

[CHAPTER 989]

JOINT RESOLUTION

September 22, 1950  
[H. J. Res. 519]  
[Public Law 813]

To permit the National Grange to erect a marker on Federal land in the District of Columbia.

National Grange.  
Erection of marker  
in D. C.

*Resolved by the Senate and House of Representatives of the United States of America in Congress assembled,* That the Secretary of the Interior be, and he is hereby, authorized to grant permission to the National Grange to erect a marker, at an appropriate place on public ground of the United States in the vicinity of the intersection of Madison Street and Fourth Street Northwest, District of Columbia, in commemoration of the founding of the National Grange: *Provided,* That the design of the marker and the plan for the treatment of the grounds connected with its site and its adequacy and propriety for the site designated shall be approved by the National Park Service, the Commission of Fine Arts, and the National Capital Park and Planning Commission, and that it shall be erected under the supervision of the Secretary of the Interior; that all funds necessary to carry out its erection and the necessary landscaping of the site shall be supplied by the National Grange in time to permit the completion and erection of the marker not more than one year after the exact site has been determined; and the United States shall be put to no expense in or by the erection of the said marker.

Approval by Na-  
tional Park Service,  
etc.

Funds.

Approved September 22, 1950.

[CHAPTER 994]

AN ACT

September 23, 1950  
[H. R. 8920]  
[Public Law 814]

To provide revenue, and for other purposes.

Revenue Act of 1950.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That (a) **SHORT TITLE.**—This Act, divided into titles and sections according to the following Table of Contents, may be cited as the “Revenue Act of 1950”:

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(b) ACT AMENDATORY OF INTERNAL REVENUE CODE.—Except as otherwise expressly provided, wherever in this Act an amendment or repeal is expressed in terms of an amendment to or repeal of a chapter, subchapter, title, supplement, section, subsection, subdivision, paragraph, subparagraph, or clause, the reference shall be considered to be made to a provision of the Internal Revenue Code.

(c) MEANING OF TERMS USED.—Except as otherwise expressly provided, terms used in this Act shall have the same meaning as when used in the Internal Revenue Code.

## TITLE I—INCREASE IN INCOME TAX RATES

## Part I—Individual Income Taxes

## Sec. 101. INCREASE IN NORMAL TAX AND SURTAX ON INDIVIDUALS.

53 Stat. 5.  
26 U. S. C., Sup. III,  
§ 11.

(a) NORMAL TAX.—Section 11 (relating to the normal tax on individuals) is hereby amended to read as follows:

## "SEC. 11. NORMAL TAX ON INDIVIDUALS.

"(a) TAXABLE YEARS BEGINNING AFTER SEPTEMBER 30, 1950.—In the case of taxable years beginning after September 30, 1950, there shall be levied, collected, and paid for each taxable year upon the net income of every individual a normal tax of 3 per centum of the amount of the net income in excess of the credits against net income provided in section 25. For alternative tax which may be elected if adjusted gross income is less than \$5,000, see supplement T.

53 Stat. 17.  
26 U. S. C. § 25;  
Sup. III, § 25.  
55 Stat. 689.  
26 U. S. C. §§ 400-404;  
Sup. III, § 400.  
*Post*, p. 911.

"(b) TAXABLE YEARS BEGINNING BEFORE OCTOBER 1, 1950.—In the case of taxable years beginning before October 1, 1950, there shall be levied, collected, and paid for each taxable year upon the net income of every individual a normal tax determined by computing a tentative normal tax of 3 per centum of the amount of the net income in excess of the credits against net income provided in section 25, and by reducing such tentative normal tax as provided in section 12 (c). For alternative tax which may be elected if adjusted gross income is less than \$5,000, see supplement T. For computation of tax in case the taxable year (other than the calendar year 1950) ends after September 30, 1950, see section 108 (e)."

## (b) SURTAX.—

53 Stat. 17.  
26 U. S. C. § 25;  
Sup. III, § 25.  
*Post*, p. 911.  
55 Stat. 689.  
26 U. S. C. §§ 400-  
404; Sup. III, § 400.  
*Post*, p. 911.  
*Post*, p. 920.

(1) So much of section 12 (b) as precedes "Not over \$2000" is hereby amended to read as follows:

## "(b) RATES OF SURTAX.—

"(1) TAXABLE YEARS BEGINNING AFTER SEPTEMBER 30, 1950.—In the case of taxable years beginning after September 30, 1950, there shall be levied, collected, and paid for each taxable year upon the surtax net income of every individual the surtax shown in the following table:

"If the surtax net income is:

The surtax shall be:"

(2) Section 12 (b) is hereby amended by adding at the end thereof the following:

"(2) TAXABLE YEARS BEGINNING BEFORE OCTOBER 1, 1950.—In the case of taxable years beginning before October 1, 1950, there

*Supra*.

shall be levied, collected, and paid for each taxable year upon the surtax net income of every individual a surtax determined by computing a tentative surtax under the table in paragraph (1), and by reducing such tentative surtax as provided in subsection (c) of this section.”

(3) Section 12 (c) (relating to reduction of tentative normal tax and tentative surtax) is hereby amended to read as follows:

53 Stat. 6.  
26 U. S. C., Sup. III,  
§ 12 (c).

“(c) **REDUCTION OF TENTATIVE NORMAL TAX AND TENTATIVE SUR-TAX.**—

“(1) **CALENDAR YEAR 1950.**—In the case of a taxable year beginning on January 1, 1950, and ending on December 31, 1950, the combined normal tax and surtax under section 11 and subsection (b) of this section shall be the aggregate of the tentative normal tax and tentative surtax, reduced as follows:

*Ante*, p. 910.

“If the aggregate is:	The reduction shall be:
Not over \$400-----	13% of the aggregate.
Over \$400 but not over \$100,000-----	\$52 plus 9% of excess over \$400.
Over \$100,000-----	\$9,016 plus 7.3% of excess over \$100,000.

In no event shall the combined normal tax and surtax for such taxable year exceed 80 per centum of the net income.

“(2) **OTHER TAXABLE YEARS BEGINNING BEFORE OCTOBER 1, 1950.**—In the case of taxable years (other than the calendar year 1950, to which paragraph (1) applies) beginning before October 1, 1950, the combined normal tax and surtax under section 11 and subsection (b) of this section shall be the aggregate of the tentative normal tax and tentative surtax, reduced as follows:

*Ante*, p. 910.

“If the aggregate is:	The reduction shall be:
Not over \$400-----	17% of the aggregate.
Over \$400 but not over \$100,000-----	\$68 plus 12% of excess over \$400.
Over \$100,000-----	\$12,020 plus 9.75% of excess over \$100,000.

If combined normal tax and surtax so computed exceeds 77 per centum of the net income for the taxable year, the combined tax shall be reduced to 77 per centum of the net income. For computation of tax in case the taxable year ends after September 30, 1950, see section 108 (e).”

*Post*, p. 920.

(4) Effective with respect to taxable years beginning after September 30, 1950, section 12 (f) is hereby amended to read as follows:

53 Stat. 7.  
26 U. S. C., Sup. III,  
§ 12 (f).

“(f) **LIMITATION ON TAX.**—In the case of a taxable year beginning after September 30, 1950, the combined normal tax and surtax shall in no event exceed 87 per centum of the net income for the taxable year.”

**SEC. 102. INDIVIDUALS WITH ADJUSTED GROSS INCOME OF LESS THAN \$5,000.**

So much of section 400 (relating to optional tax on individuals with adjusted gross incomes of less than \$5,000) as precedes the tax table therein is hereby amended to read as follows:

55 Stat. 689.  
26 U. S. C., Sup. III,  
§ 400.

**“SEC. 400. IMPOSITION OF TAX.**

“In lieu of the taxes imposed by sections 11 and 12, there shall be levied, collected, and paid for each taxable year upon the net income of each individual whose adjusted gross income for such year is less than \$5,000, and who has elected to pay the tax imposed by this supplement for such year, a tax as follows:

53 Stat. 5.  
26 U. S. C. § 12; Sup.  
III, § 12.  
*Ante*, p. 910.

“Table I  
“Taxable years beginning after September 30, 1950

If adjusted gross income is—		And the number of exemptions is—				If adjusted gross income is—		And the number of exemptions is—									
At least	But less than	1	2	3	4 or more	At least	But less than	2		3		4	5	6	7	8 or more	
								And if other than a joint return is filed	And if a joint return is filed	And if other than a joint return is filed	And if a joint return is filed						
The tax shall be—						The tax shall be—											
\$0	\$675	\$0	\$0	\$0	\$0	\$2,325	\$2,350	\$301	\$181	\$181	\$61	\$61	\$0	\$0	\$0	\$0	\$0
675	700	4	0	0	0	2,350	2,375	305	185	185	65	65	0	0	0	0	0
700	725	8	0	0	0	2,375	2,400	310	190	190	70	70	0	0	0	0	0
725	750	13	0	0	0	2,400	2,425	314	194	194	74	74	0	0	0	0	0
750	775	17	0	0	0	2,425	2,450	319	199	199	79	79	0	0	0	0	0
775	800	22	0	0	0	2,450	2,475	323	203	203	83	83	0	0	0	0	0
800	825	26	0	0	0	2,475	2,500	328	208	208	88	88	0	0	0	0	0
825	850	31	0	0	0	2,500	2,525	332	212	212	92	92	0	0	0	0	0
850	875	35	0	0	0	2,525	2,550	337	217	217	97	97	0	0	0	0	0
875	900	40	0	0	0	2,550	2,575	341	221	221	101	101	0	0	0	0	0
900	925	44	0	0	0	2,575	2,600	346	226	226	106	106	0	0	0	0	0
925	950	49	0	0	0	2,600	2,625	350	230	230	110	110	0	0	0	0	0
950	975	53	0	0	0	2,625	2,650	355	235	235	115	115	0	0	0	0	0
975	1,000	58	0	0	0	2,650	2,675	359	239	239	119	119	0	0	0	0	0
1,000	1,025	62	0	0	0	2,675	2,700	364	244	244	124	124	4	0	0	0	0
1,025	1,050	67	0	0	0	2,700	2,725	368	248	248	128	128	8	0	0	0	0
1,050	1,075	71	0	0	0	2,725	2,750	373	253	253	133	133	13	0	0	0	0
1,075	1,100	76	0	0	0	2,750	2,775	377	257	257	137	137	17	0	0	0	0
1,100	1,125	80	0	0	0	2,775	2,800	382	262	262	142	142	22	0	0	0	0
1,125	1,150	85	0	0	0	2,800	2,825	386	266	266	146	146	26	0	0	0	0
1,150	1,175	89	0	0	0	2,825	2,850	391	271	271	151	151	31	0	0	0	0
1,175	1,200	94	0	0	0	2,850	2,875	395	275	275	155	155	35	0	0	0	0
1,200	1,225	98	0	0	0	2,875	2,900	400	280	280	160	160	40	0	0	0	0
1,225	1,250	103	0	0	0	2,900	2,925	405	284	284	164	164	44	0	0	0	0
1,250	1,275	107	0	0	0	2,925	2,950	410	289	289	169	169	49	0	0	0	0
1,275	1,300	112	0	0	0	2,950	2,975	415	293	293	173	173	53	0	0	0	0
1,300	1,325	116	0	0	0	2,975	3,000	420	298	298	178	178	58	0	0	0	0
1,325	1,350	121	1	0	0	3,000	3,050	427	305	305	185	185	65	0	0	0	0
1,350	1,375	125	5	0	0	3,050	3,100	437	314	314	194	194	74	0	0	0	0
1,375	1,400	130	10	0	0	3,100	3,150	447	323	323	203	203	83	0	0	0	0
1,400	1,425	134	14	0	0	3,150	3,200	457	332	332	212	212	92	0	0	0	0
1,425	1,450	139	19	0	0	3,200	3,250	467	341	341	221	221	101	0	0	0	0
1,450	1,475	143	23	0	0	3,250	3,300	476	350	350	230	230	110	0	0	0	0
1,475	1,500	148	28	0	0	3,300	3,350	486	359	359	239	239	119	0	0	0	0
1,500	1,525	152	32	0	0	3,350	3,400	496	368	368	248	248	128	8	0	0	0
1,525	1,550	157	37	0	0	3,400	3,450	506	377	377	257	257	137	17	0	0	0
1,550	1,575	161	41	0	0	3,450	3,500	516	386	386	266	266	146	26	0	0	0
1,575	1,600	166	46	0	0	3,500	3,550	526	395	395	275	275	155	35	0	0	0
1,600	1,625	170	50	0	0	3,550	3,600	536	404	404	284	284	164	44	0	0	0
1,625	1,650	175	55	0	0	3,600	3,650	546	414	413	293	293	173	53	0	0	0
1,650	1,675	179	59	0	0	3,650	3,700	556	424	422	302	302	182	62	0	0	0
1,675	1,700	184	64	0	0	3,700	3,750	566	434	431	311	311	191	71	0	0	0
1,700	1,725	188	68	0	0	3,750	3,800	575	443	440	320	320	200	80	0	0	0
1,725	1,750	193	73	0	0	3,800	3,850	585	453	449	329	329	209	89	0	0	0
1,750	1,775	197	77	0	0	3,850	3,900	595	463	458	338	338	218	98	0	0	0
1,775	1,800	202	82	0	0	3,900	3,950	605	473	467	347	347	227	107	0	0	0
1,800	1,825	206	86	0	0	3,950	4,000	615	483	476	356	356	236	116	0	0	0
1,825	1,850	211	91	0	0	4,000	4,050	625	493	485	365	365	245	125	5	0	0
1,850	1,875	215	95	0	0	4,050	4,100	635	503	494	374	374	254	134	14	0	0
1,875	1,900	220	100	0	0	4,100	4,150	645	513	503	383	383	263	143	23	0	0
1,900	1,925	224	104	0	0	4,150	4,200	655	523	512	392	392	272	152	32	0	0
1,925	1,950	229	109	0	0	4,200	4,250	665	533	521	401	401	281	161	41	0	0
1,950	1,975	233	113	0	0	4,250	4,300	674	542	530	410	410	290	170	50	0	0
1,975	2,000	238	118	0	0	4,300	4,350	684	552	539	420	419	299	179	59	0	0
2,000	2,025	242	122	2	0	4,350	4,400	694	562	548	430	428	308	188	68	0	0
2,025	2,050	247	127	7	0	4,400	4,450	704	572	557	440	437	317	197	77	0	0
2,050	2,075	251	131	11	0	4,450	4,500	714	582	566	450	446	326	206	86	0	0
2,075	2,100	256	136	16	0	4,500	4,550	724	592	575	460	455	335	215	95	0	0
2,100	2,125	260	140	20	0	4,550	4,600	734	602	584	470	464	344	224	104	0	0
2,125	2,150	265	145	25	0	4,600	4,650	744	612	593	480	473	353	233	113	0	0
2,150	2,175	269	149	29	0	4,650	4,700	754	622	602	490	482	362	242	122	2	0
2,175	2,200	274	154	34	0	4,700	4,750	764	632	611	500	491	371	251	131	11	0
2,200	2,225	278	158	38	0	4,750	4,800	773	641	620	509	500	380	260	140	20	0
2,225	2,250	283	163	43	0	4,800	4,850	783	651	629	519	509	389	269	149	29	0
2,250	2,275	287	167	47	0	4,850	4,900	793	661	638	529	518	398	278	158	38	0
2,275	2,300	292	172	52	0	4,900	4,950	803	671	647	539	527	407	287	167	47	0
2,300	2,325	296	176	56	0	4,950	5,000	813	681	656	549	536	416	296	176	56	0

Table II
Taxable year beginning January 1, 1950, and ending December 31, 1950

Table with columns: If adjusted gross income is— (At least, But less than), And the number of exemptions is— (1, 2, 3, 4 or more), If adjusted gross income is— (At least, But less than), And the number of exemptions is— (1, 2, 3, 4, 5, 6, 7, 8 or more). Rows list income brackets and exemption counts with corresponding tax values.

## "Table III

"Taxable years (other than the calendar year 1950) beginning before October 1, 1950"

**SEC. 103. COMPUTATION OF TAX IN CASE OF CERTAIN JOINT RETURNS.**

62 Stat. 115,  
26 U. S. C., Sup. III,  
§ 51 (b) (3).

If a joint return of a husband and wife is filed under the provisions of section 51 (b) (3) of the Internal Revenue Code in a case where the husband and wife have different taxable years because of the death of either spouse, and the taxable year of the surviving spouse covered by such joint return began before October 1, 1950, and ended after September 30, 1950, the amendments made by this part shall be applicable in respect of such joint return as if the taxable years of both spouses covered by the joint return ended on the date of the closing of the surviving spouse's taxable year.

**SEC. 104. EFFECTIVE DATE OF PART I.**

Except as provided in section 103, the amendments made by this part shall be applicable only with respect to taxable years ending after December 31, 1949. For treatment of taxable years (other than the calendar year 1950) beginning before October 1, 1950, and ending after September 30, 1950, see section 131.

Post, p. 920.

**Part II—Corporation Income Taxes****SEC. 121. INCREASE IN RATE OF CORPORATION INCOME TAXES.**

53 Stat. 7,  
26 U. S. C. § 13.

(a) AMENDMENT OF SECTION 13.—Section 13 (relating to the normal tax on corporations) is hereby amended to read as follows:

**"SEC. 13. NORMAL TAX ON CORPORATIONS.**

"(a) DEFINITIONS.—For the purposes of this chapter—

53 Stat. 18,  
26 U. S. C. § 26 (a).

"(1) ADJUSTED NET INCOME.—The term 'adjusted net income' means the net income minus the credit provided in section 26 (a), relating to interest on certain obligations of the United States and Government corporations.

"(2) NORMAL TAX NET INCOME.—

"(A) Calendar Year 1950 and Taxable Years Beginning After June 30, 1950.—In the case of a taxable year beginning on January 1, 1950, and ending on December 31, 1950, and in the case of taxable years beginning after June 30, 1950, the term 'normal-tax net income' means the adjusted net income minus the sum of the following credits:

Post, p. 919.

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

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

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

Post, pp. 918, 919,  
1216.

"(B) OTHER TAXABLE YEARS BEGINNING BEFORE JULY 1, 1950.—In the case of taxable years (other than the calendar year 1950, to which subparagraph (A) applies) beginning before July 1, 1950, the term 'normal-tax net income' means the adjusted net income minus the credit for dividends received provided in section 26 (b).

56 Stat. 838,  
26 U. S. C. § 109,  
Post, pp. 920, 1216.

Post, p. 919.

"(b) IMPOSITION OF TAX.—

"(1) TAXABLE YEARS BEGINNING AFTER JUNE 30, 1950.—In the case of taxable years beginning after June 30, 1950, 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) a tax of 25 per centum of the normal-tax net income.

53 Stat. 78, 71, 98.  
26 U. S. C. §§ 231 (a),  
201-207, 361, 362.  
Post, pp. 917, 918,  
919, 947, 961, 1216.

“(2) CALENDAR YEAR 1950.—In the case of a taxable year beginning on January 1, 1950, and ending on December 31, 1950, there shall be levied, collected, and paid for such 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) a tax of 23 per centum of the normal-tax net income.

53 Stat. 78, 71, 98.  
26 U. S. C. §§ 231 (a),  
201-207, 361, 362.  
Post, pp. 917, 918,  
919, 947, 961, 1216.

“(3) OTHER TAXABLE YEARS BEGINNING BEFORE JULY 1, 1950.—In the case of taxable years (other than the calendar year 1950, to which paragraph (2) applies) beginning before July 1, 1950, there shall be levied, collected, and paid for each taxable year upon the normal-tax net income of every corporation the normal-tax net income of which is more than \$25,000 (except a corporation subject to a tax imposed by section 14, section 231 (a), Supplement G, or Supplement Q) whichever of the following taxes is the lesser:

53 Stat. 8, 78, 71, 98.  
26 U. S. C. §§ 14,  
231 (a), 201-207, 361,  
362.

“(A) GENERAL RULE.—A tax of 24 per centum of the normal-tax net income; or

Infra: post, pp. 917,  
918, 919, 947, 961, 1216.

