amendment adds a new subsection (ff) to section 23 of the code (relating to deductions from gross income), providing that expenditures paid or incurred during the taxable year for the purpose of ascertaining the existence, location, extent, or quality of any deposit of ore or other mineral, and paid or incurred prior to the beginning of the development stage of the mine or deposit, may be deducted in computing net income for the taxable year, except to the extent that such expenditures exceed $75,000. The subsection further provides that the taxpayer may elect to treat as deferred expense any portion of such deductible amount, in which event such deferred portion shall be deductible on a ratable basis as the units of produced ores or minerals discovered or explored by reason of such expenditures are sold. No deduction may be taken under this new subsection if in any four preceding years (not necessarily consecutive years) the taxpayer, or any individual or corporation (who has transferred to the taxpayer any mineral or ore property under circumstances which make the provisions of pars. (7), (8), (11), (13), (15), (17), (20), or (22) of section 113 (a) of the code applicable to such transfer), has taken a deduction, or elected to treat exploration expenditures as deferred expense, under the new subsection. The House recedes with a clerical amendment.

Amendment No. 94: This amendment would have added a new subsection (n) to section 115 of the code to provide a special rule for the treatment of gain upon the complete liquidation of a corporation

where the distribution in liquidation included stock in another corporation to which unimproved real estate had been transferred in anticipation of such liquidation. The Senate recedes.

Amendment No. 95: This amendment adds paragraph (20) to section 3797 of the code to provide in substance that a full-time life insurance salesman who is an employee under the definition contained in the Federal Insurance Contributions Act shall be considered to be an "employee" for the purpose of applying the provisions of chapter 1 (such as sections 22 (b) (2) (B), 23 (p) and 165) which determine the effect of contributions for the benefit of, and distribution to, "an employee" under a stock bonus, pension, profit-sharing, or annuity plan. The amendment is applicable to taxable years beginning after 1938. The House recedes.

Amendment No. 96: This amendment would allow in full, for purposes of computing the net operating loss (as defined by sec. 122 (a) of the code) of a taxpayer other than a corporation, deductions allowable under section 23 (c) (2) (relating to losses incurred in a transaction entered into for profit) and section 23 (e) (3) (relating to losses of property not connected with a trade or business, if the losses arise from fire, storm, shipwreck, or other casualty or from theft). Under existing law, in computing the net operating loss in the case of such a taxpayer, section 122 (d) (5) limits the deductions otherwise allowable under section 23 of the code which are not attributable to a trade or business regularly carried on by the taxpayer to the extent of the gross income not derived from such trade or business. The House recedes with an amendment which removes from the present limitation in section 122 (d) (5) deductions for losses sustained after December 31, 1950, in respect of property, if the losses arise from fire, storm, shipwreck, or other casualty, or from theft. The amendment will enable a taxpayer who is an individual to take such losses into account in computing a net operating loss which may be carried back 1 year or carried forward 5 years. The amendment is made applicable in computing the net operating loss deduction for taxable years ending after December 31, 1948.

Amendment No. 97: This amendment relates to the abatement of tax of certain irrevocable trusts to the extent that the income is owned by any individual who dies on or after December 7, 1941, while in active service as a member of the military or naval forces of the United States or of any of the other United Nations and prior to January 1, 1948.

The House recedes with an amendment which provides that, in the case of a trust which accumulated income for a beneficiary who died on or after December 7, 1941, and before January 1, 1948, while in active service as a member of the military or naval forces of the United States or of any of the other United Nations, there shall be allowed as a deduction in computing the net income of the trust for any taxable year the income of the trust for such taxable year, before diminution for income taxes with respect thereto, which was, or would have been but for such diminution, accumulated for such beneficiary.

This deduction shall be allowed, however, only if (1) the income accumulated was for a taxable year of the trust which ended with or within a taxable year (ending on or after December 7, 1941) of such beneficiary during any part of which he was a member of such military or naval forces, or, in the case of the taxable year of the trust during

which such beneficiary died, the income accumulated was for the period in such taxable year prior to the death of such beneficiary, and (2) the amount of such accumulated income was, without regard to this amendment, taxable to the trust, and (3) the income for such taxable year accumulated for the beneficiary, if not distributed to him prior to his death, was payable by the trust at or after his death only to his estate, spouse, or lineal ancestors or descendants.

Amendment No. 98: This amendment (effective for taxable years ending after the date of enactment of this bill) would require a net worth statement to be filed with the return of any individual who during the taxable year received gross income in excess of $10,000 from one or more unlawful trades or businesses. The Senate recedes.

Amendment No. 99: This amendment amends the life insurance company provisions of the code to provide that the life insurance department of a mutual savings bank is to be taxed as a life insurance company. This amendment is a corollary of amendment No. 45, relating to the taxation of mutual savings banks. The amendment is applicable only with respect to taxable years beginning after December 31, 1951.

The House recedes with an amendment which adds a new section 110 to the code to provide the method for computing the tax of a mutual savings bank authorized under State law to conduct a life insurance business and which conducts such a business in a separate department the accounts of which are maintained separately from the other departments of the bank. The tax is to consist of the sum of (1) a partial tax computed under sections 13 and 15 of the code upon the net income of the bank determined without regard to any items of income or deductions properly allocable to the life insurance department; and (2) a partial tax upon the net income of the life insurance department determined without regard to any items of income or deductions not properly allocable to such department at the rates and in the manner provided in supplement G with respect to life insurance companies. In determining the net income for purposes of such partial taxes no account shall be taken of any transactions between the insurance department and the bank or any other department thereof.

The amendment is applicable only with respect to taxable years beginning after December 31, 1951.

Amendment No. 100: This amendment adds at the end of section 422 (b) of the code (relating to definition of unrelated trade or business for the purpose of determining the unrelated business net income subject to the supplement U tax) a special rule with respect to publishing businesses carried on by colleges and universities. This amendment is applicable with respect to taxable years beginning after December 31, 1950 and prior to January 1, 1953. The purpose of this amendment is to afford an organization (exempt under sec. 101 (6) and subject to supplement U) which owns a publishing business limited opportunity to conform or relate such publishing business to its educational or other exempt purposes within the time specified in the amendment, and thus be relieved of supplement U tax thereon for taxable years preceding the taxable year in which the activity becomes related. The House recedes with a clarifying amendment.

Amendment No. 101: This amendment, for taxable years beginning prior to January 1, 1954, treats as related, for the purposes of the

tax imposed by supplement U, an unrelated trade or business carried on by certain educational organizations. The House recedes with an amendment which adds at the end of section 442 (a) (relating to the definition of unrelated business net income for the purpose of the supplement U tax) a special rule with respect to unrelated trades or businesses carried on in partnership by certain educational organizations. The amendment is applicable with respect to taxable years beginning after December 31, 1950, and prior to January 1, 1954.

Amendment No. 102: This amendment adds a new subsection (e) to section 504 of the code relating to the computation of undistributed subchapter A net income for purposes of the imposition of the surtax on personal holding companies. Subsection (e) will provide for the deduction, for purposes of computing undistributed subchapter A net income, of an amount by which the undistributed subchapter A net income determined without regard to subsection (e) exceeds the amount which could be distributed on the last day of the taxable year as a dividend (1) without the violation of any action, regulation, rule, order, or proclamation made under the Trading With the Enemy Act of October 16, 1917, as amended, or the First War Powers Act of 1941, and (2) not subject to a lien in favor of the United States. The amendment is applicable to taxable years beginning after 1939. The House recedes with a clerical amendment.

Amendment No. 103: This is a technical amendment to provide that the fifth sentence of section 1700 (a) (1) of the code, added by Public Law 124, Eighty-second Congress, shall be stricken from the code as surplusage upon elimination of the second sentence as provided in the House bill. The House recedes.

Amendment No. 104: This amendment retains the substantive provisions of the House bill, but differs therefrom in the following respects:

(*a*) Whereas the House bill would grant an exemption from the admissions tax in the case of shows or performances the proceeds of which inure exclusively to the benefit of certain organizations, such as religious, charitable, and educational groups, no such exemption would apply, under the Senate amendment, in the case of any motion-picture exhibition. Under the Senate amendment, to come within the exemption privilege, a religious institution must be a church or a convention or association of churches; an educational institution, to be entitled to the exemption, must have a regular curriculum and student body; and a charitable institution must be supported, in whole or part, by Federal or State funds or by contributions from the general public.