“(B) ALTERNATIVE TAX (CORPORATIONS WITH NORMAL-TAX NET INCOME OVER \$25,000, BUT NOT OVER \$50,000).—A tax of \$4,250, plus 31 per centum of the amount of the normal-tax net income in excess of \$25,000.

For computation of tax in case the taxable year ends after June 30, 1950, see section 108 (f).

Post, pp. 921, 1217.

“(c) EXEMPT CORPORATIONS.—For corporations exempt from taxes under this chapter, see section 101.

Post, pp. 953, 959.

“(d) TAX ON PERSONAL HOLDING COMPANIES.—For surtax on personal holding companies, see section 500.

53 Stat. 104.  
26 U. S. C. § 500.

“(e) IMPROPER ACCUMULATION OF SURPLUS.—For surtax on corporations which accumulate surplus to avoid surtax on shareholders, see section 102.”

53 Stat. 35.  
26 U. S. C. § 102;  
Sup. III, § 102.

(b) AMENDMENT OF SECTION 14 (a).—So much of section 14 (relating to normal tax on special classes of corporations) as precedes subsection (b) thereof is hereby amended to read as follows:

53 Stat. 8.  
26 U. S. C. § 14 (a).

“SEC. 14. TAX ON SPECIAL CLASSES OF CORPORATIONS IN CASE OF TAXABLE YEARS (OTHER THAN THE CALENDAR YEAR 1950) BEGINNING BEFORE JULY 1, 1950.

“(a) IMPOSITION OF TAX IN CASES OF TAXABLE YEARS (OTHER THAN THE CALENDAR YEAR 1950) BEGINNING BEFORE JULY 1, 1950.—In the case of taxable years beginning before July 1, 1950 (other than a taxable year beginning on January 1, 1950, and ending on December 31, 1950), there shall be levied, collected, and paid for each taxable year upon the normal-tax net income of the following corporations (in lieu of the tax imposed by section 13 (b) (3)) the tax hereinafter in this section specified. For computation of tax in case the taxable year ends after June 30, 1950, see section 108 (f).”

Supra.

Post, pp. 921, 1217.

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

54 Stat. 520.  
26 U. S. C. § 15.  
Post, p. 1216.

“SEC. 15. SURTAX ON CORPORATIONS.

“(a) CORPORATION SURTAX NET INCOME.—For the purposes of this chapter—

“(1) CALENDAR YEAR 1950 AND TAXABLE YEARS BEGINNING AFTER JUNE 30, 1950.—In the case of a taxable year beginning on January 1, 1950, and ending on December 31, 1950, and in the case

of taxable years beginning after June 30, 1950, the term 'corporation surtax net income' means the net income minus the sum of the following credits:

- Post, p. 919.
- Post, pp. 918, 919, 1216.
- 56 Stat. 838.  
26 U. S. C. § 109.  
Post, pp. 920, 1216.
- "(A) The credit for dividends received provided in section 26 (b);
- "(B) In the case of a public utility, the credit for dividends paid on its preferred stock provided in section 26 (h);
- "(C) In the case of a western hemisphere trade corporation (as defined in section 109), the credit provided in section 26 (i).

"(2) OTHER TAXABLE YEARS BEGINNING BEFORE JULY 1, 1950.—

In the case of taxable years (other than the calendar year 1950, to which paragraph (1) applies) beginning before July 1, 1950, the term 'corporation surtax net income' means the net income minus the credit for dividends received provided in section 26 (b) and minus, in the case of a public utility, the credit for dividends paid on its preferred stock provided in section 26 (h). For the purposes of this paragraph, dividends received on the preferred stock of a public utility shall be disregarded in computing the credit for dividends received provided in section 26 (b).

"(b) IMPOSITION OF TAX.—

"(1) TAXABLE YEARS BEGINNING AFTER JUNE 30, 1950.—In the case of taxable years beginning after June 30, 1950, 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 20 per centum of the amount of the corporation surtax net income in excess of \$25,000.

"(2) CALENDAR YEAR 1950.—In the case of a taxable year beginning on January 1, 1950, and ending on December 31, 1950, there shall be levied, collected, and paid for such 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 determined by computing a tentative surtax of 19 per centum of the amount of the corporation surtax net income in excess of \$25,000, and by reducing such tentative surtax by an amount equal to 1 per centum of the lower of (A) the amount of the credit provided in section 26 (a), or (B) the amount by which the corporation surtax net income exceeds \$25,000.

"(3) OTHER TAXABLE YEARS BEGINNING BEFORE JULY 1, 1950.—In the case of taxable years (other than the calendar year 1950, to which paragraph (2) applies) beginning before July 1, 1950, there shall be levied, collected, and paid for each taxable year upon the corporation surtax net income of every corporation (except a western hemisphere trade corporation as defined in section 109, and except a corporation subject to a tax imposed by section 231 (a), Supplement G, or Supplement Q) a surtax as follows:

"(A) SURTAX NET INCOMES NOT OVER \$25,000.—Upon corporation surtax net incomes not over \$25,000, 6 per centum of the amount thereof.

"(B) SURTAX NET INCOMES OVER \$25,000 BUT NOT OVER \$50,000.—Upon corporation surtax net incomes over \$25,000, but not over \$50,000, \$1,500 plus 22 per centum of the amount of the corporation surtax net income over \$25,000.

53 Stat. 78, 71, 98.  
26 U. S. C. §§ 231 (a),  
201-207, 361, 362.  
Post, pp. 917, 918,  
919, 947, 961, 1216.

53 Stat. 78, 71, 98.  
26 U. S. C. §§ 231 (a),  
201-207, 361, 362.  
Post, pp. 917, 918,  
919, 947, 961, 1216.

53 Stat. 18.  
26 U. S. C. § 26 (a).

56 Stat. 838.  
26 U. S. C. § 109.  
53 Stat. 78, 71, 98.  
26 U. S. C. §§ 231 (a),  
201-207, 361, 362.  
Post, pp. 917, 918,  
919, 947, 961, 1216.

“(C) SURTAX NET INCOMES OVER \$50,000.—Upon corporation surtax net incomes over \$50,000, 14 per centum of the corporation surtax net income.

For computation of tax in case the taxable year ends after June 30, 1950, see section 108 (f).”

*Post*, pp. 921, 1217.

(d) 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:

53 Stat. 78.  
26 U. S. C. § 207 (a)  
(1).

“(A) Taxable Years Beginning After June 30, 1950.—In the case of taxable years beginning after June 30, 1950—

“(i) Normal Tax.—A normal tax on the normal-tax net income, computed at the rate provided in section 13 (b) (1), or 50 per centum of the amount by which the normal-tax net income exceeds \$3,000, whichever is the lesser; plus

*Ante*, p. 914.

“(ii) Surtax.—A surtax on the corporation surtax net income, computed as provided in section 15 (b) (1).

*Ante*, p. 916; *post*,  
p. 1216.

“(B) Calendar Year 1950.—In the case of a taxable year beginning on January 1, 1950, and ending on December 31, 1950—

“(i) Normal Tax.—A normal tax on the normal-tax net income, computed at the rate provided in section 13 (b) (2), or 46 per centum of the amount by which the normal-tax net income exceeds \$3,000, whichever is the lesser; plus

*Ante*, p. 915.

“(ii) Surtax.—A surtax on the corporation surtax net income, computed as provided in section 15 (b) (2).”

*Ante*, p. 916.

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

56 Stat. 873.  
26 U. S. C. § 207 (a)  
(3).  
*Post*, p. 1216.

“(A) Taxable Years Beginning After June 30, 1950.—In the case of taxable years beginning after June 30, 1950—

“(i) Normal tax.—A normal tax on the normal-tax net income, computed at the rate provided in section 13 (b) (1), or 50 per centum of the amount by which the normal-tax net income exceeds \$50,000, whichever is the lesser; plus

*Ante*, p. 914.

“(ii) Surtax.—A surtax on the corporation surtax net income, computed as provided in section 15 (b) (1), or 30 per centum of the amount by which the corporation surtax net income exceeds \$50,000, whichever is the lesser.

*Ante*, p. 916; *post*,  
p. 1216.

“(B) Calendar Year 1950.—In the case of a taxable year beginning on January 1, 1950, and ending on December 31, 1950—

“(i) Normal tax.—A normal tax on the normal-tax net income, computed at the rate provided in section 13 (b) (2), or 46 per centum of the amount by which the normal-tax net income exceeds \$50,000, whichever is the lesser; plus

*Ante*, p. 915.

“(ii) Surtax.—A surtax on the corporation surtax net income, in an amount computed as provided in section 15 (b) (2), or in an amount equal to one and one-half times the surtax which would be computed under section

*Ante*, p. 916.

15 (b) (2) if the corporation surtax net income were reduced by \$25,000, whichever amount is the lesser.”

(3) The amendments made by this subsection shall apply only with respect to taxable years beginning after June 30, 1950, and to taxable years beginning on January 1, 1950, and ending on December 31, 1950.

(e) REGULATED INVESTMENT COMPANIES.—

(1) Section 362 (b) (3) (relating to normal tax on regulated investment companies) is hereby amended to read as follows:

“(3) In the case of taxable years beginning after June 30, 1950, 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. In the case of taxable years beginning after December 31, 1949, and before July 1, 1950, there shall be levied, collected, and paid for each taxable year upon its Supplement Q net income a tax equal to 23 per centum of the amount thereof.”

(2) Section 362 (b) (4) (relating to surtax on regulated investment companies) is hereby amended to read as follows:

“(4) In the case of taxable years beginning after June 30, 1950, there shall be levied, collected, and paid for each taxable year upon its Supplement Q surtax net income a tax equal to 20 per centum of the amount thereof in excess of \$25,000. In the case of taxable years beginning after December 31, 1949, and before July 1, 1950, there shall be levied, collected, and paid for each taxable year upon its Supplement Q surtax net income a tax equal to 19 per centum of the amount thereof in excess of \$25,000.”

(3) The amendments made by this subsection shall be applicable only with respect to taxable years beginning after December 31, 1949.

(f) TAX UNDER CONSOLIDATED RETURNS.—Section 141 (c) (relating to computation and payment of tax on consolidated returns) is hereby amended by inserting after the first sentence the following: “If the affiliated group includes one or more western hemisphere trade corporations (as defined in section 109), the increase of 2 per centum provided in the preceding sentence shall be applied only on the amount by which the consolidated corporation surtax net income of the affiliated group exceeds the portion (if any) of the consolidated corporation surtax net income attributable to the western hemisphere trade corporations included in such group.”

(g) TECHNICAL AMENDMENTS.—

(1) Section 26 (h) (2) (relating to definition of public utility) is hereby amended by striking out “As used in this subsection and section 15 (a)” and inserting in lieu thereof “As used in this subsection, subsection (b), and sections 13 and 15”.

(2) Section 122 (c) (relating to amount of net operating loss deduction) is hereby amended by striking out “without the credit provided in section 26 (e)” and inserting in lieu thereof “without the credits provided in section 26 (h) and (i)”.

(3) Effective with respect to taxable years beginning after June 30, 1950, and with respect to taxable years beginning on January 1, 1950, and ending on December 31, 1950, section 201 (a) (1) (relating to tax on life insurance companies) is hereby amended by striking out “at the rates provided in section 13 or section 14 (b) and in section 15 (b)” and inserting in lieu thereof “computed as provided in section 13 (b) and in section 15 (b)”.

(4) Effective with respect to taxable years beginning after June 30, 1950, and with respect to taxable years beginning on

56 Stat. 880.  
26 U. S. C. § 362 (b)  
(3).

53 Stat. 96.  
26 U. S. C. §§ 361,  
362.  
*Infra; post*, pp. 947,  
1216.

56 Stat. 880.  
26 U. S. C. § 362 (b)  
(4).  
*Post*, p. 1216.

53 Stat. 58.  
26 U. S. C. § 141 (c).  
*Post*, p. 1217.

56 Stat. 838.  
26 U. S. C. § 109.

56 Stat. 830.  
26 U. S. C. § 26 (h)  
(2).

*Ante*, pp. 914, 915;  
*post*, p. 1216.  
53 Stat. 867.  
26 U. S. C. § 122 (c).

*Supra; post*, pp. 919,  
920, 1216.

56 Stat. 867.  
26 U. S. C. § 201 (a)  
(1).

*Ante*, pp. 914, 916;  
*post*, p. 1216.

January 1, 1950, and ending on December 31, 1950, section 204 (a) (1) (relating to insurance companies other than life or mutual) is hereby amended by striking out "at the rates specified in section 13 or section 14 (b) and in section 15 (b)" and inserting in lieu thereof "computed as provided in section 13 (b) and in section 15 (b)".

56 Stat. 870.  
26 U. S. C. § 204 (a)  
(1).

*Ante*, pp. 914, 916;  
*post*, p. 1216.

(5) Effective with respect to taxable years beginning after June 30, 1950, and with respect to taxable years beginning on January 1, 1950, and ending on December 31, 1950, section 231 (b) (relating to foreign corporations engaged in trade or business within the United States) is hereby amended by striking out "section 14 (c) (1)" and inserting in lieu thereof "section 13".

53 Stat. 866.  
26 U. S. C. § 231 (b).

*Ante*, p. 914.

## SEC. 122. CREDITS OF CORPORATIONS.

(a) **DIVIDENDS RECEIVED CREDIT.**—Section 26 (b) (relating to credits allowed corporations with respect to dividends received) is hereby amended to read as follows:

53 Stat. 19.  
26 U. S. C. § 26 (b).

"(b) **DIVIDENDS RECEIVED.**—An amount equal to the sum of—

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

"(2) **CERTAIN PREFERRED STOCK.**—

"(A) **TAXABLE YEARS BEGINNING AFTER JUNE 30, 1950.**—In the case of taxable years beginning after June 30, 1950, 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.

"(B) **CALENDAR YEAR 1950.**—In the case of a taxable year beginning on January 1, 1950, and ending on December 31, 1950, 57 per centum of the amount received as dividends on the preferred stock of a public utility which is subject to taxation under this chapter.

For the purpose of this subsection (but not for the purposes of computing adjusted net income), if the whole or any part of a dividend is received after August 31, 1950, in property other than money, then, with respect to such property, the shareholder shall not be considered to have received as a dividend an amount in excess of the adjusted basis of such property in the hands of the distributing corporation at the time of distribution increased in the amount of gain or decreased in the amount of loss recognized to the distributing corporation by reason of such distribution. The credit allowed under this subsection shall not be allowed in respect of dividends received from a corporation organized under the China Trade Act, 1922, 42 Stat. 849 (U. S. C., title 15, c. 4), or from a corporation which under section 251 is taxable only on its gross income from sources within the United States by reason of its receiving a large percentage of its gross income from sources within a possession of the United States. In no event shall the credit allowed by this subsection exceed 85 per centum of the adjusted net income computed without regard to the deduction allowed by section 23 (s)."

15 U. S. C., Sup. III,  
§ 146a.  
53 Stat. 79.  
26 U. S. C. § 251;  
Sup. III, § 251.  
*Post*, p. 944.

53 Stat. 867.  
26 U. S. C. § 23 (s).

(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, the amount of dividends paid during the taxable year on its preferred stock, except that (A) in the case of a taxable year beginning on January 1, 1950,

56 Stat. 830.  
26 U. S. C. § 26 (h)  
(1).  
*Post*, p. 1216.

and ending on December 31, 1950, only an amount equal to 33 per centum of the lower of (i) the amount of dividends paid during such 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 (B) in the case of any taxable year beginning after June 30, 1950, only an amount equal to 31 per centum of the lower of (i) the amount of dividends paid during such 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 (relating to credits of corporations) is hereby amended by adding at the end thereof the following new subsection:

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

"(1) TAXABLE YEARS BEGINNING AFTER JUNE 30, 1950.—In the case of any taxable year beginning after June 30, 1950, an amount equal to 31 per centum of its normal-tax net income computed without regard to the credit provided in this subsection.

"(2) CALENDAR YEAR 1950.—In the case of a taxable year beginning on January 1, 1950, and ending on December 31, 1950, an amount equal to 33 per centum of its normal-tax net income computed without regard to the credit provided in this subsection."

#### SEC. 123. EFFECTIVE DATE OF PART II.

The amendments made by this part shall be applicable only with respect to taxable years ending after December 31, 1949. For treatment of taxable years (other than the calendar year 1950) beginning before July 1, 1950, and ending after June 30, 1950, see section 131.

### Part III—Fiscal Year Taxpayers

#### SEC. 131. FISCAL YEAR TAXPAYERS.

(a) AMENDMENT OF SECTION 108.—Section 108 is hereby amended by striking out subsection (e) and inserting in lieu thereof the following new subsections:

"(e) CERTAIN TAXABLE YEARS OF INDIVIDUALS BEGINNING BEFORE OCTOBER 1, 1950, AND ENDING AFTER SEPTEMBER 30, 1950.—In the case of a taxable year (other than one beginning on January 1, 1950, and ending on December 31, 1950) of a taxpayer other than a corporation beginning before October 1, 1950, and ending after September 30, 1950, the tax imposed by sections 11, 12, and 400 shall be an amount equal to the sum of—

"(1) that portion of a tentative tax, computed under the provisions of sections 11 (b), 12 (b) (2), 12 (c) (2), and 12 (d), or Table III of section 400, applicable to such taxable year, which the number of calendar months in such taxable year prior to October 1, 1950, bears to the total number of calendar months in such taxable year, plus

"(2) that portion of a tentative tax, computed under the provisions of sections 11 (a), 12 (b) (1), 12 (d), and 12 (f), or Table I of section 400, as if such provisions were applicable to such taxable year, which the number of calendar months in such taxable year after September 30, 1950, bears to the total number of calendar months in such taxable year.

53 Stat. 18.  
26 U. S. C. § 26.  
*Ante*, pp. 918, 919;  
*post*, p. 1216.

56 Stat. 838.  
26 U. S. C. § 109.

*Infra*.

56 Stat. 837; 62 Stat.  
136.  
26 U. S. C., Sup. III,  
§ 108 (e).

*Ante*, pp. 910, 911.

53 Stat. 6.  
26 U. S. C. § 12 (d).  
*Ante*, pp. 910, 911,  
914.

53 Stat. 6.  
26 U. S. C. § 12 (d).  
*Ante*, pp. 910, 911,  
912.

For the purposes of this subsection, a calendar month only part of which falls within the taxable year (A) shall be disregarded if less than 15 days of such month are included in such taxable year, and (B) shall be included as a calendar month within the taxable year if more than 14 days of such month fall within the taxable year.

“(f) CERTAIN TAXABLE YEARS OF CORPORATIONS BEGINNING BEFORE JULY 1, 1950, AND ENDING AFTER JUNE 30, 1950.—In the case of a taxable year (other than one beginning on January 1, 1950, and ending on December 31, 1950) of a corporation beginning before July 1, 1950, and ending after June 30, 1950, the tax imposed by sections 13, 14, and 15 shall be an amount equal to the sum of—

*Ante*, pp. 914, 915;  
*post*, p. 1216.

“(1) that portion of a tentative tax, computed under the provisions of sections 13 (b) (3), 14, and 15 (b) (3), applicable to such taxable year, which the number of days in such taxable year prior to July 1, 1950, bears to the total number of days in such taxable year, plus

*Ante*, pp. 915, 916.

“(2) that portion of a tentative tax, computed under the provisions of sections 13 (b) (1) and 15 (b) (1), as if such provisions (and the provisions of sections 26 (b) (2) (A), 26 (h) (1) (B), and 26 (i) (1)) were applicable to such taxable year, which the number of days in such taxable year after June 30, 1950, bears to the total number of days in such taxable year.

*Ante*, pp. 914, 916;  
*post*, p. 1216.

*Ante*, pp. 919, 920;  
*post*, p. 1216.

“(g) SPECIAL CLASSES OF TAXPAYERS.—This section shall not apply to an insurance company subject to Supplement G or an investment company subject to Supplement Q.”

53 Stat. 71, 98.  
26 U. S. C. §§ 201-207, 361, 362.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) in striking out subsection (e) of section 108 of the Internal Revenue Code shall not apply in the case of any taxable year described in subsections (a), (b), or (c) of such section.

*Ante*, pp. 917, 918, 919; *post*, pp. 947, 961, 1216.  
Nonapplicability.

56 Stat. 837; 59 Stat. 570.  
26 U. S. C. § 108 (a), (b), (c).

## Part IV—Increase in Withholding of Tax at Source on Wages

### SEC. 141. PERCENTAGE METHOD OF WITHHOLDING.

Section 1622 (a) (relating to percentage method of withholding) is hereby amended by striking out “15 per centum” and inserting in lieu thereof “18 per centum”.

62 Stat. 130.  
26 U. S. C., Sup. III,  
§ 1622 (a).

### SEC. 142. WAGE BRACKET WITHHOLDING.

The tables contained in section 1622 (c) (1) (relating to wage bracket withholding) are hereby amended to read as follows:

62 Stat. 130.  
26 U. S. C., Sup. III,  
1622 (c) (1).

"If the pay-roll period with respect to an employee is weekly

And the wages are—		And the number of withholding exemptions claimed is—										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of tax to be withheld shall be—										
\$0	\$13	18% of wages	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$13	\$14	\$2.40	.10	0	0	0	0	0	0	0	0	0
\$14	\$15	2.60	.30	0	0	0	0	0	0	0	0	0
\$15	\$16	2.80	.50	0	0	0	0	0	0	0	0	0
\$16	\$17	3.00	.70	0	0	0	0	0	0	0	0	0
\$17	\$18	3.20	.80	0	0	0	0	0	0	0	0	0
\$18	\$19	3.30	1.00	0	0	0	0	0	0	0	0	0
\$19	\$20	3.50	1.20	0	0	0	0	0	0	0	0	0
\$20	\$21	3.70	1.40	0	0	0	0	0	0	0	0	0
\$21	\$22	3.90	1.60	0	0	0	0	0	0	0	0	0
\$22	\$23	4.10	1.70	0	0	0	0	0	0	0	0	0
\$23	\$24	4.20	1.90	0	0	0	0	0	0	0	0	0
\$24	\$25	4.40	2.10	0	0	0	0	0	0	0	0	0
\$25	\$26	4.60	2.30	0	0	0	0	0	0	0	0	0
\$26	\$27	4.80	2.50	.20	0	0	0	0	0	0	0	0
\$27	\$28	5.00	2.60	.30	0	0	0	0	0	0	0	0
\$28	\$29	5.10	2.80	.50	0	0	0	0	0	0	0	0
\$29	\$30	5.30	3.00	.70	0	0	0	0	0	0	0	0
\$30	\$31	5.50	3.20	.90	0	0	0	0	0	0	0	0
\$31	\$32	5.70	3.40	1.10	0	0	0	0	0	0	0	0
\$32	\$33	5.90	3.50	1.20	0	0	0	0	0	0	0	0
\$33	\$34	6.00	3.70	1.40	0	0	0	0	0	0	0	0
\$34	\$35	6.20	3.90	1.60	0	0	0	0	0	0	0	0
\$35	\$36	6.40	4.10	1.80	0	0	0	0	0	0	0	0
\$36	\$37	6.60	4.30	2.00	0	0	0	0	0	0	0	0
\$37	\$38	6.80	4.40	2.10	0	0	0	0	0	0	0	0
\$38	\$39	6.90	4.60	2.30	0	0	0	0	0	0	0	0
\$39	\$40	7.10	4.80	2.50	.20	0	0	0	0	0	0	0
\$40	\$41	7.30	5.00	2.70	.40	0	0	0	0	0	0	0
\$41	\$42	7.50	5.20	2.90	.50	0	0	0	0	0	0	0
\$42	\$43	7.70	5.30	3.00	.70	0	0	0	0	0	0	0
\$43	\$44	7.80	5.50	3.20	.90	0	0	0	0	0	0	0
\$44	\$45	8.00	5.70	3.40	1.10	0	0	0	0	0	0	0
\$45	\$46	8.20	5.90	3.60	1.30	0	0	0	0	0	0	0
\$46	\$47	8.40	6.10	3.80	1.40	0	0	0	0	0	0	0
\$47	\$48	8.60	6.20	3.90	1.60	0	0	0	0	0	0	0
\$48	\$49	8.70	6.40	4.10	1.80	0	0	0	0	0	0	0
\$49	\$50	8.90	6.60	4.30	2.00	0	0	0	0	0	0	0
\$50	\$51	9.10	6.80	4.50	2.20	0	0	0	0	0	0	0
\$51	\$52	9.30	7.00	4.70	2.30	0	0	0	0	0	0	0
\$52	\$53	9.50	7.10	4.80	2.50	.20	0	0	0	0	0	0
\$53	\$54	9.60	7.30	5.00	2.70	.40	0	0	0	0	0	0
\$54	\$55	9.80	7.50	5.20	2.90	.60	0	0	0	0	0	0
\$55	\$56	10.00	7.70	5.40	3.10	.80	0	0	0	0	0	0
\$56	\$57	10.20	7.90	5.60	3.20	.90	0	0	0	0	0	0
\$57	\$58	10.40	8.00	5.70	3.40	1.10	0	0	0	0	0	0
\$58	\$59	10.50	8.20	5.90	3.60	1.30	0	0	0	0	0	0
\$59	\$60	10.70	8.40	6.10	3.80	1.50	0	0	0	0	0	0
\$60	\$62	11.00	8.70	6.40	4.10	1.70	0	0	0	0	0	0
\$62	\$64	11.30	9.00	6.70	4.40	2.10	0	0	0	0	0	0
\$64	\$66	11.70	9.40	7.10	4.80	2.50	.20	0	0	0	0	0
\$66	\$68	12.10	9.80	7.40	5.10	2.80	.50	0	0	0	0	0
\$68	\$70	12.40	10.10	7.80	5.50	3.20	.90	0	0	0	0	0
\$70	\$72	12.80	10.50	8.20	5.90	3.50	1.20	0	0	0	0	0
\$72	\$74	13.10	10.80	8.50	6.20	3.90	1.60	0	0	0	0	0
\$74	\$76	13.50	11.20	8.90	6.60	4.30	2.00	0	0	0	0	0
\$76	\$78	13.90	11.60	9.20	6.90	4.60	2.30	0	0	0	0	0
\$78	\$80	14.20	11.90	9.60	7.30	5.00	2.70	.40	0	0	0	0
\$80	\$82	14.60	12.30	10.00	7.70	5.30	3.00	.70	0	0	0	0
\$82	\$84	14.90	12.60	10.30	8.00	5.70	3.40	1.10	0	0	0	0
\$84	\$86	15.30	13.00	10.70	8.40	6.10	3.80	1.50	0	0	0	0
\$86	\$88	15.70	13.40	11.00	8.70	6.40	4.10	1.80	0	0	0	0
\$88	\$90	16.00	13.70	11.40	9.10	6.80	4.50	2.20	0	0	0	0
\$90	\$92	16.40	14.10	11.80	9.50	7.10	4.80	2.50	.20	0	0	0
\$92	\$94	16.70	14.40	12.10	9.80	7.50	5.20	2.90	.60	0	0	0
\$94	\$96	17.10	14.80	12.50	10.20	7.90	5.60	3.30	.90	0	0	0
\$96	\$98	17.50	15.20	12.80	10.50	8.20	5.90	3.60	1.30	0	0	0
\$98	\$100	17.80	15.50	13.20	10.90	8.60	6.30	4.00	1.70	0	0	0
\$100	\$105	18.50	16.10	13.80	11.50	9.20	6.90	4.60	2.30	0	0	0
\$105	\$110	19.40	17.00	14.70	12.40	10.10	7.80	5.50	3.20	.90	0	0
\$110	\$115	20.30	17.90	15.60	13.30	11.00	8.70	6.40	4.10	1.80	0	0
\$115	\$120	21.20	18.80	16.50	14.20	11.90	9.60	7.30	5.00	2.70	.40	0
\$120	\$125	22.10	19.70	17.40	15.10	12.80	10.50	8.20	5.90	3.60	1.30	0
\$125	\$130	23.00	20.60	18.30	16.00	13.70	11.40	9.10	6.80	4.50	2.20	0
\$130	\$135	23.90	21.50	19.20	16.90	14.60	12.30	10.00	7.70	5.40	3.10	.80
\$135	\$140	24.80	22.40	20.10	17.80	15.50	13.20	10.90	8.60	6.30	4.00	1.70
\$140	\$145	25.70	23.30	21.00	18.70	16.40	14.10	11.80	9.50	7.20	4.90	2.60
\$145	\$150	26.60	24.20	21.90	19.60	17.30	15.00	12.70	10.40	8.10	5.80	3.50
\$150	\$160	27.90	25.60	23.30	21.00	18.70	16.40	14.10	11.70	9.40	7.10	4.80
\$160	\$170	29.70	27.40	25.10	22.80	20.50	18.20	15.90	13.50	11.20	8.90	6.60
\$170	\$180	31.50	29.20	26.90	24.60	22.30	20.00	17.70	15.30	13.00	10.70	8.40
\$180	\$190	33.30	31.00	28.70	26.40	24.10	21.80	19.50	17.10	14.80	12.50	10.20
\$190	\$200	35.10	32.80	30.50	28.20	25.90	23.60	21.30	18.90	16.60	14.30	12.00
		18 percent of the excess over \$200 plus—										
\$200 and over		36.00	33.70	31.40	29.10	26.80	24.50	22.20	19.80	17.50	15.20	12.90

"If the pay-roll period with respect to an employee is biweekly

And the wages are—		And the number of withholding exemptions claimed is—										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of tax to be withheld shall be—										
		18% of wages	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$26	\$4.90	.20	0	0	0	0	0	0	0	0	0
\$26	\$28	5.20	.60	0	0	0	0	0	0	0	0	0
\$28	\$30	5.60	1.00	0	0	0	0	0	0	0	0	0
\$30	\$32	5.90	1.30	0	0	0	0	0	0	0	0	0
\$32	\$34	6.30	1.70	0	0	0	0	0	0	0	0	0
\$34	\$36	6.70	2.00	0	0	0	0	0	0	0	0	0
\$36	\$38	7.00	2.40	0	0	0	0	0	0	0	0	0
\$38	\$40	7.40	2.80	0	0	0	0	0	0	0	0	0
\$40	\$42	7.70	3.10	0	0	0	0	0	0	0	0	0
\$42	\$44	8.10	3.50	0	0	0	0	0	0	0	0	0
\$44	\$46	8.50	3.80	0	0	0	0	0	0	0	0	0
\$46	\$48	8.80	4.20	0	0	0	0	0	0	0	0	0
\$48	\$50	9.20	4.60	0	0	0	0	0	0	0	0	0
\$50	\$52	9.50	4.90	0	0	0	0	0	0	0	0	0
\$52	\$54	9.90	5.30	.30	0	0	0	0	0	0	0	0
\$54	\$56	10.30	5.60	1.00	0	0	0	0	0	0	0	0
\$56	\$58	10.60	6.00	1.40	0	0	0	0	0	0	0	0
\$58	\$60	11.00	6.40	1.70	0	0	0	0	0	0	0	0
\$60	\$62	11.30	6.70	2.10	0	0	0	0	0	0	0	0
\$62	\$64	11.70	7.10	2.50	0	0	0	0	0	0	0	0
\$64	\$66	12.10	7.40	2.80	0	0	0	0	0	0	0	0
\$66	\$68	12.40	7.80	3.20	0	0	0	0	0	0	0	0
\$68	\$70	12.80	8.20	3.50	0	0	0	0	0	0	0	0
\$70	\$72	13.10	8.50	3.90	0	0	0	0	0	0	0	0
\$72	\$74	13.50	8.90	4.30	0	0	0	0	0	0	0	0
\$74	\$76	13.90	9.20	4.60	0	0	0	0	0	0	0	0
\$76	\$78	14.20	9.60	5.00	.40	0	0	0	0	0	0	0
\$78	\$80	14.60	10.00	5.30	.70	0	0	0	0	0	0	0
\$80	\$82	14.90	10.30	5.70	1.10	0	0	0	0	0	0	0
\$82	\$84	15.30	10.70	6.10	1.50	0	0	0	0	0	0	0
\$84	\$86	15.70	11.00	6.40	1.80	0	0	0	0	0	0	0
\$86	\$88	16.00	11.40	6.80	2.20	0	0	0	0	0	0	0
\$88	\$90	16.40	11.80	7.10	2.50	0	0	0	0	0	0	0
\$90	\$92	16.70	12.10	7.50	2.90	0	0	0	0	0	0	0
\$92	\$94	17.10	12.50	7.90	3.30	0	0	0	0	0	0	0
\$94	\$96	17.50	12.80	8.20	3.60	0	0	0	0	0	0	0
\$96	\$98	17.80	13.20	8.60	4.00	0	0	0	0	0	0	0
\$98	\$100	18.20	13.60	8.90	4.30	0	0	0	0	0	0	0
\$100	\$102	18.50	13.90	9.30	4.70	.10	0	0	0	0	0	0
\$102	\$104	18.90	14.30	9.70	5.10	.40	0	0	0	0	0	0
\$104	\$106	19.30	14.60	10.00	5.40	.80	0	0	0	0	0	0
\$106	\$108	19.60	15.00	10.40	5.80	1.20	0	0	0	0	0	0
\$108	\$110	20.00	15.40	10.70	6.10	1.50	0	0	0	0	0	0
\$110	\$112	20.30	15.70	11.10	6.50	1.90	0	0	0	0	0	0
\$112	\$114	20.70	16.10	11.50	6.90	2.30	0	0	0	0	0	0
\$114	\$116	21.10	16.40	11.80	7.30	2.60	0	0	0	0	0	0
\$116	\$118	21.40	16.80	12.20	7.60	3.00	0	0	0	0	0	0
\$118	\$120	22.00	17.30	12.70	8.10	3.50	0	0	0	0	0	0
\$120	\$124	22.70	18.10	13.40	8.80	4.20	0	0	0	0	0	0
\$124	\$128	23.40	18.80	14.20	9.60	4.90	.30	0	0	0	0	0
\$128	\$132	24.10	19.50	14.90	10.30	5.70	1.00	0	0	0	0	0
\$132	\$136	24.80	20.20	15.60	11.00	6.40	1.80	0	0	0	0	0
\$136	\$140	25.60	20.90	16.30	11.70	7.10	2.50	0	0	0	0	0
\$140	\$144	26.30	21.70	17.00	12.40	7.80	3.20	0	0	0	0	0
\$144	\$148	27.00	22.40	17.80	13.20	8.50	3.90	0	0	0	0	0
\$148	\$152	27.70	23.10	18.50	13.90	9.30	4.60	0	0	0	0	0
\$152	\$156	28.40	23.80	19.20	14.60	10.00	5.40	.70	0	0	0	0
\$156	\$160	29.20	24.50	19.90	15.30	10.70	6.10	1.50	0	0	0	0
\$160	\$164	29.90	25.30	20.60	16.00	11.40	6.80	2.20	0	0	0	0
\$164	\$168	30.60	26.00	21.40	16.80	12.10	7.50	2.90	0	0	0	0
\$168	\$172	31.30	26.70	22.10	17.50	12.90	8.20	3.60	0	0	0	0
\$172	\$176	32.00	27.40	22.80	18.20	13.60	9.00	4.30	0	0	0	0
\$176	\$180	32.80	28.10	23.50	18.90	14.30	9.70	5.10	.50	0	0	0
\$180	\$184	33.50	28.90	24.20	19.60	15.00	10.40	5.80	1.20	0	0	0
\$184	\$188	34.20	29.60	25.00	20.40	15.70	11.10	6.50	1.90	0	0	0
\$188	\$192	34.90	30.30	25.70	21.10	16.50	11.80	7.20	2.60	0	0	0
\$192	\$196	35.60	31.00	26.40	21.80	17.20	12.60	7.90	3.30	0	0	0
\$196	\$200	36.90	32.30	27.70	23.10	18.40	13.80	9.20	4.60	0	0	0
\$200	\$210	38.70	34.10	29.50	24.90	20.20	15.60	11.00	6.40	1.80	0	0
\$210	\$220	40.50	35.90	31.30	26.70	22.00	17.40	12.80	8.20	3.60	0	0
\$220	\$230	42.30	37.70	33.10	28.50	23.80	19.20	14.60	10.00	5.40	.80	0
\$230	\$240	44.10	39.50	34.90	30.30	25.60	21.00	16.40	11.80	7.20	2.60	0
\$240	\$250	45.90	41.30	36.70	32.10	27.40	22.80	18.20	13.60	9.00	4.40	0
\$250	\$260	47.70	43.10	38.50	33.90	29.20	24.60	20.00	15.40	10.80	6.20	1.50
\$260	\$270	49.50	44.90	40.30	35.70	31.00	26.40	21.80	17.20	12.60	8.00	3.30
\$270	\$280	51.30	46.70	42.10	37.50	32.80	28.20	23.60	19.00	14.40	9.80	5.10
\$280	\$290	53.10	48.50	43.90	39.30	34.60	30.00	25.40	20.80	16.20	11.60	6.90
\$290	\$300	55.80	51.20	46.60	42.00	37.30	32.70	28.10	23.50	18.90	14.30	9.60
\$300	\$340	59.40	54.80	50.20	45.60	40.90	36.30	31.70	27.10	22.50	17.90	13.20
\$340	\$360	63.00	58.40	53.80	49.20	44.50	39.90	35.30	30.70	26.10	21.50	16.80
\$360	\$380	66.60	62.00	57.40	52.80	48.10	43.50	38.90	34.30	29.70	25.10	20.40
\$380	\$400	70.20	65.60	61.00	56.40	51.70	47.10	42.50	37.90	33.30	28.70	24.00
		18 percent of the excess over \$400 plus—										
\$400 and over		72.00	67.40	62.80	58.20	53.50	48.90	44.30	39.70	35.10	30.50	25.90