(*b*) The Senate amendment eliminates the pre-1941 exemption in the case of admissions all the proceeds of which inure exclusively to the benefit of societies for the prevention of cruelty to children or animals and the pre-1941 exemption in the case of societies or organizations conducted for the sole purpose of maintaining a cooperative or community center motion-picture theater.

(*c*) Whereas the House bill would exempt admissions to agricultural fairs and to any exhibit, entertainment, or other pay feature conducted by the fair association as part of the fair, the Senate amendment limits the exemption to the general admission charge to the fair only.

(*d*) The exemption granted under the House bill in the case of benefits conducted for or on behalf of police or fire departments,

their members or heirs has been further limited to provide that the proceeds from such benefits must inure exclusively to the benefit of the police or fire department or to a retirement, pension or disability fund for the members or their heirs.

(*e*) The Senate amendment also makes it plain that an exemption from the admissions tax is to apply to operas as well as symphonies which receive their support from voluntary contributions.

The House recedes with an amendment which provides an exemption from tax on admissions, the proceeds of which inure exclusively to the benefit of an organization (organized prior to October 1, 1951) which is exempt under section 101 (6) of the code and which is operated for the purpose of conducting an annual chautauqua program of educational, cultural, and religious activities at a permanent location.

The bill restores the provisions of section 1701 (c) of the code without change, so that admissions to concerts conducted by a civic or community membership association (such as orchestras, choral societies, etc.) will be exempt from tax.

Amendment No. 105: This is a clerical amendment. The House recedes.

Amendment No. 106: This amendment grants an exemption from the admissions tax covering admissions (1) to a home or garden which is temporarily opened to the general public as part of a program carried on by a society or organization for such purpose and (2) to historic sites, houses, and shrines, and museums conducted in connection therewith, maintained and operated by a society or organization devoted to the preservation of such places. The House recedes.

Amendment No. 107: This amendment provides that the increase in the rate of tax with respect to cigarettes shall be reduced to the present rate of tax effective January 1, 1954. The House recedes with an amendment fixing the rate reduction date as April 1, 1954.

Amendments Nos. 108 and 109: These are clerical amendments. The House recedes.

Amendment No. 110: This amendment makes provision for a floor-stocks refund on tax-paid cigarettes which are held for sale on January 1, 1954, the rate reduction date specified in the bill as passed by the Senate. The House recedes with an amendment fixing April 1, 1954, as the inventory date to correspond with the change made in the rate reduction date and an amendment fixing July 1, 1954, as the date before which claims for refund must be filed.

Amendment No. 111: This amendment provides for a reduction in the rate of tax on snuff and chewing and smoking tobacco from 18 cents per pound to 10 cents per pound. The House recedes with a technical amendment.

Amendment No. 112: This amendment strikes out the provisions of section 431 of the House bill imposing a retailers' excise tax upon mechanical lighters for cigarettes, cigars, and pipes. Such articles will be taxed at the manufacturers' level at the rate of 15 percent (see amendment No. 189). The House recedes.

Amendments Nos. 113 and 114: These amendments are clerical. The House recedes.

Amendments Nos. 115 and 116: These amendments provide that the retailers' excise tax shall not apply with respect to the sale of miniature samples of cosmetics, toilet articles, lotions, powder, etc., taxable under section 2402 (a) of the code, made by a manufacturer

or distributor to a house-to-house salesman for demonstration purposes only unless such samples are resold by the salesman. The House recedes.

Amendment No. 117: This amendment is clerical. The House recedes.

Amendment No. 118: This amendment strikes out all of the provisions of the House bill relating to the imposition of a tax of 2 cents per gallon upon any liquid sold or used as a fuel in a Diesel-powered highway vehicle. The House recedes with an amendment which restores the House provisions but provides that effective April 1, 1954, the rate of tax on such fuel will be reduced to 1½ cents per gallon.

Amendments Nos. 119 and 120: These amendments are clerical. The Senate recedes.

Amendments Nos. 121 and 122: These amendments provide that the increase in tax imposed with respect to distilled spirits generally and to imported perfumes containing distilled spirits shall be reduced to the present rate of tax effective January 1, 1954. The House recedes with an amendment fixing April 1, 1954, as the rate reduction date in lieu of January 1, 1954.

Amendments Nos. 123, 124, 125, and 126: These amendments are clerical. The Senate recedes.

Amendments Nos. 127, 128, and 129. These amendments provide that the increase in tax with respect to wines of the various classifications specified shall be reduced to the present rate of tax effective January 1, 1954. The House recedes with an amendment providing that the rate reduction date shall be April 1, 1954.

Amendment No. 130: This amendment is clerical. The Senate recedes.

Amendment No. 131: This amendment provides that the increase in tax imposed with respect to certain sparkling wines, liqueurs, and cordials shall be reduced to the present rate of tax effective January 1, 1954. The House recedes with an amendment establishing the rate reduction date as April 1, 1954.

Amendments Nos. 132, 133, 134, 135, and 136: These are clerical amendments. The Senate recedes.

Amendment No. 137: This amendment provides that the increase in the rate of tax imposed with respect to fermented malt liquors shall be reduced to the present rate of tax effective January 1, 1954. The House recedes with an amendment providing that the rate reduction date shall be April 1, 1954.

Amendments Nos. 138, 139, and 140: These amendments are clerical. The Senate recedes.

Amendment No. 141: This amendment provides for floor stocks refunds with respect to tax-paid distilled spirits, wine, and beer held for sale upon the termination of the tax rate increases proposed for these products in the bill. The House recedes with an amendment fixing the inventory date to be used in determining the amount of refunds as April 1, 1954, in lieu of January 1, 1954, and with a clerical amendment.

Amendment No. 142: This is a clerical amendment. The House recedes with a clerical amendment.

Amendment No. 143: This is a clerical amendment. The House recedes with a clerical amendment.

Amendments Nos. 144, 145, and 146: These amendments are clerical. The Senate recedes.

Amendments Nos. 147, 148, and 149: These amendments provide that the increase in the occupational tax for wholesale dealers in liquor, retail dealers in liquor, and wholesale dealers in malt liquor, respectively, shall be reduced to the present rate on and after January 1, 1954. Under the House bill, the increase in rates was permanent. The Senate recedes.

Amendment No. 150: This amendment is clerical. The Senate recedes.

Amendment No. 151: The House bill provided for an increase in the rate of draw-back on distilled spirits used in certain nonbeverage products. The Senate amendment makes technical revisions in this provision so as to provide for reduction of the amount of draw-back after December 31, 1953, to correspond with the reduction in the rate of tax on distilled spirits on and after January 1, 1954. The House recedes with clerical amendments and with an amendment providing that the reference to draw-backs made after December 31, 1953, shall be changed to March 31, 1954, to take into account the change in the rate reduction date.

Amendment No. 152: This amendment is clerical. The Senate recedes.

Amendment No. 153: This amendment eliminates the increase in tax proposed under the House bill on bowling alleys and billiard and pool tables. The House recedes.

Amendment No. 154: This is a clerical amendment. The House recedes with a clerical amendment.

Amendment No. 155: This is a clerical amendment. The Senate recedes.

Amendment No. 156: This is a clerical amendment. The House recedes with a clerical amendment.

Amendments Nos. 157, 158, 159, 160, 161, and 162: These amendments are clerical. The Senate recedes.

Amendment No. 163: This amendment is technical and makes it clear that any person who is liable for tax under subchapter A of chapter 27A of the code, as added by the bill, or who is engaged in receiving wagers for or on behalf of any person so liable, and who commenced the activity which makes him subject to tax, or who was engaged in receiving such wagers, prior to the day on which such tax becomes effective shall be required to pay the special tax imposed by subchapter B of chapter 27A. The House recedes with clerical amendments.

Amendments Nos. 164 and 165: These are clerical amendments. The Senate recedes.

Amendment No. 166: This amendment provides that the increase in the rate of the manufacturers' excise tax with respect to trucks, busses, etc., shall revert to the present rate of tax effective January 1, 1954. The House recedes with an amendment providing that the rate reduction date shall be April 1, 1954.