"If the pay-roll period with respect to an employee is semimonthly

And the wages are—		And the number of withholding exemptions claimed is—										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of tax to be withheld shall be—										
		18% of wages										
\$0.	\$28.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$28.	\$30.	.20	0	0	0	0	0	0	0	0	0	0
\$30.	\$32.	5.60	.60	0	0	0	0	0	0	0	0	0
\$32.	\$34.	5.90	.90	0	0	0	0	0	0	0	0	0
\$34.	\$36.	6.30	1.30	0	0	0	0	0	0	0	0	0
\$36.	\$38.	6.70	1.70	0	0	0	0	0	0	0	0	0
\$38.	\$40.	7.00	2.00	0	0	0	0	0	0	0	0	0
\$40.	\$42.	7.40	2.40	0	0	0	0	0	0	0	0	0
\$42.	\$44.	7.70	2.70	0	0	0	0	0	0	0	0	0
\$44.	\$46.	8.10	3.10	0	0	0	0	0	0	0	0	0
\$46.	\$48.	8.50	3.50	0	0	0	0	0	0	0	0	0
\$48.	\$50.	8.80	3.80	0	0	0	0	0	0	0	0	0
\$50.	\$52.	9.20	4.20	0	0	0	0	0	0	0	0	0
\$52.	\$54.	9.50	4.50	0	0	0	0	0	0	0	0	0
\$54.	\$56.	9.90	4.90	0	0	0	0	0	0	0	0	0
\$56.	\$58.	10.30	5.30	.30	0	0	0	0	0	0	0	0
\$58.	\$60.	10.60	5.60	.60	0	0	0	0	0	0	0	0
\$60.	\$62.	11.00	6.00	1.00	0	0	0	0	0	0	0	0
\$62.	\$64.	11.30	6.30	1.30	0	0	0	0	0	0	0	0
\$64.	\$66.	11.70	6.70	1.70	0	0	0	0	0	0	0	0
\$66.	\$68.	12.10	7.10	2.10	0	0	0	0	0	0	0	0
\$68.	\$70.	12.40	7.40	2.40	0	0	0	0	0	0	0	0
\$70.	\$72.	12.80	7.80	2.80	0	0	0	0	0	0	0	0
\$72.	\$74.	13.10	8.10	3.10	0	0	0	0	0	0	0	0
\$74.	\$76.	13.50	8.50	3.50	0	0	0	0	0	0	0	0
\$76.	\$78.	13.90	8.90	3.90	0	0	0	0	0	0	0	0
\$78.	\$80.	14.20	9.20	4.20	0	0	0	0	0	0	0	0
\$80.	\$82.	14.60	9.60	4.60	0	0	0	0	0	0	0	0
\$82.	\$84.	14.90	9.90	4.90	0	0	0	0	0	0	0	0
\$84.	\$86.	15.30	10.30	5.30	.30	0	0	0	0	0	0	0
\$86.	\$88.	15.70	10.70	5.70	.70	0	0	0	0	0	0	0
\$88.	\$90.	16.00	11.00	6.00	1.00	0	0	0	0	0	0	0
\$90.	\$92.	16.40	11.40	6.40	1.40	0	0	0	0	0	0	0
\$92.	\$94.	16.70	11.70	6.70	1.70	0	0	0	0	0	0	0
\$94.	\$96.	17.10	12.10	7.10	2.10	0	0	0	0	0	0	0
\$96.	\$98.	17.50	12.50	7.50	2.50	0	0	0	0	0	0	0
\$98.	\$100.	17.80	12.80	7.80	2.80	0	0	0	0	0	0	0
\$100.	\$102.	18.20	13.20	8.20	3.20	0	0	0	0	0	0	0
\$102.	\$104.	18.50	13.50	8.50	3.50	0	0	0	0	0	0	0
\$104.	\$106.	18.90	13.90	8.90	3.90	0	0	0	0	0	0	0
\$106.	\$108.	19.30	14.30	9.30	4.30	0	0	0	0	0	0	0
\$108.	\$110.	19.60	14.60	9.60	4.60	0	0	0	0	0	0	0
\$110.	\$112.	20.00	15.00	10.00	5.00	0	0	0	0	0	0	0
\$112.	\$114.	20.30	15.30	10.30	5.30	.30	0	0	0	0	0	0
\$114.	\$116.	20.70	15.70	10.70	5.70	.70	0	0	0	0	0	0
\$116.	\$118.	21.10	16.10	11.10	6.10	1.10	0	0	0	0	0	0
\$118.	\$120.	21.40	16.40	11.40	6.40	1.40	0	0	0	0	0	0
\$120.	\$124.	22.00	17.00	12.00	7.00	2.00	0	0	0	0	0	0
\$124.	\$128.	22.70	17.70	12.70	7.70	2.70	0	0	0	0	0	0
\$128.	\$132.	23.40	18.40	13.40	8.40	3.40	0	0	0	0	0	0
\$132.	\$136.	24.10	19.10	14.10	9.10	4.10	0	0	0	0	0	0
\$136.	\$140.	24.80	19.80	14.80	9.80	4.80	0	0	0	0	0	0
\$140.	\$144.	25.60	20.60	15.60	10.60	5.60	0	0	0	0	0	0
\$144.	\$148.	26.30	21.30	16.30	11.30	6.30	1.30	0	0	0	0	0
\$148.	\$152.	27.00	22.00	17.00	12.00	7.00	2.00	0	0	0	0	0
\$152.	\$156.	27.70	22.70	17.70	12.70	7.70	2.70	0	0	0	0	0
\$156.	\$160.	28.40	23.40	18.40	13.40	8.40	3.40	0	0	0	0	0
\$160.	\$164.	29.20	24.20	19.20	14.20	9.20	4.20	0	0	0	0	0
\$164.	\$168.	29.90	24.90	19.90	14.90	9.90	4.90	0	0	0	0	0
\$168.	\$172.	30.60	25.60	20.60	15.60	10.60	5.60	.60	0	0	0	0
\$172.	\$176.	31.30	26.30	21.30	16.30	11.30	6.30	1.30	0	0	0	0
\$176.	\$180.	32.00	27.00	22.00	17.00	12.00	7.00	2.00	0	0	0	0
\$180.	\$184.	32.80	27.80	22.80	17.80	12.80	7.80	2.80	0	0	0	0
\$184.	\$188.	33.50	28.50	23.50	18.50	13.50	8.50	3.50	0	0	0	0
\$188.	\$192.	34.20	29.20	24.20	19.20	14.20	9.20	4.20	0	0	0	0
\$192.	\$196.	34.90	29.90	24.90	19.90	14.90	9.90	4.90	0	0	0	0
\$196.	\$200.	35.60	30.60	25.60	20.60	15.60	10.60	5.60	.60	0	0	0
\$200.	\$204.	36.90	31.90	26.90	21.90	16.90	11.90	6.90	1.90	0	0	0
\$204.	\$210.	38.70	33.70	28.70	23.70	18.70	13.70	8.70	3.70	0	0	0
\$210.	\$220.	40.50	35.50	30.50	25.50	20.50	15.50	10.50	5.50	.50	0	0
\$220.	\$230.	42.30	37.30	32.30	27.30	22.30	17.30	12.30	7.30	2.30	0	0
\$230.	\$240.	44.10	39.10	34.10	29.10	24.10	19.10	14.10	9.10	4.10	0	0
\$240.	\$250.	45.90	40.90	35.90	30.90	25.90	20.90	15.90	10.90	5.90	.90	0
\$250.	\$260.	47.70	42.70	37.70	32.70	27.70	22.70	17.70	12.70	7.70	2.70	0
\$260.	\$270.	49.50	44.50	39.50	34.50	29.50	24.50	19.50	14.50	9.50	4.50	0
\$270.	\$280.	51.30	46.30	41.30	36.30	31.30	26.30	21.30	16.30	11.30	6.30	1.30
\$280.	\$300.	53.10	48.10	43.10	38.10	33.10	28.10	23.10	18.10	13.10	8.10	3.10
\$300.	\$320.	55.80	50.80	45.80	40.80	35.80	30.80	25.80	20.80	15.80	10.80	5.80
\$320.	\$340.	59.40	54.40	49.40	44.40	39.40	34.40	29.40	24.40	19.40	14.40	9.40
\$340.	\$360.	63.00	58.00	53.00	48.00	43.00	38.00	33.00	28.00	23.00	18.00	13.00
\$360.	\$380.	66.60	61.60	56.60	51.60	46.60	41.60	36.60	31.60	26.60	21.60	16.60
\$380.	\$400.	70.20	65.20	60.20	55.20	50.20	45.20	40.20	35.20	30.20	25.20	20.20
\$400.	\$420.	73.80	68.80	63.80	58.80	53.80	48.80	43.80	38.80	33.80	28.80	23.80
\$420.	\$440.	77.40	72.40	67.40	62.40	57.40	52.40	47.40	42.40	37.40	32.40	27.40
\$440.	\$460.	81.00	76.00	71.00	66.00	61.00	56.00	51.00	46.00	41.00	36.00	31.00
\$460.	\$480.	84.60	79.60	74.60	69.60	64.60	59.60	54.60	49.60	44.60	39.60	34.60
\$480.	\$500.	88.20	83.20	78.20	73.20	68.20	63.20	58.20	53.20	48.20	43.20	38.20
\$500 and over		90.00	85.00	80.00	75.00	70.00	65.00	60.00	55.00	50.00	45.00	40.00

"If the pay-roll period with respect to an employee is monthly

And the wages are—		And the number of withholding exemptions claimed is—												
At least	But less than	The amount of tax to be withheld shall be—												
		0	1	2	3	4	5	6	7	8	9	10 or more		
		1% of wages	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$0	\$50	\$10.40												
\$50	\$60	11.20	1.40	0	0	0	0	0	0	0	0	0	0	0
\$60	\$64	11.90	1.20	0	0	0	0	0	0	0	0	0	0	0
\$64	\$68	12.60	1.90	0	0	0	0	0	0	0	0	0	0	0
\$68	\$72	13.30	2.60	0	0	0	0	0	0	0	0	0	0	0
\$72	\$76	14.00	3.30	0	0	0	0	0	0	0	0	0	0	0
\$76	\$80	14.80	4.00	0	0	0	0	0	0	0	0	0	0	0
\$80	\$84	15.50	4.80	0	0	0	0	0	0	0	0	0	0	0
\$84	\$88	16.20	5.50	0	0	0	0	0	0	0	0	0	0	0
\$88	\$92	16.90	6.20	0	0	0	0	0	0	0	0	0	0	0
\$92	\$96	17.60	6.90	0	0	0	0	0	0	0	0	0	0	0
\$96	\$100	18.40	7.60	0	0	0	0	0	0	0	0	0	0	0
\$100	\$104	19.10	8.40	0	0	0	0	0	0	0	0	0	0	0
\$104	\$108	19.80	9.10	0	0	0	0	0	0	0	0	0	0	0
\$108	\$112	20.50	9.80	0	0	0	0	0	0	0	0	0	0	0
\$112	\$116	21.20	10.50	.50	0	0	0	0	0	0	0	0	0	0
\$116	\$120	22.00	11.20	1.20	0	0	0	0	0	0	0	0	0	0
\$120	\$124	22.70	12.00	2.00	0	0	0	0	0	0	0	0	0	0
\$124	\$128	23.40	12.70	2.70	0	0	0	0	0	0	0	0	0	0
\$128	\$132	24.10	13.40	3.40	0	0	0	0	0	0	0	0	0	0
\$132	\$136	24.80	14.10	4.10	0	0	0	0	0	0	0	0	0	0
\$136	\$140	25.50	14.80	4.80	0	0	0	0	0	0	0	0	0	0
\$140	\$144	26.30	15.60	5.60	0	0	0	0	0	0	0	0	0	0
\$144	\$148	27.00	16.30	6.30	0	0	0	0	0	0	0	0	0	0
\$148	\$152	27.70	17.00	7.00	0	0	0	0	0	0	0	0	0	0
\$152	\$156	28.40	17.70	7.70	0	0	0	0	0	0	0	0	0	0
\$156	\$160	29.20	18.40	8.40	0	0	0	0	0	0	0	0	0	0
\$160	\$164	29.90	19.20	9.20	0	0	0	0	0	0	0	0	0	0
\$164	\$168	30.60	19.90	9.90	0	0	0	0	0	0	0	0	0	0
\$168	\$172	31.30	20.60	10.60	.60	0	0	0	0	0	0	0	0	0
\$172	\$176	32.00	21.30	11.30	1.30	0	0	0	0	0	0	0	0	0
\$176	\$180	32.70	22.00	12.00	2.00	0	0	0	0	0	0	0	0	0
\$180	\$184	33.40	22.80	12.80	2.80	0	0	0	0	0	0	0	0	0
\$184	\$188	34.10	23.50	13.50	3.50	0	0	0	0	0	0	0	0	0
\$188	\$192	34.80	24.20	14.20	4.20	0	0	0	0	0	0	0	0	0
\$192	\$196	35.50	24.90	14.90	4.90	0	0	0	0	0	0	0	0	0
\$196	\$200	36.20	25.60	15.60	5.60	0	0	0	0	0	0	0	0	0
\$200	\$204	36.90	26.40	16.40	6.40	0	0	0	0	0	0	0	0	0
\$204	\$208	37.60	27.10	17.10	7.10	0	0	0	0	0	0	0	0	0
\$208	\$212	38.30	27.80	17.80	7.80	0	0	0	0	0	0	0	0	0
\$212	\$216	39.00	28.50	18.50	8.50	0	0	0	0	0	0	0	0	0
\$216	\$220	39.70	29.20	19.20	9.20	0	0	0	0	0	0	0	0	0
\$220	\$224	40.40	30.00	20.00	10.00	0	0	0	0	0	0	0	0	0
\$224	\$228	41.10	30.70	20.70	10.70	.70	0	0	0	0	0	0	0	0
\$228	\$232	41.80	31.40	21.40	11.40	1.40	0	0	0	0	0	0	0	0
\$232	\$236	42.50	32.10	22.10	12.10	2.10	0	0	0	0	0	0	0	0
\$236	\$240	43.20	32.80	22.80	12.80	2.80	0	0	0	0	0	0	0	0
\$240	\$248	44.00	33.60	23.60	13.60	3.60	0	0	0	0	0	0	0	0
\$248	\$256	44.80	34.40	24.40	14.40	4.40	0	0	0	0	0	0	0	0
\$256	\$264	45.60	35.20	25.20	15.20	5.20	0	0	0	0	0	0	0	0
\$264	\$272	46.40	36.00	26.00	16.00	6.00	0	0	0	0	0	0	0	0
\$272	\$280	47.20	36.80	26.80	16.80	6.80	0	0	0	0	0	0	0	0
\$280	\$288	48.00	37.60	27.60	17.60	7.60	0	0	0	0	0	0	0	0
\$288	\$296	48.80	38.40	28.40	18.40	8.40	0	0	0	0	0	0	0	0
\$296	\$304	49.60	39.20	29.20	19.20	9.20	0	0	0	0	0	0	0	0
\$304	\$312	50.40	40.00	30.00	20.00	10.00	0	0	0	0	0	0	0	0
\$312	\$320	51.20	40.80	30.80	20.80	11.00	1.10	0	0	0	0	0	0	0
\$320	\$328	52.00	41.60	31.60	21.60	12.00	2.00	0	0	0	0	0	0	0
\$328	\$336	52.80	42.40	32.40	22.40	13.00	3.00	0	0	0	0	0	0	0
\$336	\$344	53.60	43.20	33.20	23.20	14.00	4.00	0	0	0	0	0	0	0
\$344	\$352	54.40	44.00	34.00	24.00	15.00	5.00	0	0	0	0	0	0	0
\$352	\$360	55.20	44.80	34.80	24.80	16.00	6.00	0	0	0	0	0	0	0
\$360	\$368	56.00	45.60	35.60	25.60	17.00	7.00	0	0	0	0	0	0	0
\$368	\$376	56.80	46.40	36.40	26.40	18.00	8.00	0	0	0	0	0	0	0
\$376	\$384	57.60	47.20	37.20	27.20	19.00	9.00	0	0	0	0	0	0	0
\$384	\$392	58.40	48.00	38.00	28.00	20.00	10.00	0	0	0	0	0	0	0
\$392	\$400	59.20	48.80	38.80	28.80	21.00	11.00	1.00	0	0	0	0	0	0
\$400	\$420	60.00	49.60	39.60	29.60	22.00	12.00	2.00	0	0	0	0	0	0
\$420	\$440	60.80	50.40	40.40	30.40	23.00	13.00	3.00	0	0	0	0	0	0
\$440	\$460	61.60	51.20	41.20	31.20	24.00	14.00	4.00	0	0	0	0	0	0
\$460	\$480	62.40	52.00	42.00	32.00	25.00	15.00	5.00	0	0	0	0	0	0
\$480	\$500	63.20	52.80	42.80	32.80	26.00	16.00	6.00	0	0	0	0	0	0
\$500	\$520	64.00	53.60	43.60	33.60	27.00	17.00	7.00	0	0	0	0	0	0
\$520	\$540	64.80	54.40	44.40	34.40	28.00	18.00	8.00	0	0	0	0	0	0
\$540	\$560	65.60	55.20	45.20	35.20	29.00	19.00	9.00	0	0	0	0	0	0
\$560	\$580	66.40	56.00	46.00	36.00	30.00	20.00	10.00	0	0	0	0	0	0
\$580	\$600	67.20	56.80	46.80	36.80	31.00	21.00	11.00	1.00	0	0	0	0	0
\$600	\$640	68.00	57.60	47.60	37.60	32.00	22.00	12.00	2.00	0	0	0	0	0
\$640	\$680	68.80	58.40	48.40	38.40	33.00	23.00	13.00	3.00	0	0	0	0	0
\$680	\$720	69.60	59.20	49.20	39.20	34.00	24.00	14.00	4.00	0	0	0	0	0
\$720	\$760	70.40	60.00	50.00	40.00	35.00	25.00	15.00	5.00	0	0	0	0	0
\$760	\$800	71.20	60.80	50.80	40.80	36.00	26.00	16.00	6.00	0	0	0	0	0
\$800	\$840	72.00	61.60	51.60	41.60	37.00	27.00	17.00	7.00	0	0	0	0	0
\$840	\$880	72.80	62.40	52.40	42.40	38.00	28.00	18.00	8.00	0	0	0	0	0
\$880	\$920	73.60	63.20	53.20	43.20	39.00	29.00	19.00	9.00	0	0	0	0	0
\$920	\$960	74.40	64.00	54.00	44.00	40.00	30.00	20.00	10.00	0	0	0	0	0
\$960	\$1,000	75.20	64.80	54.80	44.80	41.00	31.00	21.00	11.00	1.00	0	0	0	0
\$1,000 and over														

18 percent of the excess over \$1,000 plus—

\$1,000 and over	180.00	170.00	160.00	150.00	140.00	130.00	120.00	110.00	100.00	90.00	80.00
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**"If the pay-roll period with respect to an employee is a daily pay-roll period or a miscellaneous pay-roll period**

And the wages divided by the number of days in such period are—		And the number of withholding exemptions claimed is—																				
		0	1	2	3	4	5	6	7	8	9	10 or more										
At least	But less than	The amount of tax to be withheld shall be the following amount multiplied by the number of days in such period—																				
		18% of wages	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0									
\$0	\$2.00	\$0.40																				
\$2.00	\$2.25	.05	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
\$2.25	\$2.50	.45	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
\$2.50	\$2.75	.45	15	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
\$2.75	\$3.00	.50	20	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
\$3.00	\$3.25	.55	25	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
\$3.25	\$3.50	.60	30	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
\$3.50	\$3.75	.65	30	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
\$3.75	\$4.00	.70	.35	.05	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
\$4.00	\$4.25	.75	.40	.10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
\$4.25	\$4.50	.80	.45	.15	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
\$4.50	\$4.75	.85	.50	.15	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
\$4.75	\$5.00	.90	.55	.20	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
\$5.00	\$5.25	.90	.60	.25	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
\$5.25	\$5.50	.95	.65	.30	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
\$5.50	\$5.75	1.00	.70	.35	.05	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
\$5.75	\$6.00	1.05	.75	.40	.05	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
\$6.00	\$6.25	1.10	.75	.45	.10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
\$6.25	\$6.50	1.15	.80	.50	.15	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
\$6.50	\$6.75	1.20	.85	.55	.20	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
\$6.75	\$7.00	1.25	.90	.60	.25	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
\$7.00	\$7.25	1.30	.95	.60	.30	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
\$7.25	\$7.50	1.35	1.00	.65	.35	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
\$7.50	\$7.75	1.35	1.05	.70	.40	.05	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
\$7.75	\$8.00	1.40	1.10	.75	.45	.10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
\$8.00	\$8.25	1.45	1.15	.80	.50	.15	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
\$8.25	\$8.50	1.50	1.20	.85	.50	.20	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
\$8.50	\$8.75	1.55	1.20	.90	.55	.25	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
\$8.75	\$9.00	1.60	1.25	.95	.60	.30	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
\$9.00	\$9.25	1.65	1.30	1.00	.65	.35	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
\$9.25	\$9.50	1.70	1.35	1.05	.70	.35	.05	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
\$9.50	\$9.75	1.75	1.40	1.05	.75	.40	.10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
\$9.75	\$10.00	1.80	1.45	1.10	.80	.45	.15	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
\$10.00	\$10.50	1.85	1.50	1.20	.85	.55	.20	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
\$10.50	\$11.00	1.95	1.60	1.30	.95	.60	.30	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
\$11.00	\$11.50	2.05	1.70	1.35	1.05	.70	.40	.05	0	0	0	0	0	0	0	0	0	0	0	0	0	0
\$11.50	\$12.00	2.10	1.80	1.45	1.15	.80	.45	.15	0	0	0	0	0	0	0	0	0	0	0	0	0	0
\$12.00	\$12.50	2.20	1.90	1.55	1.20	.90	.55	.25	0	0	0	0	0	0	0	0	0	0	0	0	0	0
\$12.50	\$13.00	2.30	1.95	1.65	1.30	1.00	.65	.30	0	0	0	0	0	0	0	0	0	0	0	0	0	0
\$13.00	\$13.50	2.40	2.05	1.75	1.40	1.05	.75	.40	.10	0	0	0	0	0	0	0	0	0	0	0	0	0
\$13.50	\$14.00	2.50	2.15	1.80	1.50	1.15	.85	.50	.15	0	0	0	0	0	0	0	0	0	0	0	0	0
\$14.00	\$14.50	2.55	2.25	1.90	1.60	1.25	.90	.60	.25	0	0	0	0	0	0	0	0	0	0	0	0	0
\$14.50	\$15.00	2.65	2.35	2.00	1.65	1.35	1.00	.70	.35	0	0	0	0	0	0	0	0	0	0	0	0	0
\$15.00	\$15.50	2.75	2.40	2.10	1.75	1.45	1.10	.75	.45	.10	0	0	0	0	0	0	0	0	0	0	0	0
\$15.50	\$16.00	2.85	2.50	2.20	1.85	1.50	1.20	.85	.55	.20	0	0	0	0	0	0	0	0	0	0	0	0
\$16.00	\$16.50	2.95	2.60	2.25	1.95	1.60	1.30	.95	.60	.30	0	0	0	0	0	0	0	0	0	0	0	0
\$16.50	\$17.00	3.00	2.70	2.35	2.05	1.70	1.35	1.05	.70	.40	.05	0	0	0	0	0	0	0	0	0	0	0
\$17.00	\$17.50	3.10	2.80	2.45	2.10	1.80	1.45	1.15	.80	.45	.15	0	0	0	0	0	0	0	0	0	0	0
\$17.50	\$18.00	3.20	2.85	2.55	2.20	1.90	1.55	1.20	.90	.55	.25	0	0	0	0	0	0	0	0	0	0	0
\$18.00	\$18.50	3.30	2.95	2.65	2.30	2.00	1.65	1.30	1.00	.75	.40	.10	0	0	0	0	0	0	0	0	0	0
\$18.50	\$19.00	3.40	3.05	2.70	2.40	2.05	1.75	1.40	1.05	.75	.40	.10	0	0	0	0	0	0	0	0	0	0
\$19.00	\$19.50	3.45	3.15	2.80	2.50	2.15	1.80	1.50	1.15	.85	.50	.20	0	0	0	0	0	0	0	0	0	0
\$19.50	\$20.00	3.55	3.25	2.90	2.55	2.25	1.90	1.60	1.25	.90	.60	.30	0	0	0	0	0	0	0	0	0	0
\$20.00	\$21.00	3.70	3.35	3.05	2.70	2.35	2.05	1.70	1.40	1.05	.75	.40	.10	0	0	0	0	0	0	0	0	0
\$21.00	\$22.00	3.85	3.55	3.20	2.90	2.55	2.25	1.90	1.60	1.25	.90	.60	.30	0	0	0	0	0	0	0	0	0
\$22.00	\$23.00	4.05	3.70	3.40	3.05	2.75	2.40	2.10	1.75	1.40	1.05	.75	.40	.10	0	0	0	0	0	0	0	0
\$23.00	\$24.00	4.25	3.90	3.55	3.25	2.90	2.60	2.25	1.95	1.60	1.25	.90	.60	.30	0	0	0	0	0	0	0	0
\$24.00	\$25.00	4.40	4.10	3.75	3.40	3.10	2.75	2.45	2.10	1.80	1.45	1.10	.75	.40	.10	0	0	0	0	0	0	0
\$25.00	\$26.00	4.60	4.25	3.95	3.60	3.25	2.90	2.60	2.25	1.95	1.60	1.25	.95	.60	.30	0	0	0	0	0	0	0
\$26.00	\$27.00	4.75	4.45	4.10	3.80	3.45	3.15	2.80	2.45	2.10	1.80	1.45	1.10	.75	.40	.10	0	0	0	0	0	0
\$27.00	\$28.00	4.95	4.60	4.30	3.95	3.65	3.30	3.00	2.65	2.30	2.00	1.65	1.30	1.00	.75	.40	.10	0	0	0	0	0
\$28.00	\$29.00	5.15	4.80	4.45	4.15	3.80	3.50	3.15	2.85	2.50	2.15	1.85	1.50	1.20	.90	.60	.30	0	0	0	0	0
\$29.00	\$30.00	5.30	5.00	4.65	4.30	4.00	3.65	3.35	3.00	2.70	2.35	2.00	1.70	1.40	1.10	.80	.50	.20	0	0	0	0
		18 percent of the excess over \$30 plus—																				
\$30.00 and over		5.40	5.05	4.75	4.40	4.10	3.75	3.45	3.10	2.75	2.45	2.10**										

**SEC. 143. EFFECTIVE DATE OF PART IV.**

The amendments made by this part shall be applicable only with respect to wages paid on or after October 1, 1950.

## TITLE II—MISCELLANEOUS INCOME TAX AMENDMENTS

### SEC. 201. EXTENSION OF TIME IN THE CASE OF DISCHARGE OF INDEBTEDNESS.

Section 22 (b) (9) and section 22 (b) (10) (relating to exclusion of certain income attributable to the discharge of indebtedness) are amended by striking out "December 31, 1950" and inserting in lieu thereof "December 31, 1951".

53 Stat. 875; 56 Stat. 812; 63 Stat. 667.  
26 U. S. C., Sup. III, § 22 (b) (9), (10).

### SEC. 202. INCOME TAX EXEMPTIONS FOR MEMBERS OF THE ARMED FORCES SERVING IN COMBAT AREAS.

(a) **EXCLUSION FROM GROSS INCOME.**—Section 22 (b) (13) (relating to exclusions from gross income) is hereby amended to read as follows:

56 Stat. 814.  
26 U. S. C., Sup. III, § 22 (b) (13).

#### "(13) ADDITIONAL ALLOWANCE FOR CERTAIN MEMBERS OF THE ARMED FORCES.—

"(A) **ENLISTED PERSONNEL.**—Compensation received for active service as a member below the grade of commissioned officer in the armed forces of the United States for any month during any part of which such member served in a combat zone after June 24, 1950, and prior to January 1, 1952.

"(B) **COMMISSIONED OFFICERS.**—In the case of compensation received for active service as a commissioned officer in the armed forces of the United States for any month during any part of which such officer served in a combat zone after June 24, 1950, and prior to January 1, 1952, so much of such compensation as does not exceed \$200.

"(C) **DEFINITIONS.**—For the purposes of this paragraph—

"(i) the term 'commissioned officer' does not include a commissioned warrant officer;

"(ii) the term 'combat zone' means any area which the President of the United States by Executive Order designates, for the purposes of this paragraph, as an area in which Armed Forces of the United States are or have (after June 24, 1950) engaged in combat;

"(iii) service is performed in a combat zone only if performed on or after the date designated by the President by Executive Order as the date of the commencing of combatant activities in such zone, and on or before the date designated by the President by Executive Order as the date of the termination of combatant activities in such zone; and

"(iv) the term 'compensation' does not include pensions and retirement pay."

(b) **WITHHOLDING OF INCOME TAX ON WAGES.**—Effective with respect to wages paid after October 31, 1950, section 1621 (a) (relating to definition of wages for income tax withholding purposes) is hereby amended by inserting before paragraph (2) thereof the following:

57 Stat. 126.  
26 U. S. C., Sup. III, § 1621 (a).  
*Ante*, p. 547; *post*, p. 945.

"(1) for active service as a member of the armed forces of the United States performed prior to January 1, 1952, in a month during any part of which such member performed service in a combat zone as determined under section 22 (b) (13), or".

(c) **RECEIPTS.**—Sections 1625 (a) and 1633 (a) (relating to receipts for employees) are hereby amended by adding at the end of each the following: "In the case of compensation paid for service as a member of the armed forces, the statement shall show, as wages paid during the calendar year, the amount of such compensation paid during the calendar year which is not excluded from gross income under chapter 1

*Supra*.

57 Stat. 137.  
26 U. S. C. § 1625 (a).  
*Ante*, p. 537.

(whether or not such compensation constituted wages as defined in section 1621 (a)); such statement to be furnished if any tax was withheld during the calendar year or if any of the compensation paid is includible under chapter 1 in gross income."

**SEC. 203. TREATMENT OF BOND PREMIUM IN CASE OF DEALERS IN TAX-EXEMPT SECURITIES.**

(a) **AMENDMENT OF SECTION 22.**—Section 22 is hereby amended by adding at the end thereof the following new subsection:

"(o) **DEALERS IN TAX-EXEMPT SECURITIES.**—

"(1) **ADJUSTMENT FOR BOND PREMIUM.**—In computing the gross income of a taxpayer who holds during the taxable year a short-term municipal bond (as defined in paragraph (2) (A)) primarily for sale to customers in the ordinary course of his trade or business—

"(A) if the gross income of the taxpayer from such trade or business is computed by the use of inventories and his inventories are valued on any basis other than cost, the cost of securities sold (as defined in paragraph (2) (B)) during such year shall be reduced by an amount equal to the amortizable bond premium that would be disallowed as a deduction for such year pursuant to section 125 (a) (2) if the definition in section 125 (d) of the term 'bond' did not exclude such short-term municipal bond; or

"(B) if the gross income of the taxpayer from such trade or business is computed without the use of inventories, or by use of inventories valued at cost, and the short-term municipal bond is sold or otherwise disposed of during such year, the adjusted basis (computed without regard to this subparagraph) of the short-term municipal bond shall be reduced by the amount of the adjustment that would be required under section 113 (b) (1) (H) if the definition in section 125 (d) of the term 'bond' did not exclude such short-term municipal bond.

"(2) **DEFINITIONS.**—For the purposes of paragraph (1)—

"(A) The term 'short-term municipal bond' means any obligation issued by a government or political subdivision thereof if the interest on such obligation is excludible from gross income; but such term does not include such an obligation if (i) it is sold or otherwise disposed of by the taxpayer within thirty days after the date of its acquisition by him, or (ii) its earliest maturity or call date is a date more than five years from the date on which it was acquired by the taxpayer.

"(B) The term 'cost of securities sold' means the amount ascertained by subtracting the inventory value of the closing inventory of a taxable year from the sum of (i) the inventory value of the opening inventory for such year and (ii) the cost of securities and other property purchased during such year which would properly be included in the inventory of the taxpayer if on hand at the close of the taxable year."

(b) **TECHNICAL AMENDMENTS.**—

(1) Section 113 (b) (1) is hereby amended by adding at the end thereof the following:

"(I) in the case of any short-term municipal bond (as defined in section 22 (o)), to the extent provided in section 22 (o) (1) (B)."

(2) Section 125 is hereby amended by adding at the end thereof the following new subsection:

*Ante*, pp. 547, 927;  
*post*, p. 945.

53 Stat. 9.  
26 U. S. C. § 22;  
Sup. III, § 22.  
*Ante*, pp. 592, 927;  
*post*, pp. 1220, 1244.

56 Stat. 823, 824.  
26 U. S. C. § 125 (a)  
(2), (d).

56 Stat. 824.  
26 U. S. C. §§ 113 (b)  
(1) (H), 125 (d).

53 Stat. 44.  
26 U. S. C. § 113 (b)  
(1).

*Supra*.

56 Stat. 822.  
26 U. S. § 125.  
*Post*, p. 941.

“(e) DEALERS IN TAX-EXEMPT SECURITIES.—For special rules applicable, in the case of dealers in securities, with respect to premium attributable to certain wholly tax-exempt securities, see section 22 (o).”

*Ante*, p. 928.

(c) EFFECTIVE DATE.—The amendments made by this section shall be applicable to taxable years ending after June 30, 1950, but in the case of a taxable year beginning before and ending after such date the amendments shall apply only with respect to obligations acquired after such date.

#### SEC. 204. CIRCULATION EXPENDITURES.

(a) DEDUCTION FROM GROSS INCOME.—Section 23 is hereby amended by adding at the end thereof the following new subsection:

53 Stat. 12.  
26 U. S. C. § 23; Supp.  
III, § 23.

“(bb) CIRCULATION EXPENDITURES.—Notwithstanding section 24 (a), all expenditures (other than expenditures for the purchase of land or depreciable property or for the acquisition of circulation through the purchase of any part of the business of another publisher of a newspaper, magazine, or other periodical) to establish, maintain, or increase the circulation of a newspaper, magazine, or other periodical; except that the deduction shall not be allowed with respect to the portion of such expenditures as, under regulations prescribed by the Secretary, is chargeable to capital account if the taxpayer elects, in accordance with such regulations, to treat such portion as so chargeable. Such election, if made, must be for the total amount of such portion of the expenditures which is so chargeable to capital account, and shall be binding for all subsequent taxable years unless, upon application by the taxpayer, the Secretary permits a revocation of such election subject to such conditions as he deems necessary.”

*Post*, pp. 941, 959,  
1219.  
53 Stat. 16.  
26 U. S. C. § 24 (a).

(b) TECHNICAL AMENDMENT.—Section 113 (b) (1) (A) is hereby amended by inserting after “carrying charges” the following: “, or for expenditures described in section 23 (bb).”

53 Stat. 44.  
26 U. S. C. § 113 (b)  
(1) (A).  
*Supra*.

(c) EFFECTIVE DATE.—The amendments made by this section shall be applicable with respect to taxable years beginning after December 31, 1945, except that in the case of any taxable year beginning prior to January 1, 1950—

(1) the amendments shall not be applicable with respect to expenditures for which a deduction was not allowed the taxpayer for such year, if allowance of credit or refund with respect to such year is barred on the date of the enactment of this Act by reason of any law or rule of law; and

(2) the election provided in section 23 (bb) of the Internal Revenue Code shall not (despite the last sentence of such section) be applicable with respect to any expenditure for which a deduction was claimed by the taxpayer under his latest treatment, prior to the date of the enactment of this Act, of such expenditure in connection with his tax liability for such taxable year.

*Supra*.

#### SEC. 205. PAYMENT OF INCOME TAX BY INSTALLMENT PAYMENTS, AND RETURNS OF ESTATES AND TRUSTS.

(a) PAYMENT OF INCOME TAX BY INSTALLMENT PAYMENTS.—Effective with respect to taxable years ending on or after December 31, 1950, section 56 (b) (relating to installment payments of income tax) is hereby amended to read as follows:

53 Stat. 31.  
26 U. S. C. § 56 (b).

“(b) INSTALLMENT PAYMENTS.—

“(1) ESTATES OF DECEDENTS.—In the case of the estate of a decedent, the fiduciary may elect to pay the tax in four equal installments.

“(2) CORPORATIONS.—In the case of a corporation—

“(A) Taxable Years Ending Before December 31, 1954.—The taxpayer may elect with respect to any taxable year ending before December 31, 1954, to pay the tax in four installments, and in such case the amount of the tax paid by each installment shall be determined as follows:

“If the taxable year ends—		each of the first two installments shall be the following percentage of the tax:	and each of the last two installments shall be the following percentage of the tax:
on or after—	and before—		
December 31, 1950.....	December 31, 1951.....	30	20
“ “ 1951.....	“ “ 1952.....	35	15
“ “ 1952.....	“ “ 1953.....	40	10
“ “ 1953.....	“ “ 1954.....	45	5

“(B) Taxable Years Ending on or After December 31, 1954.—The taxpayer may elect with respect to any taxable year ending on or after December 31, 1954, to pay the tax in two equal installments.

“(3) DATES FOR INSTALLMENT PAYMENTS.—

“(A) Four Installments.—In any case in which the tax may be paid in four installments, the first installment shall be paid on the date prescribed for the payment of the tax by the taxpayer, the second installment shall be paid on the 15th day of the third month, the third installment on the 15th day of the sixth month, and the fourth installment on the 15th day of the ninth month, after such date.

“(B) Two Installments.—In any case in which the tax may be paid in two installments, the first installment shall be paid on the date prescribed for the payment of the tax by the taxpayer, and the second installment shall be paid on the 15th day of the third month after such date.

“(4) REQUIREMENT FOR PAYMENT.—If any installment is not paid on or before the date fixed for its payment, the whole of the tax unpaid shall be paid upon notice and demand from the collector.”

(b) FILING OF RETURNS AND PAYMENT OF TAX BY FIDUCIARIES OF ESTATES AND TRUSTS.—

(1) Section 53 (a) (1) (relating to time for filing returns) is hereby amended to read as follows:

“(1) GENERAL RULE.—Returns made on the basis of the calendar year shall be made on or before the fifteenth day of March following the close of the calendar year, except that in the case of the return of the fiduciary of an estate or trust, the return shall be made on or before the fifteenth day of April following the close of the calendar year. Returns made on the basis of a fiscal year shall be made on or before the fifteenth day of the third month following the close of the fiscal year, except that in the case of the return of the fiduciary of an estate or trust, the return shall be made on or before the fifteenth day of the fourth month following the close of the fiscal year.”

(2) Section 56 (a) (relating to time for payment of tax) is hereby amended by inserting before the period at the end thereof the following: “, except that in the case of the tax imposed upon an estate or trust the tax shall be paid on the fifteenth day of April following the close of the calendar year, or, if the return should be made on the basis of a fiscal year, then on the fifteenth day of the fourth month following the close of the fiscal year”.

53 Stat. 28.  
26 U. S. C. § 53 (a)  
(1).

53 Stat. 31.  
26 U. S. C. § 56 (a).

(3) The amendments made by this subsection shall be applicable only with respect to taxable years ending after the date of the enactment of this Act.

**SEC. 206. ELECTION AS TO RECOGNITION OF GAIN IN CERTAIN CORPORATE LIQUIDATIONS.**

(a) **AMENDMENT OF SECTION 112 (b) (7).**—Section 112 (b) (7) (relating to recognition of gain in certain corporate liquidations) is hereby amended as follows:

58 Stat. 40.  
26 U. S. C. § 112 (b)  
(7).

(1) Clauses (i) and (ii) of subparagraph (A) are hereby amended to read as follows:

“(i) the liquidation is made in pursuance of a plan of liquidation adopted after December 31, 1950, whether the taxable year of the corporation began on, before, or after January 1, 1951; and

“(ii) the distribution is in complete cancellation or redemption of all the stock, and the transfer of all the property under the liquidation occurs within some one calendar month in 1951—”.

(2) Subparagraph (B), clause (ii) of subparagraph (E), and clause (i) of subparagraph (F) are each amended by striking out “December 10, 1943” and inserting in lieu thereof “August 15, 1950”.

(b) **BASIS OF PROPERTY.**—Section 113 (a) (18) (relating to basis of property received in certain corporate liquidations) is hereby amended by inserting after the word “Chapter” the following “(whether before or after its amendment by the Revenue Act of 1950)”.

58 Stat. 41.  
26 U. S. C. § 113 (a)  
(18).

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

**SEC. 207. PERCENTAGE DEPLETION.**

(a) **TRANSPORTATION FROM MINE.**—The second sentence of section 114 (b) (4) (B) (relating to the definition of gross income from property) is hereby amended to read as follows: “The term ‘mining’ as used herein shall be considered to include not merely the extraction of the ores or minerals from the ground but also the ordinary treatment processes normally applied by mine owners or operators in order to obtain the commercially marketable mineral product or products, and so much of the transportation of ores or minerals (whether or not by common carrier) from the point of extraction from the ground to the plants or mills in which the ordinary treatment processes are applied thereto as is not in excess of 50 miles unless the Secretary finds that the physical and other requirements are such that the ore or mineral must be transported a greater distance to such plants or mills.”