Amendment No. 167: This amendment eliminates the present tax of 7 percent upon the sale of house trailers, including parts and accessories therefor. This amendment will become effective on the first day of the first month which begins more than 10 days after the date of enactment of the bill, thus, the tax would apply with respect

to the sale of house trailers made prior to such effective date and notwithstanding that such purchases may be paid for on an installment plan after such date. A house trailer would be considered as sold prior to such effective date if the right of possession thereto passed to the purchaser prior to such effective date.

The amendment also provides that the increase in the rate of the manufacturers' excise tax with respect to automobile chassis and bodies, motorcycles, trailers, and semitrailers (other than house trailers) suitable for use in connection with automobiles, shall revert to the present rate of tax with respect to sales made on and after January 1, 1954. The House recedes with an amendment providing that the rate reduction date shall be April 1, 1954.

Amendment No. 168: This amendment provides that the increase in the rate of the manufacturers' excise tax with respect to parts and accessories for automobiles shall revert to the present rate of tax with respect to sales made on and after January 1, 1954. The House recedes with an amendment providing that the rate reduction date shall be April 1, 1954.

Amendment No. 169: This is a technical amendment. The House recedes.

Amendment No. 170: This is a clerical amendment. The Senate recedes.

Amendment No. 171: This is a technical amendment. The House recedes.

Amendment No. 172: This is a clerical amendment. The House recedes with a clerical amendment.

Amendment No. 173: This amendment provides that a manufacturer of refrigerator components may sell such components tax free to a wholesaler or dealer if such components are purchased for resale to a manufacturer of refrigerator equipment and provided the regulations prescribed by the Secretary of the Treasury relating to such sales are complied with. The House recedes with clerical amendments.

Amendment No. 174: This amendment (*a*) revises the taxable list of sporting goods in the House bill to exclude baseballs and baseball equipment, (*b*) reinstates certain items taxable under present law but excluded under the House bill, (*c*) retains the present 10 percent rate of tax with respect to fishing equipment, and (*d*) increases the rate of tax, like the House bill, with respect to the remaining sporting equipment to 15 percent. The House recedes, with an amendment providing that snow toboggans and sleds 60 inches or less in length, and skates, shall not be subject to tax and that the increase in the rate of tax shall revert to the present rate of tax effective April 1, 1954.

Under the provisions of the act of August 9, 1950 (the Dingell-Johnson Act), an amount equal to the revenue accruing from the tax on fishing rods and equipment is authorized to be appropriated for assistance to the States for fish restoration and management projects. The amendments made by this bill will not affect such authorization nor the permanency of such act.

Amendment No. 175: This is a clerical amendment. The House recedes with a clerical amendment.

Amendment No. 176: This is a clerical amendment. The House recedes.

Amendment No. 177: This is a clerical amendment. The Senate recedes.

Amendment No. 178: This amendment strikes out electric direct motor-driven fans and air circulators of the industrial type and electric air heaters of the blower type from the list of items subject to the manufacturers' excise tax under section 3406 (a) (3) of the code. Senate amendment No. 182 exempts from the tax all appliances listed in such sections which are of the industrial type.

The House recedes with an amendment which provides that the tax imposed by section 3406 (a) (3) of the code shall not apply to electric direct motor-driven fans and air circulators of the industrial type, and shall apply in the case of all other appliances listed in section 3406 (a) (3), including those added to such list by the bill, only to such appliances of the household type.

Amendment No. 179: This is a clerical amendment. The House recedes with a technical amendment to conform to the action of the conferees with respect to amendment No. 178.

Amendment No. 180: This amendment adds electric exhaust blowers to the list of items subject to the manufacturers' excise tax. The House recedes.

Amendment No. 181: This amendment strikes out the provision of the House bill which would have added electric shavers to the list of appliances subject to the manufacturers' excise tax under section 3406 (a) (3) of the code, and adds electric garbage-disposal units to such list. The House recedes.

Amendment No. 182: This amendment provides that the tax imposed by section 3406 (a) (3) will not apply to appliances of the industrial type. The substance of this amendment is covered by the action of the conferees with respect to amendment No. 178. The Senate recedes.

Amendment No. 183: This amendment makes the provisions of section 3441 (b) (relating to sale price of a taxable article) applicable to a situation where a manufacturer has a plan of negotiating the sale of an article to the ultimate user for and on behalf of the retailer of such article. The Senate recedes.

Amendment No. 184: The House removed certain items from the list of articles subject to the manufacturer's excise tax on photographic apparatus, imposed by section 3406 (a) (4) of the code, and subjected the items upon which the tax is retained to a uniform 20 percent rate.

The Senate amendment (a) retains the present list of photographic items subject to tax and subjects such items to a uniform tax rate of 15 percent with respect thereto and (b) provides that the tax on a sale of unexposed 35-millimeter color positive-print motion-picture film shall be computed, in lieu of on the price for which so sold, on the price for which an equivalent quantity of unexposed 35-millimeter black-and-white positive-print motion-picture film is sold. The House recedes with an amendment which restores the House provision with a clerical amendment.

Amendment No. 185: This is a clerical amendment. The House recedes with a clerical amendment.

Amendments Nos. 186 and 187: These are clerical amendments. The House recedes.

Amendments Nos. 188 and 189: The House bill imposed a manufacturers' excise tax, at a rate of 20 percent, on mechanical pencils, fountain pens, and ball point pens. Senate amendment No. 189 adds to this list mechanical lighters for cigarettes, cigars, and pipes (the House had imposed a tax on these items at the retail level; see amendment No. 112), and Senate amendment No. 188 provides a rate of tax of 10 percent on all these items. The House recedes on amendment No. 189, and recedes with an amendment on amendment No. 188 fixing the rate of tax on these items at 15 percent.

Amendment No. 190: This is a technical amendment. The House recedes.

Amendment No. 191: This is a clerical amendment. The House recedes with a clerical amendment.

Amendment No. 192: This is a clerical amendment. The House recedes.

Amendment No. 193: This is a clerical amendment. The House recedes with a clerical amendment.

Amendment No. 194: This amendment provides that the increase in the rate of tax on gasoline shall be reduced to the present rate of tax effective January 1, 1954. The House recedes with an amendment fixing the rate reduction date as April 1, 1954.

Amendments Nos. 195, 196, and 197: These are clerical amendments. The House recedes on amendments Nos. 195 and 196 and recedes with a clerical amendment on amendment No. 197.

Amendment No. 198: This is a technical amendment. The House recedes with a further technical amendment providing that the credit and refund provisions of section 3443 of the code shall be applicable to the floor stocks tax imposed on gasoline.

Amendment No. 199: This amendment provides for a floor stocks refund on certain gasoline held for sale on January 1, 1954, the date provided by Senate amendment No. 194 for termination of the increase in tax on gasoline. The House recedes with an amendment fixing April 1, 1954, as the inventory date to correspond with the change made in the rate reduction date.

Amendment No. 200: This is a clerical amendment. The House recedes with a clerical amendment.

Amendments Nos. 201, 202, and 203: These are clerical amendments. The Senate recedes.

Amendment No. 204: The House bill reduced the rate of tax on domestic telegraph, cable, or radio dispatches from 25 percent to 20 percent. The Senate amendment further reduces the rate of tax to 15 percent. The House recedes.

Amendments No. 205, 206, 207, 208, and 209: These are clerical amendments. The House recedes.

Amendment No. 210: This amendment provides that no tax shall be imposed under section 3465 (a) (1) (A) of the code on any payment received for any telephone or radio telephone message which originates within a combat zone, as defined in section 22 (b) (13), from a member of the Armed Forces of the United States performing service in such combat zone. The House recedes with a clerical amendment.

Amendment No. 211: This is a clerical amendment. The House recedes with a clerical amendment.

Amendment No. 212: This amendment strikes out the provisions of the House bill which would impose a tax on the transportation of crude petroleum and liquid products thereof by water from one point in the United States to another when such transportation is performed by the owner of the crude petroleum and liquid products thereof. The House recedes.

Amendment No. 213: This amendment provides that no tax shall be imposed with respect to the transportation of persons by water on a vessel which makes one or more intermediate stops at ports within the United States, Canada, or Mexico on a voyage which begins or ends in the United States and ends or begins outside the northern portion of the Western Hemisphere if the vessel in stopping at such intermediate ports is not authorized both to discharge and to take on passengers. The House recedes with a clerical amendment.

Amendment No. 214: This amendment provides that section 3475 of the code, relating to the tax on the transportation of property, shall not apply to the transportation of earth, rock, or other material excavated within the boundaries of, and in the course of, a construction project and transported to any place within, or adjacent to, the boundaries of such project. The House recedes with an amendment providing that the determination as to the applicability of the tax imposed by section 3475 in the case of the transportation of any excavated material, other than transportation to which the amendment made by this subsection applies, shall be made as if this subsection had not been enacted and without inferences drawn from the fact that the amendment made by this subsection is not expressly applicable to the transportation of such other material.

Amendment No. 215: This is a clerical amendment. The House recedes with a clerical amendment.

Amendment No. 216: This amendment provides for a refund of tax on cigarettes, distilled spirits, wine, and beer equal to the difference between the tax paid on such items and the amount of tax made applicable on and after January 1, 1954, brought from a foreign trade zone into customs territory of the United States on and after January 1, 1954, the rate reduction date specified with respect to the taxable articles in question. The House recedes with a clerical amendment and with an amendment fixing the determinative date as April 1, 1954, in lieu of January 1, 1954.

Amendment No. 217: This amendment provides that the Secretary of the Treasury is authorized and directed to make refund, or allow credit, in the case of a distiller or rectifier, if he so elects, in the amount of the internal revenue tax and customs duties paid on spirits previously withdrawn, and lost or rendered unmarketable by reason of the 1951 floods, provided certain conditions are met. The House recedes with a clerical amendment.

Amendment No. 218: This amendment is clerical. The House recedes.

Amendment No. 219: This amendment, for which there is no corresponding provision in the bill as passed by the House, provides in a new subsection (e) (1) of section 430 for the computation of an alternative amount of excess profits tax for each of the first five taxable years of corporations which commenced business after July 1, 1945. The amount computed thereunder would be the maximum excess profits tax if less than the amount computed under section 430 (a) (2).

Under the Senate amendment, the maximum tax would not exceed the following percentages of the first $400,000 of the excess profits net income: 5 percent if the taxable year is the first or second taxable year (determined from the commencement of business), 8 percent for the third taxable year, 11 percent for the fourth taxable year, and 14 percent for the fifth taxable year. Under the Senate amendment, if, for any such year the excess profits net income exceeds $400,000, the excess over $400,000 is subject to the same maximum tax as in the case of other corporations.

The amendment also provides rules in subsection (e) (2) for determining, for the purpose of the subsection, when a taxpayer shall be considered to have commenced business and to have had taxable years determined by reference to the date of commencement of business of certain other corporations. It contemplates that the Secretary will, by regulations, provide for the determination of constructive taxable years by reference to the annual accounting period first established by the taxpayer.

The Senate amendment also provides, in effect, that the benefits of the special limitation provisions under section 430 (c) (1) shall be denied to any taxpayer which derives more than 50 percent of its income for the taxable year from contracts or subcontracts to which title I of the Renegotiation Act of 1951 or to which any prior renegotiation act is applicable.

The House recedes with an amendment. Paragraph (1) of subsection (e) is amended to make it clear that the provision is applicable only to taxpayers whose fifth taxable year ends after June 30, 1950. Clauses (ii) and (iii) of subparagraph (E) of subsection (e) (1) are amended to conform the percentage figures specified therein to those provided by the conference agreement on Senate Amendment No. 6. A change is made in each of subparagraphs (A) to (D), inclusive, of subsection (e) (1), which makes the percentages therein specified applicable to only the first $300,000 of excess profits net income instead of to the first $400,000 of such income as provided in the Senate amendment, and a conforming amendment is made to subsection (e) (1) (E). Amendments are made to paragraph (2) of subsection (e) to make clear that in determining a constructive date of commencement of business and constructive taxable years from such date thereunder, a new determination shall be made each taxable year in the light of the facts for such year. An additional amendment is made to clause (i) of subparagraph (E) to make clear that such clause applies without regard to the provisions of section 445 (g) (1). An additional amendment is made to clause (ii) of such subparagraph to make clear that, for the purpose of such clause, a person shall not be considered a member of a group of persons who control the taxpayer and another corporation unless during the period specified in such clause he owns stock in the corporation at a time when the members of the group control such corporation and he owns stock in the taxpayer at a time when the members of the group control the taxpayer. A change is made in subparagraph (B) of paragraph (2) of subsection (e) to the effect that transactions described in clauses (i) and (iii) shall be disregarded in determining the date as of which the taxpayer shall be considered to have commenced business if the adjusted basis of the aggregate assets acquired by the taxpayer in such transactions before December 1, 1950 (or acquired

in the ordinary course of business in replacement of such assets), constituted less than 20 percent of the adjusted basis of the taxpayer's total assets as of December 1, 1950. A change is also made in paragraph (3) of subsection (e) to provide that the gross income of the taxpayer for the taxable year from contracts and subcontracts subject to renegotiation shall, for the purpose of applying the limitation provided by such paragraph, be determined without regard to capital gains and dividends received. Such gross income is the gross income after renegotiation.

Amendment No. 220: This amendment, for which there is no corresponding provision in the House bill, provides for exclusion in the computation of excess profits net income, for both excess profits tax taxable years and base period years, of payments made to a domestic corporation by its related foreign corporation as remuneration for certain technical services rendered. The House recedes with clarifying amendments and an amendment which amends the definition of related foreign corporation to provide that, in order to be a related corporation, 10 percent or more of the stock of the foreign corporation must be owned by the domestic corporation at the time the specified services are rendered.

Amendment No. 221: This amendment adds section 503 to the bill, for which there is no corresponding section in the House bill. This section permits a taxpayer with a fiscal year beginning before January 1, 1950, and ending after March 31, 1950, in computing its average base period net income under the general average method provided by section 435 (d) of the code, to use the period of 48 consecutive months ending March 31, 1950, instead of its base period, if such computation produces a lesser excess profits tax for the taxable year.

The House recedes with an amendment which provides that the excess profits net income for the first 3 months of 1950 shall be subject to the percentage limitations provided in section 435 (e) (2) (E) if such months fall in a taxable year ending after June 30, 1950.

Amendment No. 222: This amendment extends to a new corporation which commenced business before the end of its base period the right to qualify under section 435 (e) of the code for the alternative average base period net income based on growth for the purpose of determining its excess profits credit based on income. The House recedes with technical amendments.

Amendment No. 223: This amendment extends the benefits of section 435 (e) (2) (G) (special alternative average base period net income for a corporation whose excess profits net income for 1949 is not more than 25 percent of its excess profits net income for 1948) to a taxpayer qualifying for growth treatment under section 435 (e) (1) (B) even though it also qualifies as a growth corporation under section 435 (e) (1) (A). The House recedes.

Amendment No. 224: This amendment, for which there is no corresponding section in the House bill, provides limitations in the case of a bank, as defined in section 104 of the code, on the amount of the inadmissible asset adjustment to the net capital addition or reduction for the taxable year, to the net new capital addition for the taxable year, and to the base period capital addition. This amendment also amends section 435 (f) (relating to capital additions in the base period) to make clear that the yearly base period capital of any tax-

payer (whether or not a bank) shall not be reduced below zero by the inadmissible asset adjustment.

The House recedes with clarifying amendments and with an amendment dealing with the effective date of the provision applicable to the base period capital addition of banks, making such provision retroactive only at the election of the taxpayer.

Amendment No. 225: This amendment, for which there is no corresponding provision in the House bill, adds two new paragraphs (9) and (10) to section 435 (g) (relating to net capital addition or reduction) in order to provide, if certain conditions are met, that a decrease in inadmissible assets, to the extent in excess of the net capital reduction (if any) for the taxable year, shall be an addition to the excess profits credit computed under the income method. The principal condition to be met is that where there is a decrease in inadmissible assets there must also be a corresponding increase in operating assets before any increase in the credit is allowed.

The House recedes with clarifying amendments and with an amendment providing a special rule for the treatment of a decrease in inadmissible assets in the case of a bank.