58 Stat. 45.  
26 U. S. C. § 114 (b)  
(4) (B).  
Post, p. 1220.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall be applicable with respect to taxable years beginning after December 31, 1949.

**SEC. 208. TREATMENT OF CERTAIN REDEMPTIONS OF STOCK AS DIVIDENDS.**

(a) **AMENDMENT OF SECTION 115 (g).**—Section 115 (g) (relating to redemption of stock) is hereby amended to read as follows:

53 Stat. 48.  
26 U. S. C. § 115 (g).  
Post, p. 932.

“(g) **REDEMPTION OF STOCK.**—

“(1) **IN GENERAL.**—If a corporation cancels or redeems its stock (whether or not such stock was issued as a stock dividend) at such time and in such manner as to make the distribution and cancellation or redemption in whole or in part essentially equivalent to the distribution of a taxable dividend, the amount so distributed in redemption or cancellation of the stock, to

the extent that it represents a distribution of earnings or profits accumulated after February 28, 1913, shall be treated as a taxable dividend.

“(2) REDEMPTION THROUGH USE OF SUBSIDIARY CORPORATION.—If stock of a corporation (hereinafter referred to as the issuing corporation) is acquired by another corporation (hereinafter referred to as the acquiring corporation) and the issuing corporation controls (directly or indirectly) the acquiring corporation, the amount paid for the acquisition of the stock shall constitute a taxable dividend from the issuing corporation to the extent that the amount paid for such stock would have been considered, under paragraph (1), as essentially equivalent to a taxable dividend if such amount had been distributed by the acquiring corporation to the issuing corporation and had been applied by the issuing corporation in redemption of its stock. For the purposes of this paragraph, control means the ownership of stock possessing at least 50 per centum of the total combined voting power of all classes of stock entitled to vote or at least 50 per centum of the total value of shares of all classes of stock of the corporation.”

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall be applicable to taxable years ending after August 31, 1950, but shall apply only with respect to amounts received after such date.

#### SEC. 209. REDEMPTION OF STOCK TO PAY DEATH TAXES.

(a) CERTAIN DISTRIBUTIONS NOT TREATED AS DIVIDENDS.—Section 115 (g) (relating to redemptions of stock) is hereby amended by adding at the end thereof the following:

“(3) REDEMPTION OF STOCK TO PAY DEATH TAXES.—The provisions of this subsection shall not apply to such part of any amount so distributed with respect to stock the value of which is included in determining the value of the gross estate of a decedent in accordance with section 811, as is distributed after such decedent's death and within the period of limitations for the assessment of estate tax provided in section 874 (a) (determined without the application of section 875) or within 90 days after the expiration of such period, and as is not in excess of the estate, inheritance, legacy, and succession taxes (including any interest collected as a part of such taxes) imposed because of such decedent's death: *Provided*, That the value of the stock in such corporation for estate tax purposes comprises more than 50 per centum of the value of the net estate of such decedent.”

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall be applicable to taxable years ending on or after the date of the enactment of this Act, but shall apply only to amounts distributed on or after such date.

#### SEC. 210. CAPITAL GAINS AND LOSSES.

(a) DEFINITION OF CAPITAL ASSETS.—Section 117 (a) (1) (relating to the definition of capital assets) is hereby amended to read as follows:

“(1) CAPITAL ASSETS.—The term ‘capital assets’ means property held by the taxpayer (whether or not connected with his trade or business), but does not include—

“(A) stock in trade of the taxpayer or other property of a kind which would properly be included in the inventory of the taxpayer if on hand at the close of the taxable year, or property held by the taxpayer primarily for sale to customers in the ordinary course of his trade or business;

*Ante*, p. 931.

*Post*, p. 962.

53 Stat. 135.  
26 U. S. C. § 874  
(a), 876.

53 Stat. 50.  
26 U. S. C. § 117 (a)  
(1).

“(B) property, used in his trade or business, of a character which is subject to the allowance for depreciation provided in section 23 (1), or real property used in his trade or business;

“(C) a copyright; a literary, musical, or artistic composition; or similar property; held by—

“(i) a taxpayer whose personal efforts created such property, or

“(ii) a taxpayer in whose hands the basis of such property is determined, for the purpose of determining gain from a sale or exchange, in whole or in part by reference to the basis of such property in the hands of the person whose personal efforts created such property; or

“(D) an obligation of the United States or any of its possessions, or of a State or Territory, or any political subdivision thereof, or of the District of Columbia, issued on or after March 1, 1941, on a discount basis and payable without interest at a fixed maturity date not exceeding one year from the date of issue.”

(b) **AMENDMENT OF SECTION 117 (j).**—The first sentence of section 117 (j) (1) is hereby amended by inserting before the period at the end thereof the following: “; or (C) a copyright, a literary, musical, or artistic composition, or similar property, held by a taxpayer described in subsection (a) (1) (C)”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall be applicable with respect to taxable years beginning after the date of the enactment of this Act.

#### SEC. 211. SHORT SALES OF CAPITAL ASSETS.

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

“(1) **SHORT SALES, ETC.**—In the case of a short sale of property made by the taxpayer after the date of the enactment of the Revenue Act of 1950:

“(1) **SHORT-TERM GAINS AND HOLDING PERIODS.**—If substantially identical property has been held by the taxpayer on the date of such short sale for not more than 6 months (determined without regard to the effect, under subparagraph (B) of this paragraph, of such short sale on the holding period), or if substantially identical property is acquired by the taxpayer after such short sale and on or before the date of the closing thereof—

“(A) any gain upon the closing of such short sale shall be considered as a gain upon the sale or exchange of a capital asset held for not more than 6 months (notwithstanding the period of time any property used to close such short sale has been held); and

“(B) the holding period of such substantially identical property shall be considered to begin (notwithstanding the provisions of subsection (h)) on the date of the closing of the short sale, or on the date of a sale, gift, or other disposition of such property, whichever date occurs first. This subparagraph shall apply to such substantially identical property in the order of the dates of the acquisition of such property, but only to so much of such property as does not exceed the quantity sold short.

For the purposes of this paragraph, the acquisition of an option to sell property at a fixed price shall be considered as a short sale, and the exercise or failure to exercise such option shall be considered as a closing of such short sale.

53 Stat. 14.  
26 U. S. C. § 23 (1).

56 Stat. 846.  
26 U. S. C. § 117 (j)  
(1).

*Supra.*

53 Stat. 50.  
26 U. S. C. § 117.  
*Ante*, p. 932; *supra*:  
*post*, pp. 934, 941, 953.

“(2) **LONG-TERM LOSSES.**—If substantially identical property has been held by the taxpayer on the date of such short sale for more than 6 months, any loss upon the closing of such short sale shall be considered as a loss upon the sale or exchange of a capital asset held for more than 6 months (notwithstanding the period of time any property used to close such short sale has been held, and notwithstanding the provisions of subsection (g) (2)).

“(3) **RULES FOR APPLICATION OF SUBSECTION.**—

“(A) The provisions of paragraph (1) (A) or (2) shall not apply to the gain or loss, respectively, on any quantity of property used to close such short sale which is in excess of the quantity of the substantially identical property referred to in the applicable paragraph.

“(B) For the purposes of this subsection—

“(i) the term ‘property’ includes only stocks and securities (including stocks and securities dealt with on a ‘when issued’ basis), and commodity futures, which are capital assets in the hands of the taxpayer;

“(ii) in the case of futures transactions in any commodity on or subject to the rules of a board of trade or commodity exchange, a commodity future requiring delivery in one calendar month shall not be considered as property substantially identical to another commodity future requiring delivery in a different calendar month; and

“(iii) in the case of a short sale of property by an individual, the term ‘taxpayer’, in the application of this paragraph and paragraphs (1) and (2), shall be read as ‘taxpayer or his spouse’; but an individual who is legally separated from the taxpayer under a decree of divorce or of separate maintenance shall not be considered as the spouse of the taxpayer.

“(C) Where the taxpayer enters into two commodity futures transactions on the same day, one requiring delivery by him in one market and the other requiring delivery to to him of the same (or substantially identical) commodity in the same calendar month in a different market, and the taxpayer subsequently closes both such transactions on the same day, this subsection shall have no application to so much of the commodity involved in either such transaction as does not exceed in quantity the commodity involved in the other.”

(b) **EFFECTIVE DATE.**—The amendment made by this section shall be applicable only with respect to taxable years beginning after the date of the enactment of this Act.

#### SEC. 212. TREATMENT OF GAIN TO SHAREHOLDERS OF COLLAPSIBLE CORPORATIONS.

(a) **COLLAPSIBLE CORPORATIONS.**—Section 117 (relating to capital gains or losses) is hereby amended by adding after subsection (1) (added by section 211 (a) of this Act) the following new subsection:

“(m) **COLLAPSIBLE CORPORATIONS.**—

“(1) **TREATMENT OF GAIN TO SHAREHOLDERS.**—Gain from the sale or exchange (whether in liquidation or otherwise) of stock of a collapsible corporation, to the extent that it would be considered (but for the provisions of this subsection) as gain from the sale or exchange of a capital asset held for more than 6 months, shall, except as provided in paragraph (3), be considered as gain from the sale or exchange of property which is not a capital asset.

53 Stat. 52.  
26 U. S. C. § 117 (g)  
(2).  
Post, p. 941.

Ante, p. 933.

“(2) DEFINITIONS.—

“(A) For the purposes of this subsection, the term ‘collapsible corporation’ means a corporation formed or availed of principally for the manufacture, construction, or production of property, or for the holding of stock in a corporation so formed or availed of, with a view to—

“(i) the sale or exchange of stock by its shareholders (whether in liquidation or otherwise), or a distribution to its shareholders, prior to the realization by the corporation manufacturing, constructing, or producing the property of a substantial part of the net income to be derived from such property, and

“(ii) the realization by such shareholders of gain attributable to such property.

“(B) For the purposes of subparagraph (A), a corporation shall be deemed to have manufactured, constructed, or produced property, if—

“(i) it engaged in the manufacture, construction, or production of such property to any extent,

“(ii) it holds property having a basis determined, in whole or in part, by reference to the cost of such property in the hands of a person who manufactured, constructed, or produced the property, or

“(iii) it holds property having a basis determined, in whole or in part, by reference to the cost of property manufactured, constructed, or produced by the corporation.

“(3) LIMITATIONS ON APPLICATION OF SUBSECTION.—In the case of gain realized by a shareholder upon his stock in a collapsible corporation—

“(A) this subsection shall not apply unless, at any time after the commencement of the manufacture, construction, or production of the property, such shareholder (i) owned (or was considered as owning) more than 10 per centum in value of the outstanding stock of the corporation, or (ii) owned stock which was considered as owned at such time by another shareholder who then owned (or was considered as owning) more than 10 per centum in value of the outstanding stock of the corporation;

“(B) this subsection shall not apply to the gain recognized during a taxable year unless more than 70 per centum of such gain is attributable to the property so manufactured, constructed, or produced; and

“(C) this subsection shall not apply to gain realized after the expiration of three years following the completion of such manufacture, construction, or production.

For purposes of subparagraph (A), the ownership of stock shall be determined in accordance with the rules prescribed by paragraphs (1), (2), (3), (5), and (6) of section 503 (a), except that, in addition to the persons prescribed by paragraph (2) of that section, the family of an individual shall include the spouses of that individual's brothers and sisters (whether by the whole or half blood) and the spouses of that individual's lineal descendants.”

(b) EFFECTIVE DATE.—The amendment made by this section shall be applicable to taxable years ending after December 31, 1949, but shall apply only with respect to gain realized after such date. The determination of the tax treatment of gains realized prior to January 1, 1950, shall be made as if this section had not been enacted and without inferences drawn from the fact that the amendment made by this

section is not expressly made applicable to gains realized prior to such date and without inferences drawn from the limitations contained in section 117 (m), added to the Internal Revenue Code by this section.

*Ante*, p. 934.

**SEC. 213. CAPITAL GAINS OF NONRESIDENT ALIEN INDIVIDUALS.**

(a) **NONRESIDENT ALIEN INDIVIDUALS TEMPORARILY IN THE UNITED STATES.**—Section 211 (a) (1) (B) (relating to tax on nonresident alien individuals not engaged in trade or business within the United States) is hereby amended to read as follows:

“(B) **CAPITAL GAINS OF ALIENS TEMPORARILY PRESENT IN THE UNITED STATES.**—In the case of a nonresident alien individual not engaged in trade or business in the United States, there shall be levied, collected, and paid for each taxable year, in addition to the tax imposed by subparagraph (A)—

“(i) if he is present in the United States for a period or periods aggregating less than ninety days during such taxable year—a tax of 30 per centum of the amount by which his gains, derived from sources within the United States, from sales or exchanges of capital assets effected during his presence in the United States exceed his losses, allocable to sources within the United States, from such sales or exchanges effected during such presence; or

“(ii) if he is present in the United States for a period or periods aggregating ninety days or more during such taxable year—a tax of 30 per centum of the amount by which his gains, derived from sources within the United States, from sales or exchanges of capital assets effected at any time during such year exceed his losses, allocable to sources within the United States, from such sales or exchanges effected at any time during such year.

For the purposes of this subparagraph, gains and losses shall be taken into account only if, and to the extent that, they would be recognized and taken into account if such individual were engaged in trade or business in the United States, except that such gains and losses shall be computed without regard to the provisions of section 117 (b) and such losses shall be determined without the benefits of the capital loss carry-over provided in section 117 (e).

“(C) **CROSS REFERENCE.**—For inclusion in computation of tax of amount specified in shareholder’s consent, see section 28.”

(b) **NO UNITED STATES TRADE OR BUSINESS AND INCOME OF MORE THAN \$15,400.**—

(1) Section 211 (a) (2) is hereby amended to read as follows:

“(2) **AGGREGATE MORE THAN \$15,400.**—The taxes imposed by paragraph (1) shall not apply to any individual if during the taxable year the sum of—

“(A) the aggregate amount received from the sources specified in paragraph (1) (A), plus

“(B) the amount, determined in accordance with the provisions of paragraph (1) (B), by which gains from sales or exchanges of capital assets exceed losses from such sales or exchanges,

is more than \$15,400.”

(2) So much of section 211 (c) as precedes paragraph (4) thereof is hereby amended to read as follows:

“(c) **NO UNITED STATES BUSINESS OR OFFICE AND GROSS INCOME OF MORE THAN \$15,400.**—A nonresident alien individual not engaged in trade or business within the United States shall be taxable without regard to the provisions of subsection (a) (1) if during the taxable

53 Stat. 75.  
26 U. S. C. § 211 (a)  
(1) (B).

26 U. S. C. § 211 (a)  
(1) (A).

53 Stat. 51.  
26 U. S. C. § 117 (b).

53 Stat. 52.  
26 U. S. C. § 117 (e).

53 Stat. 21.  
26 U. S. C. § 28.

53 Stat. 75.  
26 U. S. C. § 211 (a)  
(2).

53 Stat. 76.  
26 U. S. C. § 211 (c).

*Supra*.

year the sum of the aggregate amount received from the sources specified in subsection (a) (1) (A), plus the amount (determined in accordance with the provisions of subsection (a) (1) (B)) by which gains from sales or exchanges of capital assets exceed losses from such sales or exchanges, is more than \$15,400, except that—

53 Stat. 75.  
26 U. S. C. § 211 (a)  
(1) (A).  
*Ante*, p. 936.

“(1) The gross income shall include only income from the sources specified in subsection (a) (1) (A) plus any gain (to the extent provided in section 117) from a sale or exchange of a capital asset if such gain would be taken into account were the tax being determined under subsection (a) (1) (B);

*Ante*, pp. 932, 933,  
934; *post*, pp. 941, 953.

*Ante*, p. 936.

“(2) The deductions (other than the so-called ‘charitable deduction’ provided in section 213 (c)) shall be allowed only if and to the extent that they are properly allocable to the gross income from the sources specified in subsection (a) (1) (A), except that any loss from the sale or exchange of a capital asset shall be allowed (to the extent provided in section 117 without the benefit of the capital loss carry-over provided in section 117 (e)) if such loss would be taken into account were the tax being determined under subsection (a) (1) (B);

53 Stat. 77.  
26 U. S. C. § 213 (c).

“(3) The tax imposed by this chapter (under sections 11 and 12, or under section 117 (c)) shall, in no case, be less than 30 per centum of the sum of—

*Ante*, pp. 544, 910,  
911; *post*, p. 953.

“(A) the aggregate amount received from the sources specified in subsection (a) (1) (A), plus

“(B) the amount, determined in accordance with the provisions of subsection (a) (1) (B), by which gains from sales or exchanges of capital assets exceed losses from such sales or exchanges; and”.

(c) **TECHNICAL AMENDMENT.**—Section 217 (b) (relating to returns by nonresident alien individuals) is hereby amended by striking out “section 211 (a)” and inserting in lieu thereof “section 211 (a) (1) (A)”.

53 Stat. 77.  
26 U. S. C. § 217 (b).

53 Stat. 75.  
26 U. S. C. § 211 (a)  
(1) (A).

(d) **EFFECTIVE DATE.**—The amendments made by this section shall be applicable with respect to taxable years beginning after December 31, 1949.

#### SEC. 214. TREATY OBLIGATIONS.

No amendment made by this Act shall apply in any case where its application would be contrary to any treaty obligation of the United States.

#### SEC. 215. NET OPERATING LOSS DEDUCTIONS.

(a) **ALLOWANCE OF FIVE-YEAR CARRY-OVER.**—Section 122 (b) (relating to the amount of carry-backs and carry-overs) is hereby amended to read as follows:

53 Stat. 867.  
26 U. S. C. § 122 (b).

“(b) **AMOUNT OF CARRY-BACK AND CARRY-OVER.**—

“(1) **NET OPERATING LOSS CARRY-BACK.**—

“(A) **Loss for Taxable Year Beginning Before 1950.**—If for any taxable year beginning after December 31, 1941, and before January 1, 1950, the taxpayer has a net operating loss, such net operating loss shall be a net operating loss carry-back for each of the two preceding taxable years, except that the carry-back in the case of the first preceding taxable year shall be the excess, if any, of the amount of such net operating loss over the net income for the second preceding taxable year 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 such second preceding taxable year without regard

53 Stat. 867.  
26 U. S. C. § 122 (d)  
(1), (2), (4), (6).  
*Post*, p. 1220.

*Ante*, p. 918.

to such net operating loss and without regard to any reduction specified in subsection (c).

“(B) Loss for Taxable Year Beginning After 1949.—If for any taxable year beginning after December 31, 1949, the taxpayer has a net operating loss, such net operating loss shall be a net operating loss carry-back for the preceding taxable year.

“(2) NET OPERATING LOSS CARRY-OVER.—

“(A) Loss for Taxable Year Beginning Before 1950.—If for any taxable year beginning 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 two succeeding taxable years, except that the carry-over in the case of the second succeeding taxable year shall be the excess, if any, of the amount of such net operating loss over the net income for the intervening taxable year 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 such intervening taxable year without regard to such net operating loss, without regard to any net operating loss carry-back, and without regard to any reduction specified in subsection (c).

For the purposes of the preceding sentence, the net operating loss for any taxable year beginning after December 31, 1941, 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).

“(B) Loss for Taxable Year Beginning After 1949.—If for any taxable year beginning after December 31, 1949, the taxpayer has a net operating loss, such net operating loss shall be a net operating loss carry-over for each of the five 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, 1949, shall be reduced by the amount, if any, of the net income for the preceding taxable year 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 such preceding taxable year without regard to such net operating loss and without regard to any reduction specified in subsection (c).”

53 Stat. 867.  
26 U. S. C. § 122 (d)  
(1), (2), (4), (6).  
*Post*, p. 1220.

*Ante*, p. 918.

53 Stat. 867.  
26 U. S. C. § 122 (d)  
(1), (2), (4), (6).  
*Post*, p. 1220.

*Ante*, p. 918.

(b) **EFFECTIVE DATE OF SUBSECTION (a).**—The amendment made by subsection (a) shall be applicable in computing the net operating loss deduction for taxable years beginning after December 31, 1947.

#### SEC. 216. AMORTIZATION OF EMERGENCY FACILITIES.

(a) **AMORTIZATION DEDUCTION.**—Chapter 1 is hereby amended by inserting after section 124 the following:

54 Stat. 999.  
26 U. S. C. § 124.

#### “SEC. 124A. AMORTIZATION DEDUCTION.

“(a) **GENERAL RULE.**—Every person, at his election, shall be entitled to a deduction with respect to the amortization of the adjusted basis (for determining gain) of any emergency facility (as defined in subsection (d)), based on a period of sixty months. Such amortization deduction shall be an amount, with respect to each month of such period within the taxable year, equal to the adjusted basis of the facility at the end of such month divided by the number of months (including the month for which the deduction is computed) remaining in the period. Such adjusted basis at the end of the month shall be computed without regard to the amortization deduction for such month. The amortization deduction above provided with respect to any month shall, except to the extent provided in subsection (f) of this section, be in lieu of the deduction with respect to such facility for such month provided by section 23 (1), relating to exhaustion, wear and tear, and obsolescence. The sixty-month period shall begin as to any emergency facility, at the election of the taxpayer, with the month following the month in which the facility was completed or acquired, or with the succeeding taxable year.

*Infra.*

*Post*, p. 940.

53 Stat. 14.  
26 U. S. C. § 23 (1).

“(b) **ELECTION OF AMORTIZATION.**—The election of the taxpayer to take the amortization deduction and to begin the sixty-month period with the month following the month in which the facility was completed or acquired, or with the taxable year succeeding the taxable year in which such facility was completed or acquired, shall be made by filing with the Secretary, in such manner, in such form, and within such time, as the Secretary may by regulations prescribe, a statement of such election.

“(c) **TERMINATION OF AMORTIZATION DEDUCTION.**—A taxpayer which has elected under subsection (b) to take the amortization deduction provided in subsection (a) may, at any time after making such election, discontinue the amortization deductions with respect to the remainder of the amortization period, such discontinuance to begin as of the beginning of any month specified by the taxpayer in a notice in writing filed with the Secretary before the beginning of such month. The deduction provided under section 23 (1) shall be allowed, beginning with the first month as to which the amortization deduction is not applicable, and the taxpayer shall not be entitled to any further amortization deductions with respect to such emergency facility.

53 Stat. 14.  
26 U. S. C. § 23 (1).

#### “(d) **DEFINITIONS.**—

“(1) **EMERGENCY FACILITY.**—As used in this section, the term ‘emergency facility’ means any facility, land, building, machinery, or equipment, or any part thereof, the construction, reconstruction, erection, installation, or acquisition of which was completed after December 31, 1949, and with respect to which a certificate under subsection (e) has been made. In no event shall an amortization deduction be allowed in respect of any emergency facility for any taxable year unless a certificate in respect thereof under this paragraph shall have been made prior to the filing of the taxpayer’s return for such taxable year, or, in the case of an emergency facility completed or acquired by a taxpayer after

*Post*, p. 940.

December 31, 1949, and before the date of enactment of the Revenue Act of 1950, unless a certificate in respect thereof under this paragraph shall have been made prior to the expiration of twelve months after the date of enactment of the Revenue Act of 1950.

“(2) **EMERGENCY PERIOD.**—As used in this section, the term ‘emergency period’ means the period beginning January 1, 1950, and ending on the date on which the President proclaims that the utilization of a substantial portion of the emergency facilities with respect to which certifications under subsection (e) have been made is no longer required in the interest of national defense.

*Ante*, p. 939; *infra*.

“(e) **DETERMINATION OF ADJUSTED BASIS OF EMERGENCY FACILITY.**—In determining, for the purposes of subsection (a) or subsection (g), the adjusted basis of an emergency facility—

“(1) There shall be included only so much of the amount of the adjusted basis of such facility (computed without regard to this section) as is properly attributable to such construction, reconstruction, erection, installation, or acquisition after December 31, 1949, as the certifying authority, designated by the President by Executive order, has certified as necessary in the interest of national defense during the emergency period, and only such portion of such amount as such authority has certified as attributable to defense purposes. Such certification shall be under such regulations as may be prescribed from time to time by such certifying authority with the approval of the President. An application for a certificate must be filed at such time and in such manner as may be prescribed by such certifying authority under such regulations but in no event shall such certificate have any effect unless an application therefor is filed before the expiration of six months after the beginning of such construction, reconstruction, erection, or installation or the date of such acquisition, or before the expiration of six months after the date of enactment of the Revenue Act of 1950, whichever is later.

“(2) After the completion or acquisition of any emergency facility with respect to which a certificate under paragraph (1) has been made, any expenditure (attributable to such facility and to the period after such completion or acquisition) which does not represent construction, reconstruction, erection, installation, or acquisition included in such certificate, but with respect to which a separate certificate is made under paragraph (1), shall not be applied in adjustment of the basis of such facility but a separate basis shall be computed therefor pursuant to paragraph (1) as if it were a new and separate emergency facility.

*Supra*.

53 Stat. 14.  
26 U. S. C. § 23 (1).  
*Ante*, p. 939.

“(f) **DEPRECIATION DEDUCTION.**—If the adjusted basis of the emergency facility (computed without regard to this section) is in excess of the adjusted basis computed under subsection (e), the deduction provided by section 23 (1) shall, despite the provisions of subsection (a) of this section, be allowed with respect to such emergency facility as if its adjusted basis for the purpose of such deduction were an amount equal to the amount of such excess.

“(g) **PAYMENT BY UNITED STATES OF UNAMORTIZED COST OF FACILITY.**—If an amount is properly includible in the gross income of the taxpayer on account of a payment with respect to an emergency facility and such payment is certified as provided in paragraph (1), then, at the election of the taxpayer in its return for the taxable year in which such amount is so includible—

“(1) The amortization deduction for the month in which such amount is so includible shall (in lieu of the amount of the deduction for such month computed under subsection (a)) be equal to

*Ante*, p. 939.

the amount so includible but not in excess of the adjusted basis of the emergency facility as of the end of such month (computed without regard to any amortization deduction for such month). Payments referred to in this paragraph shall be payments the amounts of which are certified, under such regulations as the President may prescribe, by the certifying authority designated by the President as compensation to the taxpayer for the unamortized cost of the emergency facility made because—

“(A) a contract with the United States involving the use of the facility has been terminated by its terms or by cancellation, or

“(B) the taxpayer had reasonable ground (either from provisions of a contract with the United States involving the use of the facility, or from written or oral representations made under authority of the United States) for anticipating future contracts involving the use of the facility, which future contracts have not been made.

“(2) In case the taxpayer is not entitled to any amortization deduction with respect to the emergency facility, the deduction allowable under section 23 (1) on account of the month in which such amount is so includible shall be increased by such amount, but such deduction on account of such month shall not be in excess of the adjusted basis of the emergency facility as of the end of such month (computed without regard to any amount allowable, on account of such month, under section 23 (1) or this paragraph).

53 Stat. 14.  
26 U. S. C. § 23 (1).

“(h) LIFE TENANT AND REMAINDERMAN.—In the case of property held by one person for life with remainder to another person, the deduction shall be computed as if the life tenant were the absolute owner of the property and shall be allowable to the life tenant.

“(i) CROSS REFERENCE.—For special rule with respect to gain derived from the sale or exchange of property the adjusted basis of which is determined with regard to this section, see section 117 (g) (3).”

*Infra.*

(b) TECHNICAL AMENDMENTS.—Section 23 (t) is hereby amended by striking out “section 124” and inserting in lieu thereof “section 124 and section 124A”.

54 Stat. 908.  
26 U. S. C. § 23 (1).

*Ante*, p. 939.

(c) GAIN ATTRIBUTABLE TO AMORTIZATION DEDUCTION.—Section 117 (g) is hereby amended by striking out the period at the end of paragraph (2) and inserting in lieu thereof “; and”, and by inserting after paragraph (2) the following new paragraph:

53 Stat. 52.  
26 U. S. C. § 117 (g).

“(3) gain from the sale or exchange of property, to the extent that the adjusted basis of such property is less than its adjusted basis determined without regard to section 124A (relating to amortization deduction), shall be considered as gain from the sale or exchange of property which is neither a capital asset nor property described in subsection (j).”

*Ante*, p. 939.

(d) EFFECTIVE DATES.—The amendments made by this section shall be applicable with respect to taxable years ending after December 31, 1949.

56 Stat. 846.  
26 U. S. C. § 117 (j).  
*Ante*, p. 933.

## SEC. 217. AMORTIZATION OF PREMIUM ON CONVERTIBLE BOND.

(a) PREMIUM ATTRIBUTABLE TO CONVERSION FEATURES OF BOND.—Section 125 (b) (1) (relating to determination of amount of bond premium) is hereby amended by adding at the end thereof the following: “In no case shall the amount of bond premium on a convertible bond include any amount attributable to the conversion features of the bond.”

56 Stat. 823.  
26 U. S. C. § 125 (b)  
(1).

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall be applicable with respect to taxable years beginning after June 15,

1950, and shall also apply, in the case of a taxable year beginning on or before such date, with respect to bonds acquired after such date.

**SEC. 218. STOCK OPTIONS.**

(a) **TREATMENT OF CERTAIN EMPLOYEE STOCK OPTIONS.**—Supplement B of chapter 1 is hereby amended by adding at the end thereof the following new section :

53 Stat. 37.  
26 U. S. C. §§ 111-  
130; Sup. III, § 113 *et*  
*seq.*

**“SEC. 130A. EMPLOYEE STOCK OPTIONS.**

“(a) **TREATMENT OF RESTRICTED STOCK OPTIONS.**—If a share of stock is transferred to an individual pursuant to his exercise after 1949 of a restricted stock option, and no disposition of such share is made by him within two years from the date of the granting of the option nor within six months after the transfer of such share to him—

“(1) no income shall result at the time of the transfer of such share to the individual upon his exercise of the option with respect to such share;

“(2) no deduction under section 23 (a) shall be allowable at any time to the employer corporation of such individual or its parent or subsidiary corporation with respect to the share so transferred; and

“(3) no amount other than the option price shall be considered as received by either of such corporations for the share so transferred.

This subsection and subsection (b) shall not apply unless (A) the individual, at the time he exercises the restricted stock option, is an employee of the corporation granting such option or of a parent or subsidiary corporation of such corporation, or (B) the option is exercised by him within three months after the date he ceases to be an employee of any of such corporations.

“(b) **SPECIAL RULE WHERE OPTION PRICE IS BETWEEN 85 PERCENT AND 95 PERCENT OF VALUE OF STOCK.**—If no disposition of a share of stock acquired by an individual upon his exercise after 1949 of a restricted stock option is made by him within two years from the date of the granting of the option nor within six months after the transfer of such share to him, but, at the time the restricted stock option was granted, the option price was less than 95 per centum of the fair market value at such time of such share, then, in the event of any disposition of such share by him, or in the event of his death (whenever occurring) while owning such share, there shall be included as compensation (and not as gain upon the sale or exchange of a capital asset) in his gross income, for the taxable year in which falls the date of such disposition or for the taxable year closing with his death, whichever is applicable, an amount equal to the amount (if any) by which the option price is exceeded by the lesser of—

“(1) the fair market value of the share at the time of such disposition or death, or

“(2) the fair market value of the share at the time the option was granted.

In the case of the disposition of such share by the individual, the basis of the share in his hands at the time of such disposition shall be increased by an amount equal to the amount so includible in his gross income.

“(c) **ACQUISITION OF NEW STOCK.**—If stock transferred to an individual upon his exercise of the option is exchanged by him for stock or securities in an exchange within the provisions of section 112 (b) (2) or (3), or if new stock, as described in section 113 (a) (19), is acquired upon a distribution with respect to such stock, the stock

53 Stat. 37, 872.  
26 U. S. C. §§ 112 (b)  
(2), (3), 113 (a) (19).

or securities acquired in such exchange and such new stock shall be considered as having been transferred to him upon his exercise of such option. A similar rule shall be applied in the case of a series of such exchanges or acquisitions.

“(d) DEFINITIONS.—As used in this section—

“(1) RESTRICTED STOCK OPTION.—The term ‘restricted stock option’ means an option granted after February 26, 1945, to an individual, for any reason connected with his employment by a corporation, if granted by the employer corporation or its parent or subsidiary corporation, to purchase stock of any of such corporations, but only if—

“(A) At the time such option is granted the option price is at least 85 per centum of the fair market value at such time of the stock subject to the option; and

“(B) Such option by its terms is not transferable by such individual otherwise than by will or the laws of descent and distribution, and is exercisable, during his lifetime, only by him; and

“(C) Such individual, at the time the option is granted, does not own stock possessing more than 10 per centum of the total combined voting power of all classes of stock of the employer corporation or of its parent or subsidiary corporation. For the purposes of this subparagraph—

“(i) such individual shall be considered as owning the stock owned, directly or indirectly, by or for his brothers and sisters (whether by the whole or half blood), spouse, ancestors, and lineal descendants; and

“(ii) stock owned, directly or indirectly, by or for a corporation, partnership, estate, or trust, shall be considered as being owned proportionately by or for its shareholders, partners, or beneficiaries.

“(2) PARENT CORPORATION.—The term ‘parent corporation’ means any corporation (other than the employer corporation) in an unbroken chain of corporations ending with the employer corporation if, at the time of granting of the option, each of the corporations other than the employer corporation owns stock possessing more than 50 per centum of the total combined voting power of all classes of stock in one of the other corporations in such chain.

“(3) SUBSIDIARY CORPORATION.—The term ‘subsidiary corporation’ means any corporation (other than the employer corporation) in an unbroken chain of corporations beginning with the employer corporation if, at the time of the granting of the option, each of the corporations other than the last corporation in the unbroken chain owns stock possessing more than 50 per centum of the total combined voting power of all classes of stock in one of the other corporations in such chain.

“(4) DISPOSITION.—The term ‘disposition’ includes a sale, exchange, gift, or any transfer of legal title, but does not include—

“(A) a transfer from a decedent to his estate or a transfer by bequest or inheritance;

“(B) an exchange which is within the provisions of section 112 (b) (2) or (3); or

“(C) a mere pledge or hypothecation.

“(e) MODIFICATION, EXTENSION, OR RENEWAL OF OPTION.—For the purposes of subsection (d), if the terms of any option to purchase stock are modified, extended, or renewed, the following rules shall be applied with respect to transfers of stock made upon an exercise of

53 Stat. 37.  
26 U. S. C. § 112 (b)  
(2), (3).

*Supra.*

the option after the making of such modification, extension, or renewal:

“(1) Such modification, extension, or renewal shall be considered as the granting of a new option;

“(2) The fair market value of such stock at the time of the granting of such option shall be considered as (A) the fair market value of such stock on the date of the original granting of the option, (B) the fair market value of such stock on the date of the making of such modification, extension, or renewal, or (C) the fair market value of such stock at the time of the making of any intervening modification, extension, or renewal, whichever is the highest.”

(b) **EFFECTIVE DATE.**—The amendment made by this section shall be applicable with respect to taxable years ending after December 31, 1949.

#### SEC. 219. PAYMENT OF TAX WITHHELD AT SOURCE FROM NONRESIDENT ALIENS.

53 Stat. 62.  
26 U. S. C. § 143 (c).

The first sentence of section 143 (c) is hereby amended to read as follows: “Every person required to deduct and withhold any tax under this section shall, on or before March 15 of each year, make return thereof and pay the tax to the collector designated in section 53 (b).”

53 Stat. 28.  
26 U. S. C. § 53 (b).

#### SEC. 220. EMPLOYEES OF UNITED STATES WORKING IN POSSESSIONS OF THE UNITED STATES OR IN THE CANAL ZONE.

53 Stat. 79.  
26 U. S. C. § 251;  
Sup. 111, § 251.  
*Infra.*

Effective with respect to taxable years beginning after December 31, 1949, section 251 (relating to income from sources within possessions of United States) is hereby amended by adding at the end thereof the following new subsection:

“(j) **EMPLOYEES OF UNITED STATES.**—For the purposes of this section, amounts paid for services performed by a citizen of the United States as an employee of the United States or any agency thereof shall be deemed to be derived from sources within the United States.”

#### SEC. 221. RESIDENTS OF PUERTO RICO.

53 Stat. 80.  
26 U. S. C. § 251 (d).

(a) **INCOME OF INDIVIDUALS FROM SOURCES WITHIN PUERTO RICO.**—Section 251 (d) (relating to income from sources within possessions of United States) is hereby amended to read as follows:

“(d) **DEFINITION.**—As used in this section the term ‘possession of the United States’ does not include the Virgin Islands of the United States, and such term when used with respect to citizens of the United States does not include Puerto Rico.”

53 Stat. 80.  
26 U. S. C. § 252 (a).

(b) **CITIZENS OF THE UNITED STATES RESIDING IN PUERTO RICO.**—Section 252 (a) (relating to citizens of possessions of the United States) is hereby amended by adding at the end thereof the following new sentence: “This subsection shall have no application in the case of a citizen of Puerto Rico.”

53 Stat. 48.  
26 U. S. C. § 116.

(c) **TAXATION OF INCOME OF RESIDENTS OF PUERTO RICO.**—Section 116 (relating to exclusions from gross income) is hereby amended by adding at the end thereof the following new subsection:

“(1) **INCOME FROM SOURCES WITHIN PUERTO RICO.**—

“(1) **RESIDENT OF PUERTO RICO FOR ENTIRE TAXABLE YEAR.**—In the case of an individual who is a bona fide resident of Puerto Rico during the entire taxable year, income derived from sources within Puerto Rico (except amounts received for services performed as an employee of the United States or any agency thereof); but such individual shall not be allowed as a deduction from his gross income any deductions properly allocable to or chargeable against amounts excluded from gross income under this paragraph.

“(2) **TAXABLE YEAR OF CHANGE OF RESIDENCE FROM PUERTO RICO.**—In the case of an individual citizen of the United States, who has been a bona fide resident of Puerto Rico for a period of at least two years before the date on which he changes his residence from Puerto Rico, income derived from sources therein (except amounts received for services performed as an employee of the United States or any agency thereof) which is attributable to that part of such period of Puerto Rican residence before such date; but such individual shall not be allowed as a deduction from his gross income any deductions properly allocable to or chargeable against amounts excluded from gross income under this paragraph.”

(d) **ALIENS RESIDING IN PUERTO RICO.**—Supplement H (relating to nonresident alien individuals) is hereby amended by adding at the end thereof the following new section:

53 Stat. 75,  
26 U. S. C. §§ 211-  
219; Sup. III, § 212.  
*Ante*, pp. 936, 937;  
*post*, p. 953.

**“SEC. 220. ALIEN RESIDENTS OF PUERTO RICO.**

“(a) **NO APPLICATION TO CERTAIN ALIEN RESIDENTS OF PUERTO RICO.**—The provisions of this supplement shall have no application to an alien individual who is a bona fide resident of Puerto Rico during the entire taxable year, and such alien shall be subject to the taxes imposed by sections 11 and 12.

*Ante*, pp. 544, 910,  
911.

“(b) **CROSS REFERENCE.**—For exclusion from gross income of income derived from sources within Puerto Rico, see section 116 (1) (1).”

*Ante*, p. 944.