Amendment No. 226: This amendment, for which there is no corresponding provision in the bill as passed by the House, permits a dealer in wholly tax-exempt Government securities to elect to increase its excess profits net income by the interest (with certain adjustments) on such obligations, and to treat such obligations as admissible assets. The House recedes with a technical amendment and an amendment which extends the application of the section to Government obligations any part of the interest from which is allowable as a credit against net income.

Amendment No. 227: This amendment adds section 509 to the bill, for which there is no corresponding provision in the bill as passed by the House. Section 509 adds a new subsection (h) to section 442 (relating to abnormalities during the base period) which in general permits a taxpayer in certain cases, after selecting the 36 months in the base period which result in the highest excess profits net income or lowest deficit in excess profits net income, to eliminate from such 36 months the 12 months having the lowest excess profits net income, or highest deficit, and to use a substitute excess profits net income computed under section 442 (c) for such 12 months. As passed by the Senate, the provision was applicable only to a taxpayer which commenced business before the beginning of its base period and only if the aggregate of the excess profits net income for each of the 12 months for which a substitute excess profits net income is to be computed is less than 35 percent of one-half of the aggregate of the excess profits net income for each of the 24 months remaining after selecting the 12 months to be so adjusted.

The House recedes with technical amendments, and also adds other amendments which further limit the application of this new subsection. The first of these additional limitations requires that in order to be entitled to the benefits of subsection (h), the taxpayer's normal production, output, or operation must be interrupted or diminished because of the occurrence (in the 12 months prior to the period for which a substitute excess profits net income is computed) of events unusual or peculiar in the experience of the taxpayer. Under this limitation there is no requirement that a causal connection be shown between

the event and a decline in excess profits net income in the period for which a substitute excess profits net income is to be used.

The second limitation added by the conference agreement appears as a new sentence added to paragraph (1) and prevents a taxpayer from using new subsection (h) in cases where the aggregate excess profits net income for the 24 months, which remain after selecting the 12 months for which a substitute excess profits net income is to be computed, is an amount less than zero.

Amendment No. 228: This amendment provides that in determining total assets under section 442 (f), to which factor the industry rates of return are applied in computing average base period net income under various excess profits tax relief formulas, the sum of the cash and other property included shall be reduced by the amount of the indebtedness (other than that included in the definition of borrowed capital) to a member of a controlled group which includes the taxpayer. The House recedes with an amendment changing the effective date from taxable years ending after the date of enactment of the bill to taxable years ending after June 30, 1950.

Amendment No. 229: This amendment changes section 443, which section provides for the case of a change in products or services occurring during the last 36 months of the base period, so as to include certain base period commitments. The House recedes.

Amendment No. 230: This amendment provides that in determining total assets under section 445 (c), which factor is used by a new corporation in computing its average base period net income for any of its first three years (if that year is an excess profits tax taxable year), the net capital addition or reduction shall be computed without regard to the 75 percent limitation as to borrowed capital and loans to members of a controlled group. The House recedes.

Amendment No. 231: This amendment provides that a corporation engaged as a common carrier in the furnishing or sale of transportation of oil or other petroleum products (including shale oil) by pipeline shall be eligible to qualify under section 448 for the alternative excess profits credit provided for regulated public utilities if such corporation is subject to the jurisdiction of a public service or public utility commission or other similar body of the District of Columbia or of any State. The House recedes with an amendment requiring that the rates for such furnishing or sale be subject to the jurisdiction of the public service or public utilities commission.

Amendment No. 232: This amendment provides that for the purpose of filing a consolidated return with its railroad lessee corporation (using the alternative credit provided by section 448 for regulated public utilities), a railroad lessor corporation meeting certain requirements shall be considered a corporation subject to section 448. The House recedes.

Amendment No. 233: This amendment adds section 515 to the bill, for which there is no corresponding section in the bill as passed by the House. Section 515 allows to producers of potash, sulfur, and metallurgical grade and chemical grade limestone the alternative method for computing nontaxable income from exempt excess output provided in section 453 (b) (2) of the code where the properties were in operation during the normal period. Where these mineral properties were not in operation during the normal period, the net income from such properties is accorded the benefits of section 453 (b) (4)

now available in the case of metal and coal mines, timber blocks, and natural-gas properties. The House recedes.

Amendment No. 234: This amendment, for which there is no corresponding provision in the House bill, adds section 459 (a) to the code to provide a special credit for certain corporations under specified circumstances relating to a transition from wartime to peacetime production and to an increase in peacetime capacity. The House recedes with clarifying amendments.

Amendment No. 235: This amendment adds section 517 to the bill. There is no corresponding section in the House bill. Section 517 amends section 459, as added to the code by section 516 of the Senate amendment No. 234, by adding a new subsection (b). This new subsection grants to a taxpayer which suffered a catastrophe during the last 36 months of its base period, if certain conditions are met, two alternative methods of computing its average base period net income. The taxpayer may use whichever results in the lesser excess-profits tax for the taxable year. The first alternative allows such a taxpayer to substitute for the excess profits net income for each month of the taxable year in which the catastrophe occurred, the average of the excess profits net income for the months in the base period preceding the taxable year in which the catastrophe occurred. If the taxpayer computes its average base period net income under the first alternative, it will not be denied the benefits of its base period capital addition. The second alternative allows the taxpayer to compute its average base period net income under the growth alternative of section 435 (e) (2) (G) (i) and (ii) of the code.

The House recedes with technical amendments which separate new subsection (b) into two paragraphs. The first paragraph sets forth eligibility requirements, and the second paragraph sets forth the computation of average base period net income under this subsection.

Amendment No. 236: This amendment, for which there is no corresponding provision in the House bill, adds a new subsection (c) to section 459 of the code, and is applicable in the case of a taxpayer engaged primarily in the newspaper-publishing business which, after the first half of its base period and before July 1, 1950, consolidated its mechanical, circulation, advertising, and accounting operations with such operations of another newspaper-publishing corporation in the same area. In order to be eligible for the benefits of this subsection the taxpayer must meet certain specified requirements.

In the case of a taxpayer eligible for the benefits of this subsection, the average base period net income under the Senate amendment shall be an amount computed under section 435 (d) plus an amount equal to the excess of the average of the amounts paid or incurred as expenses in the conduct of the mechanical, circulation, etc., operations during the two taxable years of the taxpayer next preceding the taxable year in which such consolidation began over such amounts paid or incurred during the first taxable year of the taxpayer beginning after such consolidation. The expenses referred to are those which are taken into account in computing net income. This section is inapplicable to any taxable year of the taxpayer unless the consolidation was continued throughout such taxable year.

The House recedes with amendments, one of which provides that the eligibility requirements in paragraphs (3) and (4) section 459 (c) shall be in the alternative. Another amendment provides that in

determining the excess amount of expenses proper adjustment shall be made for increases in the unit cost of labor and newsprint (due to wage and price increases) following such consolidation. It is contemplated that such adjustment shall be made in accordance with regulations prescribed by the Secretary. The House also adds an amendment to provide for appropriate adjustments for any case in which a taxable year referred to in this new subsection is a period of less than 12 months.

Amendment No. 237: This amendment, for which there is no corresponding provision in the House bill, provides a special credit for corporations beginning the television broadcasting business before January 1, 1951. It provides for a computation of an individual rate of return in the case of corporations engaged in the radio and television broadcasting business and for an application of such rate of return (or of the industry rate of return for the industry which includes radio broadcasting) to the assets of the taxpayer employed in the radio and television broadcasting business, or in the case of an acquisition of the television broadcasting business after the base period, to its assets employed only in the television business. In the case of a corporation engaged solely in radio and television broadcasting, this rate of return is applied to its total assets. In the case of a corporation engaged in another business or businesses, the credit includes an average base period net income computed with respect to such other business or businesses. The House recedes with an amendment providing in all cases that the industry rate of return or the individual rate of return, as the case may be, shall be applicable only to the assets of the corporation used in the television broadcasting business. The amendment also provides that the average base period net income computed in connection with the taxpayer's nontelevision business shall be only the average base period net income computed under section 435 (d) (relating to the general average of earnings during the base period); that the base period capital addition shall be allowable with regard to the taxpayer's nontelevision business; and that, in the case of corporations which first engaged in the television broadcasting business after the close of the base period and before January 1, 1951, the television assets against which the industry rate of return or the individual rate of return are to be applied shall be those held on the last day of the calendar month in which the corporation first engaged in the television broadcasting business.

The House amendment changes the provision in the Senate amendment for the elimination of duplication in the computation of a credit under this section by providing specifically the method to be used in eliminating such duplication. It is provided that if any portion of the television assets used in computing the television portion of the credit was acquired, directly or indirectly, by the use of assets attributable at any time during the base period to a business of the taxpayer other than television broadcasting, the excess profits net income with respect to such other business shall be properly adjusted by eliminating the portion thereof attributable to the assets used in the acquisition of the television properties for months prior to such acquisition. The excess profits net income attributable to such assets is determined by reference to the ratio of such assets to the total assets of the taxpayer other than properties used in television broadcasting.

Amendment No. 238: This amendment adds a base period commitment rule under section 444, which section provides for the computation of the average base period net income by applying a base period industry rate of return to the total assets of the taxpayer in case of an increase in capacity for production or operation occurring during the last 36 months of the base period. The House recedes with an amendment revising the Senate provision. As amended, the commitment rule provides that if, during the first taxable year ending after June 30, 1950, the taxpayer completed construction of a factory building or other manufacturing establishment (for example, an oil refinery), including the installation of the machinery or equipment for use in such factory building or such other establishment, such factory building or such other establishment and such machinery or equipment shall, for the purpose of determining whether there is an increase in capacity under the provisions of section 444 (b), but not for the purpose of computing the average base period net income under section 444 (c), be considered to have been added to its total facilities on the last day of its base period. The provision is applicable only if (A) the taxpayer, prior to the end of its base period, had completed construction work representing more than 40 percent of the total cost of construction of such factory building or such other establishment, and (B) the completion of such factory building or such other establishment was in pursuance of a plan to which the taxpayer was committed prior to the end of its base period.

Amendment No. 239: This amendment, for which there is no corresponding provision in the House bill, provides for the addition of a new part IV to subchapter D of the Internal Revenue Code dealing with the excess profits credit based on income in connection with certain taxable acquisitions before December 1, 1950. Under this amendment a "purchasing corporation" as defined in the part, would, in certain cases, obtain the use of the income experience of a "selling corporation" for the purpose of computing its excess profits credit. The House recedes with an amendment making changes for purposes of clarification and in order further to define the scope of application of the part.

The Senate amendment includes in the definition of a purchasing corporation any corporation which acquired substantially all of the assets of another corporation or of a partnership in a transaction other than a part II transaction. The amendment made by the House includes in this definition a corporation which has acquired substantially all of the properties of a business owned by a sole proprietorship. The definition in the Senate amendment also includes a corporation which acquired only part of the assets of another corporation in a transaction other than a part II transaction provided the properties acquired were substantially all the properties of a separate business of the other corporation and that such acquisition was in furtherance of a plan of complete liquidation by such other corporation. The purchase, under the same circumstances, of a separate business which constituted part of the assets of a partnership is added to the definition by the House amendment. The House amendment also deletes a provision which included in the definition of "purchasing corporation" a corporation which receives assets as paid-in surplus or as a contribution to capital from another corporation which had acquired those assets as a purchasing corporation.

This provision under the conference agreement will in general cover those cases in which assets constituting the whole of a separate business of "a selling corporation" were acquired from a corporation, sole proprietorship, or partnership. It does not cover an acquisition in a tax-free transaction, for example, a case in which a corporation is liquidated to its stockholders and they in turn place all or part of the assets in a new corporation in a tax-free transaction.

The House amendment makes clear that the part provides for the use by the purchasing corporation of an average base period net income computed only under section 435 (d) (the general average of earnings method), that, under the part, the deficits as well as the excess profits net income of the selling corporation for any month shall be reflected in the computation, and that the excess profits net income to which reference is made is that of the corporation in the case of an acquisition of substantially all of the assets of a selling corporation and is the portion thereof properly allocable to the business or businesses acquired in the case of an acquisition of only part of the assets, representing one or more separate businesses of a selling corporation.

The Senate amendment provides that, for part IV to apply, the selling corporation must, immediately after the transaction, discontinue all business activities and be completely liquidated in a transaction other than a part II transaction. The House amendment changes this requirement to provide that the selling corporation must not have engaged in any business activities after the part IV transaction other than those incident to its complete liquidation and must, within a reasonable time after such cessation of business activities, have been completely liquidated (whether before or after the part IV transaction) in a transaction other than a part II transaction. Such liquidation must terminate the selling corporation's existence.

The Senate amendment further provides that the properties acquired in the part IV transaction must be substantially all of the properties which were used by the selling corporation (or by a component corporation of such selling corporation) in the operation of the business whose assets were acquired by the purchasing corporation. The House amendment provides that such properties must be those used by the selling corporation in the production of the excess profits net income or deficit therein which is used in the computation of the credit provided by this part.

The Senate amendment further provides that the business acquired in the part IV transaction must have been operated by the purchasing corporation from the date of such transaction to the end of the taxable year. The House amendment provides that such business must be operated by the purchasing corporation until the end of the taxable year unless transferred by it, during the taxable year, in a part II transaction to which the provisions of the new section 462 (b) (4) of the code are applicable.

The House amendment adds three special rules. The first provides that, for the purpose of the definition of a purchasing corporation, properties shall be deemed acquired from the selling corporation if they are purchased directly from the selling corporation or if they are purchased from its stockholders, provided such stockholders did not transfer them to the purchasing corporation in a part II transaction. This provision is applicable only in a case in which the selling corporation was first liquidated to its stockholders and the properties

were forthwith sold by them to the purchasing corporation. The second special rule provides for the determination under regulations prescribed by the Secretary of all of the computations required by this part as if the business or businesses which were purchased from a partnership or sole proprietorship had been operated by a corporation. The third special rule is that in the case of the purchase of less than all of several businesses operated by a corporation or partnership, the amount of excess profits net income allocable to all or any number of the purchasing corporations or other persons receiving such properties upon the liquidation of the selling corporation shall not exceed 100 percent of the excess profits net income of the selling corporation. Thus, in a case in which a selling corporation has an excess profits net income for any month of $100 existing by reason of one of its businesses having an income of $300 and another having a loss of $200, the amount of the excess profits net income available to either or both of the parties receiving the two businesses shall not exceed $100 for such month.

The House amendment adds a new subsection (c) dealing with successive transactions and providing that if one part IV transaction succeeds another part IV transaction, the excess profits net income of the first selling corporation is not made available to the second purchasing corporation. The excess profits net income, however, of the first purchasing corporation is available to the second purchasing corporation but, for that purpose, it must be computed without regard to the excess profits net income of the first selling corporation. It also provides that the excess profits net income of a selling corporation under this part includes the amount previously available to it under part II with respect to a previous part II transaction. Thus, where corporation A had previously merged with corporation B in a transaction described in section 461 (a), the purchase by corporation C of the assets of corporation B under the circumstances outlined in this part will make available to corporation C the excess profits net income (or deficit) of both corporations A and B, as determined under part II for corporation B for the period prior to the merger, as well as the excess profits net income of corporation B for the period after the merger.

The Senate amendment provided for the promulgation of rules by the Secretary, consistent with the principles of part II, for the application of this part. For the purpose of clarification, the conference agreement specifically provides for the promulgation of such rules with respect to (1) base period capital addition, (2) net capital addition or reduction, (3) excess profits net income, (4) duplication, and (5) the excess profits credit of the purchasing corporation for the taxable year in which the transaction occurs if such taxable year is a year which ended after June 30, 1950. It is also provided that the Secretary shall not apply the principles of certain specified provisions of part II.

It is not intended by this specific enumeration of principles to be followed by the Secretary that the general authority to prescribe rules for the application of this part shall be restricted except as specifically provided. Such regulations may include other principles appropriate to the determination of the computations provided by this part.

The Senate amendment contains technical amendments to the code, which technical amendments are revised by the House amend-

ments. Included in these technical amendments as revised are provisions for the application of part II in cases where a corporation acquired in a part II transaction properties of a corporation which was a purchasing corporation in a previous part IV transaction. In general, the amendments provide that the income experience of the original selling corporation shall be used by the acquiring corporation in determining its average base period net income under section 435 (d) with reference to part II. For these provisions to be applicable, however, substantially all of the properties acquired in the part IV transaction (or replacements thereof in the ordinary course of business) must have been transferred in the part II transaction, or, if the part II transaction involved a component corporation which acquired the properties in a previous part II transaction, substantially all of the properties of such component corporation must have been acquired by the acquiring corporation. The business operated by the selling corporation must have been continuously operated by the acquiring corporation to the end of the taxable year, unless the business is transferred by the acquiring corporation during the taxable year in a part II transaction to which the provisions of section 462 (b) (4) are applicable. If the acquiring corporation obtained the properties in a part II transaction of the type described in section 461 (a) (1) (E) ("split-up"), the provisions of the following amendment to section 462 (i) (6) must be satisfied: Section 462 (i) (6) is amended to provide that if the component corporation in the part II transaction was a purchasing corporation in a previous part IV transaction, and if section 462 (b) (4) is applicable, the allocation of the excess profits net income of the component corporation to the acquiring corporation must be based upon the earnings experience of the assets transferred rather than upon the fair market value rule of allocation provided in section 462 (i), this provision being applicable whether or not the other parties to the part II transaction agree to such an allocation. The technical amendments as revised further provide that section 463 and section 464, relating to capital changes of the acquiring corporation, shall be applied under regulations promulgated by the Secretary with respect to cases in which the part II transaction follows a part IV transaction.

Amendment No. 240: This amendment adds section 522 to the bill, for which there is no corresponding section in the bill as passed by the House. Section 522 adds bauxite to the list of minerals deemed strategic under section 450 (b) (1) of the code for the purpose of exempting from the excess-profits tax the portion of the adjusted excess profits net income attributable to the mining of such mineral. The House recedes with a clerical amendment.

Amendment No. 241: This amendment provides that, except as otherwise provided in section 510 of the bill, the amendments made by title V of the bill, as passed by the Senate, shall be applicable with respect to taxable years ending after June 30, 1950. The House recedes with amendments conforming to the conference agreement with respect to amendments Nos. 224 and 228. Accordingly, the amendments made by title V are applicable with respect to taxable years ending after June 30, 1950, except as otherwise provided in section 506 (d) of the bill (relating to base period capital additions of banks).

Amendments Nos. 242, 243, and 244: These amendments are clerical. The House recedes.

Amendment No. 245: This amendment deals with possible tax liability for taxable years beginning prior to January 1, 1951, in the case of certain organizations carrying on trades or businesses the profits of which were dedicated exclusively to exempt purposes. Specifically, this amendment adds to the list of feeder organizations covered by the House bill, those organizations all of the profits of which inure to the benefit of a hospital or to an institution for the rehabilitation of physically handicapped persons which maintains or is building for proper maintenance such a hospital or institution staffed or to be staffed by qualified professional persons for the treatment of the sick and/or the rehabilitation of the physically handicapped, or to an eleemosynary corporation under State law exempt under section 101 (6) of the Internal Revenue Code.

The House recedes with an amendment striking out the reference to "an eleemosynary corporation under State law exempt under section 101 (6) of the Internal Revenue Code," and with a clarifying amendment providing that no implication is to be drawn from the amendment as to the tax status for taxable years prior to 1951 of so-called feeder organizations not dealt with in section 302 of the Revenue Act of 1950 as amended.

Amendment No. 246: The House bill provided that the percentage of the average base period net income to be taken into account in computing the excess-profits credit based on income shall be reduced from 85 percent of the average base period net income to 75 percent thereof. This reduction was effective, under the House bill, as of January 1, 1951. The Senate amendment struck this provision of the House bill. The House recedes with an amendment under which the percentage of the base period net income is reduced from 85 to 83 percent, effective July 1, 1951, and in the case of the calendar year 1951, to 84 percent. Provision is made under the conference agreement for the case of a fiscal year beginning before July 1, 1951, and ending after June 30, 1951, so that a proportionate part of the decrease in the excess profits credit will be reflected.

Amendment No. 247: This amendment, for which there is no corresponding provision in the House bill, amends sections 813 and 936 of the code to provide that, where property included for Federal estate tax purposes in the gross estate of a resident or citizen of the United States is situated in a foreign country and subjected to a death tax by such country, a credit shall be allowed against the estate tax for such foreign death tax. The amendment applies only with respect to estates of residents and citizens dying after the date of enactment of the bill.

The House recedes with clarifying amendments.

Amendment No. 248: This is a clerical amendment. The House recedes with a clerical amendment.

Amendment No. 249: This amendment, for which there is no corresponding provision in the House bill, amends section 863 (c) of the code to extend the estate tax exemption granted by that section with respect to works of art loaned by a nonresident alien to the National Gallery of Art, Washington, D. C., to works of art loaned to other public galleries or museums.

The House recedes with a clerical amendment.

Amendment No. 250: This amendment, for which there is no corresponding provision in the House bill, makes certain changes in section 939 of the code, relating to the estate tax treatment of certain members of the Armed Forces.

The amendment provides that the tax imposed by section 935 (the additional estate tax) shall not apply to the transfer of the net estate of a citizen or resident of the United States dying after June 24, 1950, and before January 1, 1954, while in active service as a member of the Armed Forces of the United States, if such decedent (1) was killed in action while serving in a combat zone, as determined under section 22 (b) (13), or (2) died at any place as a result of wounds, disease, or injury suffered, while serving in a combat zone (as determined under section 22 (b) (13)) and while in line of duty, by reason of a hazard to which he was subjected as an incident of such service.

The House recedes with a clerical amendment.

Amendment No. 251: This amendment, for which there is no corresponding provision in the House bill, adds a new section to the bill to provide that in the case of a decedent dying after March 18, 1937, and before February 11, 1939, the determination of whether property is included in the gross estate of the decedent as a transfer intended to take effect in possession or enjoyment at or after his death shall be made in conformity with the provisions of article 17 of Regulations 80, as amended by Treasury Decision 4729. The House recedes with a clerical amendment.

Amendment No. 252: This amendment, for which there is no corresponding provision in the House bill, amends section 7 (b) of Public Law 378, Eighty-first Congress (the Technical Changes Act of 1949). Section 7 (b) now provides that the provisions of section 811 (c) (1) (B) of the code, providing for inclusion in a decedent's estate of property transferred with reservation of rights in income, shall not be applicable to transfers made before March 4, 1931 (and, in some cases, before June 6, 1932), if the decedent died before January 1, 1950. Under the amendment, inapplicability of section 811 (c) (1) (B) is extended to estates of decedents dying before January 1, 1951. The House recedes with a clerical amendment.

Amendment No. 253: This amendment, for which there is no corresponding provision in the House bill, amends section 7 (b) of Public Law 378, Eighty-first Congress (the Technical Changes Act of 1949) to provide that the provisions of section 811 (c) (1) (C) of the code (relating to inclusion in gross estate of transfers intended to take effect in possession or enjoyment at or after death) shall not apply to transfers made before September 8, 1916. The effect of the last sentence of this section, which makes section 7 (c) of such public law inapplicable to overpayments resulting from the enactment of this section of the bill, is to limit refunds of such overpayments to those situations in which the refund is not prohibited by the statute of limitations or some other law or rule of law. The House recedes with a clerical amendment.

Amendment No. 254: This amendment, for which there is no corresponding provision in the House bill, permits the making of refund or credit of any overpayment resulting from the application of section 503 of the Revenue Act of 1950, if claim therefor is filed within 1 year from the date of enactment of the bill, even though the making of such refund or credit is otherwise prohibited by the statute of

limitations or any other law or rule of law (other than sec. 3760 or 3761 of the code which relate, respectively, to closing agreements and compromises). The effect of section 503 of the Revenue Act of 1950 was to provide that proceeds of life insurance policies attributable to premiums paid on or before January 10, 1941, should not be included in the gross estate of the insured person for estate tax purposes by reason of the fact that the premiums were paid by him, unless on January 10, 1941, or thereafter he had substantial rights in the life insurance policy. The House recedes with an amendment providing that claim for credit or refund must be made after October 25, 1949, and on or before October 25, 1950.

Amendment No. 255: This amendment, for which there is no corresponding provision in the House bill, provides that in the case of the award made on December 4, 1950, by the Interstate Commerce Commission as retroactive compensation for the transportation of mail, such compensation shall be deemed to be income which accrued in the taxable year in which the services to which such compensation relates were rendered. It is provided that no interest shall be assessed for deficiencies created by the inclusion of such income in prior years and that the period for assessment and collection of such deficiencies shall be extended to the date closing the period for assessment and collection for the taxable year of the taxpayer which includes December 4, 1950. The amendment also amends section 292 of the code to provide that in the case of retroactive mail payments, if such payments are required to be included in income in the year or years in which the mail was carried, no interest shall be due with respect to deficiencies resulting from such inclusion for any period prior to 30 days after the award of payment is granted. The House recedes with a clerical amendment.

Amendment No. 256: This amendment, for which there is no corresponding provision in the House bill, adds to the bill a new section 611 which provides with respect to certain taxable years a special rule to be followed whereby in the computation of corporation surtax net income certain amounts received as dividends on the preferred stock of a public utility will not be disregarded in computing the credit for dividends received.

Section 116 (a) of the Revenue Act of 1943 so amended section 26 (n) (1) of the Internal Revenue Code that, in the computation of the credit for dividends paid on the preferred stock of a public utility, amounts distributed in the current taxable year with respect to dividends unpaid and accumulated in any taxable year ending prior to October 1, 1942, were to be excluded from the amount of dividends paid on its preferred stock during the taxable year. The 1943 act did not contain a conforming amendment so that in the computation of corporation surtax net income the 85-percent credit for dividends received would always be allowed with respect to such amounts as were to be excluded in computing the credit for dividends paid on the preferred stock of a public utility.

Pursuant to new section 611, in the case of taxable years beginning before April 1, 1951, the 85-percent credit for dividends received will be allowed in the computation of corporation surtax net income with respect to those amounts which are to be excluded in computing the credit for dividends paid on the preferred stock of a public utility. In the case of the calendar year 1951 and taxable years beginning

after March 31, 1951, see the amendments made to section 26 (b) of the code by section 122 of the bill (amendment No. 8). The House recedes with a clerical amendment.

Amendment No. 257: This amendment, for which there is no corresponding provision in the House bill, provides that if an affiliated group making a consolidated return with respect to the first taxable year of the group ending after June 30, 1950, included a corporation described in section 454 (*f*) of the code, pursuant to the consent provided in section 141 (e) (7) of the code, such corporation may withdraw such consent at any time within 90 days after the enactment of the Revenue Act of 1951. If such consent is withdrawn under this provision, the tax liability of the affiliated group and its several members for the taxable year shall be determined, assessed, and collected as if such corporation had never joined in the making of the consolidated return. The House recedes with a clerical amendment.

Amendment No. 258: This amendment, for which there is no corresponding provision in the House bill, adds to the bill a new section 613 pursuant to which the due date for filing income tax returns of, or for paying the income tax by, China Trade Act corporations for any taxable year beginning after December 31, 1948, and ending before October 1, 1953, shall be not later than December 31, 1953. The due date thus prescribed shall apply, however, only with respect to any such corporation and any such taxable year as the Secretary of the Treasury, pursuant to such regulations as he may prescribe, may determine to be reasonable in view of circumstances in China. New section 613 recognizes that certain China Trade Act corporations, despite the situation existing in China, are fully able to comply with requirements of existing law as to the time for filing returns and paying the tax.

The due date of December 31, 1953, hereby prescribed is subject to the power of the Secretary to extend, as in other cases, the time for filing returns or paying the tax. The House recedes with a clerical amendment.

Amendment No. 259: This amendment, for which there is no corresponding provision in the House bill, adds a new section which provides that no amendment made by the bill shall apply in any case where its application would be contrary to any treaty obligation of the United States. The House recedes with a clerical amendment.

Amendment No. 260: This is a clerical amendment. The House recedes with a clerical amendment.

Amendment No. 261: This amendment, for which there is no corresponding provision in the House bill, extends for 4 months the date on or before which a claim for net renegotiation rebates arising under the World War II Renegotiation Act may be filed. Section 201 (c) of the Renegotiation Act of 1951, approved on March 23, 1951, sets the expiration date as June 30, 1951. This amendment extends such date to October 31, 1951. The House recedes with a clerical amendment.

Amendment No. 262: This amendment, for which there is no corresponding provision in the House bill, adds to the bill a new section relating to prohibition upon the denial of payments by the Federal Government to a State under title I, IV, X, or XIV of the Social Security Act. These titles relate to grants by the Federal Government to States for aid to needy aged individuals, needy de-

pendent children, needy blind individuals, and needy permanently and totally disabled individuals, respectively. The Federal Government and the States share the cost of these assistance programs. A State is not entitled to payments from the Federal Government unless the State plan for assistance has been approved by the Federal Security Administrator. Under existing law a State assistance plan in order to be approved must, inter alia, provide safeguards which restrict the use or disclosure of information concerning applicants and recipients to purposes directly connected with the administration of the assistance program. The Senate amendment provides that no State or any agency or political subdivision thereof shall be deprived of any grant-in-aid or other payment to which it otherwise is or has become entitled pursuant to title I, IV, X, or XIV of the Social Security Act by reason of the enactment or enforcement by such State of any legislation prescribing any conditions under which public access may be had to records of the disbursement of any such funds or payments within such State. The House recedes with an amendment which imposes a condition that the State legislation providing public access to the records of disbursement must prohibit the use of any list or names obtained through such access to such records for commercial or political purposes.

Under this amendment, as agreed to by the conferees, the State of Indiana, which has a law which permits public access to the records of disbursements of public welfare funds but which contains, inter alia, a prohibition upon the use of any lists or names so obtained for commercial or political purposes of any nature, will be entitled to receive its payments under the Social Security Act in the future and will also be entitled to receive any such payments which have been withheld because of the enactment and enforcement of the Indiana law.

Amendment No. 263: This amendment, for which there is no corresponding provision in the House bill, amends the provisions of existing law which provide the President, the Vice President, the Speaker of the House, and the Members of Congress an expense allowance which is tax-exempt and for which no accounting is made. Under this amendment, the President would receive $150,000 a year for his services, instead of the $100,000 plus the $50,000 tax-exempt expense allowance he now receives. Under existing law, the President neither pays tax on nor accounts for this $50,000. Under this amendment, $50,000 would be added to his compensation and his $50,000 tax-exempt expense allowance would be eliminated. Likewise, the salary of the Vice President, and that of the Speaker of the House, would be increased by $10,000 and his $10,000 tax-exempt expense allowance would be eliminated. And, similarly, the salary of each Member of Congress would be increased by $2,500 and his $2,500 tax-exempt expense allowance would be eliminated. This amendment would become effective, with respect to the President, on January 20, 1953, and with respect to the Vice President, the Speaker, and Members of Congress, on January 3, 1953.

The House recedes with an amendment which eliminates the provisions of the Senate amendment increasing the compensation of the President, the Vice President, the Speaker of the House, and the Members of Congress but which removes the tax-exempt status of the expense allowances of such officials. The expense allowance provided

the President by section 102 of title 3 of the United States Code and that provided the Vice President by section 111 of title 3 of the United States Code shall be taxable on and after January 20, 1953; the expense allowance provided the Speaker of the House by subsection (e) of the first section of Public Law 2, Eighty-first Congress, approved January 19, 1949, and that provided each Member of Congress by section 601 (b) of the Legislative Reorganization Act of 1946 (Public Law 601, 79th Cong.) shall be taxable on and after January 3, 1953. The President, the Vice President, the Speaker of the House, and each Member of Congress will be required to account for such expense allowances insofar as is necessary for the purpose of deducting such expenses for income-tax purposes.

Amendment No. 264. This amendment struck out the table of contents to the bill and inserted a new table of contents conforming to the amendments to the bill made by the Senate. The House recedes with an amendment to conform the table of contents to the action of the conference committee.

R. L. DOUGHTON,
JERE COOPER,
JOHN D. DINGELL,
W. D. MILLS,
RICHARD M. SIMPSON,
Managers on the Part of the House.

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