(e) **WITHHOLDING ON ALIEN RESIDENTS OF PUERTO RICO.**—Section 143 (a) (1) (relating to withholding of tax at source on tax-free covenant bonds) and section 143 (b) (relating to withholding of tax at source on dividends, interest, etc., paid to nonresident aliens) are each amended by adding at the end thereof the following: “As used in this subsection the term ‘nonresident alien individual’ includes an alien resident of Puerto Rico.”

53 Stat. 60, 61,  
26 U. S. C. § 143 (a)  
(1), (b).

(f) **WITHHOLDING OF TAX ON WAGES.**—

(1) Section 1621 (a) (6) (relating to collection of income tax at source on wages) is hereby amended to read as follows:

57 Stat. 126,  
26 U. S. C., Sup. III,  
§ 1621 (a) (6).

“(6) for services performed by a nonresident alien individual, other than (A) a resident of a contiguous country who enters and leaves the United States at frequent intervals, or (B) a resident of Puerto Rico if such services are performed as an employee of the United States or any agency thereof, or”.

(2) Section 1621 (a) (8) (relating to collection of income tax at source on wages) is hereby amended by striking out subparagraph (B) thereof and inserting in lieu thereof the following:

57 Stat. 126,  
26 U. S. C., Sup. III,  
§ 1621 (a) (8).

“(B) for services for an employer (other than the United States or any agency thereof) performed by a citizen of the United States within a possession of the United States (other than Puerto Rico), if it is reasonable to believe that at least 80 per centum of the remuneration to be paid to the employee by such employer during the calendar year will be for such services, or

“(C) for services for an employer (other than the United States or any agency thereof) performed by a citizen of the United States within Puerto Rico, if it is reasonable to believe that during the entire calendar year the employee will be a bona fide resident of Puerto Rico, or”.

(g) **DECLARATION OF ESTIMATED TAX.**—Section 58 (a) (relating to declaration of estimated tax by individuals) is hereby amended by inserting after “Chapter 9 is not made applicable” the following: “, but including every alien individual who is a resident of Puerto Rico during the entire taxable year”.

57 Stat. 141,  
26 U. S. C., Sup. III,  
§ 58 (a).

(h) FOREIGN TAX CREDIT.—Paragraphs (2) and (3) of section 131 (a) (relating to allowance of credit) are hereby amended to read as follows:

“(2) RESIDENT OF THE UNITED STATES OR PUERTO RICO.—In the case of a resident of the United States and in the case of an individual who is a bona fide resident of Puerto Rico during the entire taxable year, the amount of any such taxes paid or accrued during the taxable year to any possession of the United States; and

“(3) ALIEN RESIDENT OF THE UNITED STATES OR PUERTO RICO.—In the case of an alien resident of the United States and in the case of an alien individual who is a bona fide resident of Puerto Rico during the entire taxable year, the amount of any such taxes paid or accrued during the taxable year to any foreign country, if the foreign country of which such alien resident is a citizen or subject, in imposing such taxes, allows a similar credit to citizens of the United States residing in such country; and”.

(i) COLLECTION OF TAXES IN PUERTO RICO.—Section 3811 (relating to collection of taxes in Puerto Rico and the Virgin Islands) is hereby amended to read as follows:

“SEC. 3811. COLLECTION OF TAXES IN PUERTO RICO AND VIRGIN ISLANDS.

“(a) PUERTO RICO.—Notwithstanding any other provision of law respecting taxation in Puerto Rico, all taxes imposed by chapter 1, and by subchapters A and D of chapter 9, shall be collected under the direction of the Secretary and shall be paid into the Treasury of the United States as internal revenue collections. All provisions of the laws of the United States applicable to the administration, collection, and enforcement of any tax imposed upon the incomes of individuals, estates, and trusts by chapter 1 (including the provisions relating to The Tax Court of the United States), and of any tax imposed by subchapter A or by subchapter D of chapter 9, shall, in respect to such tax, extend to and be applicable in Puerto Rico in the same manner and to the same extent as if Puerto Rico were a State, and as if the term ‘United States’ when used in a geographical sense included Puerto Rico.

“(b) VIRGIN ISLANDS.—Notwithstanding any other provision of law respecting taxation in the Virgin Islands, all taxes imposed by subchapter E of chapter 1, and by subchapter A of chapter 9, shall be collected under the direction of the Secretary and shall be paid into the Treasury of the United States as internal revenue collections. All provisions of the laws of the United States applicable to the administration, collection, and enforcement of the tax imposed by subchapter E of chapter 1 (including the provisions relating to The Tax Court of the United States), and of any tax imposed by subchapter A of chapter 9, shall, in respect to such tax, extend to and be applicable in the Virgin Islands in the same manner and to the same extent as if the Virgin Islands were a State, and as if the term ‘United States’ when used in a geographical sense included the Virgin Islands.

“(c) DEFINITION.—As used in this section, the term ‘tax’ includes any penalty with respect to the tax, any addition to the tax, and any additional amount with respect to the tax, provided for by any law of the United States.”

(j) TECHNICAL AMENDMENTS.—

(1) Section 481 (a) (7) (relating to the definition of net earnings from self-employment) is hereby amended to read as follows:

“(7) (A) In the case of any taxable year beginning before the effective date specified in section 3810, the term ‘possession of the United States’ when used in section 251 with respect to citizens of the United States shall include Puerto Rico;

53 Stat. 56.  
26 U. S. C. § 131 (a)  
(2), (3).  
*Ante*, p. 544; *post*,  
p. 1219.

*Ante*, p. 543.

53 Stat. 4, 175; 57  
Stat. 126.  
26 U. S. C. §§ 1-421,  
1400-1432, 1621-1627;  
Sup. III, §§ 11 *et seq.*;  
1400 *et seq.*; 1621 *et seq.*  
*Post*, p. 1137.

*Ante*, p. 540.  
53 Stat. 176.  
26 U. S. C. §§ 1400-  
1432; Sup. III, § 1400 *et seq.*  
*Ante*, p. 524 *et seq.*

*Ante*, p. 542.

*Ante*, p. 543.  
*Ante*, p. 944.

“(B) In the case of any taxable year beginning on or after the effective date specified in section 3810, a resident of Puerto Rico shall compute his net earnings from self-employment in the same manner as a citizen of the United States but without regard to the provisions of section 116 (1).”

*Ante*, p. 543.

(2) Section 211 (a) (7) (relating to the definition of net earnings from self-employment) of the Social Security Act is hereby amended to read as follows:

*Ante*, p. 944.

*Ante*, p. 503.

“(7) (A) In the case of any taxable year beginning before the effective date specified in section 219, the term ‘possession of the United States’ when used in section 251 of the Internal Revenue Code with respect to citizens of the United States shall include Puerto Rico;

*Ante*, p. 517.

*Ante*, p. 944.

“(B) In the case of any taxable year beginning on or after the effective date specified in section 219, a resident of Puerto Rico shall compute his net earnings from self-employment in the same manner as a citizen of the United States but without regard to the provisions of section 116 (1) of such code.”

*Ante*, p. 517.

*Ante*, p. 944.

(k) EFFECTIVE DATE.—The amendments made by this section shall be applicable with respect to taxable years beginning after December 31, 1950, except that the amendments made by subsection (f) shall be applicable with respect to wages paid on or after January 1, 1951, and except that the amendment made by subsection (i) shall be effective on the date of the enactment of this Act.

*Ante*, p. 945.

*Ante*, p. 946.

#### SEC. 222. REGULATED INVESTMENT COMPANIES.

Effective with respect to taxable years ending after the date of the enactment of this Act, section 362 (b) (relating to method of taxation of regulated investment companies and shareholders) is hereby amended by adding at the end thereof the following:

53 Stat. 99.  
26 U. S. C. § 362 (b).  
*Ante*, p. 918; *post*,  
p. 1216.

“(8) For the purposes of this subsection, any dividend or portion thereof declared by a company after the close of the taxable year and prior to the time prescribed by law for the filing of its return for the taxable year (including the period of any extension of time granted for filing such return) shall, to the extent the company so elects in such return, be treated as having been paid during such taxable year, but only if distribution of such dividend is actually made to shareholders in the 12-month period following the close of such taxable year and not later than the date of the first regular dividend payment made after such declaration.”

#### SEC. 223. PERSONAL HOLDING COMPANY INCOME.

Section 502 (f) of the Internal Revenue Code (relating to use of corporation property by a shareholder) shall not apply with respect to rents received during taxable years ending after December 31, 1945, and before January 1, 1950, if such rents were received for the use by the lessee, in the operation of a bona fide commercial, industrial, or mining enterprise, of property of the taxpayer.

53 Stat. 106.  
26 U. S. C. § 502 (f).

### TITLE III—TREATMENT OF INCOME OF, AND GIFTS AND BEQUESTS TO, CERTAIN TAX-EXEMPT ORGANIZATIONS

#### Part I—Taxation of Business Income of Certain Tax-Exempt Organizations

##### SEC. 301. INCOME OF EDUCATIONAL, CHARITABLE, AND CERTAIN OTHER EXEMPT ORGANIZATIONS.

(a) TAX ON CERTAIN TYPES OF INCOME.—Supplement U of chapter 1 is hereby amended to read as follows:

57 Stat. 149.  
26 U. S. C., Sup. III,  
§ 421.  
*Post* p. 1216.

## “Supplement U—Taxation of Business Income of Certain Section 101 Organizations

### “SEC. 421. IMPOSITION OF TAX.

“(a) **IN GENERAL.**—There shall be levied, collected, and paid for each taxable year beginning after December 31, 1950—

“(1) upon the supplement U net income (as defined in subsection (c)) of every organization described in subsection (b) (1), a normal tax of 25 per centum of the supplement U net income, and a surtax of 20 per centum of the amount of the supplement U net income in excess of \$25,000.

“(2) upon the supplement U net income of every trust described in subsection (b) (2), a normal tax computed at the rate and in the manner provided in section 11 and a surtax computed at the rates and in the manner provided in section 12 (b). In making such computations for the purposes of this section, the term ‘the amount of the net income in excess of the credits against net income provided in section 25’ as used in section 11 shall be read as ‘the amount of the supplement U net income’ and the term ‘surtax net income’ as used in section 12 (b) shall be read as ‘supplement U net income’.

### “(b) ORGANIZATIONS SUBJECT TO TAX.—

“(1) **ORGANIZATIONS TAXABLE AS CORPORATIONS.**—The taxes imposed by subsection (a) (1) shall apply in the case of any organization (other than a church, a convention or association of churches, or a trust described in paragraph (2)) which is exempt, except as provided in this supplement, from taxation under this chapter by reason of paragraph (1), (6), or (7) of section 101. Such taxes shall also apply in the case of a corporation described in section 101 (14) if the income is payable to an organization which itself is subject to the tax imposed by subsection (a) or to a church or to a convention or association of churches.

“(2) **TRUSTS TAXABLE AT INDIVIDUAL RATES.**—The taxes imposed by subsection (a) (2) shall apply in the case of any trust which is exempt, except as provided in this supplement, from taxation under this chapter by reason of paragraph (6) of section 101 and which, if it were not for such exemption, would be subject to the provisions of supplement E.

“(c) **DEFINITION OF SUPPLEMENT U NET INCOME.**—The term ‘supplement U net income’ of an organization means the amount by which its unrelated business net income (as defined in section 422) exceeds \$1,000.

“(d) **FOREIGN ORGANIZATIONS.**—The supplement U net income of an organization described in subsection (b) (1) or (2) which is a foreign organization shall be its supplement U net income derived from sources within the United States determined in accordance with the rules of section 119 and sections 212, 213 (a), 231 (c) and (d), and 232 (a).

### “SEC. 422. UNRELATED BUSINESS NET INCOME.

“(a) **DEFINITION.**—The term ‘unrelated business net income’ means the gross income derived by any organization from any unrelated trade or business (as defined in subsection (b)) regularly carried on by it, less the deductions allowed by section 23 which are directly connected with the carrying on of such trade or business, subject to the following exceptions, additions, and limitations:

“(1) There shall be excluded all dividends, interest, and annuities, and all deductions directly connected with such income.

*Post*, pp. 953, 959.

*Ante*, p. 910.

*Ante*, p. 910.

53 Stat. 33, 34.  
26 U. S. C. § 101 (1),  
(6), (7), (14).  
*Post*, pp. 953, 959.

*Post*, p. 959.

53 Stat. 66.  
26 U. S. C. §§ 161-  
172; Sup. III, §§ 163,  
165.  
*Ante*, p. 545; *post*,  
pp. 954, 956.  
*Infra*.

53 Stat. 53; 76, 78.  
26 U. S. C. §§ 119,  
212, 213 (a), 231 (c), (d),  
232 (a); Sup. III, §§ 212,  
231 (d).

*Post*, p. 950.

*Ante*, pp. 929, 941;  
*post*, pp. 950, 1219.

“(2) There shall be excluded all royalties (including overriding royalties) whether measured by production or by gross or net income from the property, and all deductions directly connected with such income.

“(3) There shall be excluded all rents from real property (including personal property leased with the real property), and all deductions directly connected with such rents.

“(4) Notwithstanding paragraph (3), in the case of a supplement U lease (as defined in section 423 (a)) there shall be included, as an item of gross income derived from an unrelated trade or business, the amount ascertained under section 423 (d) (1) and there shall be allowed, as a deduction, the amount ascertained under section 423 (d) (2).

*Post*, p. 950.

*Post*, p. 952.

*Post*, p. 952.

“(5) There shall be excluded all gains or losses from the sale, exchange, or other disposition of property other than (A) stock in trade or other property of a kind which would properly be includible in inventory if on hand at the close of the taxable year, or (B) property held primarily for sale to customers in the ordinary course of the trade or business. This paragraph shall not apply with respect to the cutting of timber which is considered, upon the application of section 117 (k) (1), as a sale or exchange of such timber.

58 Stat. 46.  
26 U. S. C. § 117 (k)  
(1).

“(6) The net operating loss deduction provided in section 23 (s) shall be allowed, except that—

53 Stat. 867.  
26 U. S. C. § 23 (s).

“(A) the net operating loss for any taxable year, the amount of the net operating loss carry-back or carry-over to any taxable year, and the net operating loss deduction for any taxable year shall be determined under section 122 without taking into account any amount of income or deduction which is excluded under this supplement in computing the unrelated business net income; and

53 Stat. 867.  
26 U. S. C. § 122.  
*Ante*, pp. 913, 937;  
*Post*, p. 1220.

“(B) the terms ‘preceding taxable year’ and ‘preceding taxable years’ as used in section 122 shall not include any taxable year for which the organization was not subject to the provisions of this supplement.

“(7) There shall be excluded all income derived from research for (A) the United States, or any of its agencies or instrumentalities, or (B) any State or political subdivision thereof; and there shall be excluded all deductions directly connected with such income.

“(8) (A) In the case of a college, university, or hospital, there shall be excluded all income derived from research performed for any person, and all deductions directly connected with such income.

“(B) In the case of an organization operated primarily for the purposes of carrying on fundamental research the results of which are freely available to the general public, there shall be excluded all income derived from research performed for any person, and all deductions directly connected with such income.

“(9) (A) In the case of any organization described in section 421 (b) (1), the so-called ‘charitable contribution’ deduction allowed by section 23 (q) shall be allowed (whether or not directly connected with the carrying on of the trade or business), but shall not exceed 5 per centum of the unrelated business net income computed without the benefit of this subparagraph.

*Ante*, p. 948.

*Post*, p. 959.

“(B) In the case of any trust described in section 421 (b) (2), the so-called ‘charitable contribution’ deduction allowed by section 23 (o) shall be allowed (whether or not directly connected with the carrying on of the trade or business), and for such

*Ante*, p. 948.

*Post*, p. 959.

*Post*, p. 959.

purpose a distribution made by the trust to a beneficiary described in section 23 (o) shall be considered as a gift or contribution. The deduction allowed by this subparagraph shall not exceed 15 per centum of the unrelated business net income computed without the benefit of this subparagraph.

If a trade or business regularly carried on by a partnership of which an organization is a member is an unrelated trade or business with respect to such organization, such organization in computing its unrelated business net income shall, subject to the exceptions, additions, and limitations contained in paragraphs (1) through (9) above, include its share (whether or not distributed) of the gross income of the partnership from such unrelated trade or business and its share of the partnership deductions directly connected with such gross income. If the taxable year of the organization is different from that of the partnership, the amounts to be so included or deducted in computing the unrelated business net income shall be based upon the income and deductions of the partnership for any taxable year of the partnership (whether beginning on, before, or after January 1, 1951) ending within or with the taxable year of the organization.

*Ante*, p. 948.

“(b) UNRELATED TRADE OR BUSINESS.—The term ‘unrelated trade or business’ means, in the case of any organization subject to the tax imposed by section 421 (a), any trade or business the conduct of which is not substantially related (aside from the need of such organization for income or funds or the use it makes of the profits derived) to the exercise or performance by such organization of its charitable, educational, or other purpose or function constituting the basis for its exemption under section 101, except that such term shall not include any trade or business—

*Post*, pp. 953, 959.

“(1) in which substantially all the work in carrying on such trade or business is performed for the organization without compensation; or

*Post*, p. 959.

“(2) which is carried on, in the case of an organization described in section 101 (6), by the organization primarily for the convenience of its members, students, patients, officers, or employees; or

“(3) which is the selling of merchandise, substantially all of which has been received by the organization as gifts or contributions.

*Post*, p. 954.

The term ‘unrelated trade or business’ means, in the case of a trust computing its unrelated business net income under this section for the purposes of section 162 (g) (1), any trade or business regularly carried on by such trust or by a partnership of which it is a member.

#### “SEC. 423. SUPPLEMENT U LEASE.

*Post*, p. 951.

“(a) DEFINITION OF SUPPLEMENT U LEASE.—The term ‘supplement U lease’ means a lease for a term of more than five years of real property by an organization (or by a partnership of which it is a member), if at the close of the lessor’s taxable year there is a supplement U lease indebtedness (as defined in subsection (b)) with respect to such property. In computing the term of a lease which contains an option for renewal or extension, the term of such lease shall be considered as including any period for which such option may be exercised; and the term of any lease made pursuant to an exercise of such option shall include the period during which the prior lease was in effect. If real property is acquired subject to a lease, the term of such lease shall be considered to begin on the date of such acquisition. No lease shall be considered a supplement U lease if (A) such lease is entered into primarily for purposes which are substantially related (aside from the need of such organization for income or funds

or the use it makes of the rents derived) to the exercise or performance by such organization of its charitable, educational, or other purpose or function constituting the basis for its exemption under section 101, or (B) the lease is of premises in a building primarily designed for occupancy, and occupied, by the organization. If a lease for more than five years to a tenant is for only a portion of the real property, and space in the real property is rented during the taxable year under a lease for not more than five years to any other tenant of the organization, leases of the real property for more than five years shall be considered as supplement U leases during the taxable year only if—

“(1) the rents derived from the real property during the taxable year under such leases represent 50 per centum or more of the total rents derived during the taxable year from the real property; or the area of the premises occupied under such leases represents, at any time during the taxable year, 50 per centum or more of the total area of the real property rented at such time; or

“(2) the rent derived from the real property during the taxable year from any tenant under such a lease, or from a group of tenants (under such leases) who are (A) members of an affiliated group (as defined in section 141) or (B) partners, represents more than 10 per centum of the total rents derived during the taxable year from such property; or the area of the premises occupied by any one such tenant, or by any such group of tenants, represents at any time during the taxable year more than 10 per centum of the total area of the real property rented at such time.

“(b) SUPPLEMENT U LEASE INDEBTEDNESS.—The term ‘supplement U lease indebtedness’ means, with respect to any real property leased for a term of more than five years, the unpaid amount of—

“(1) the indebtedness incurred by the lessor in acquiring or improving such property;

“(2) the indebtedness incurred prior to the acquisition or improvement of such property if such indebtedness would not have been incurred but for such acquisition or improvement; and

“(3) the indebtedness incurred subsequent to the acquisition or improvement of such property if such indebtedness would not have been incurred but for such acquisition or improvement and the incurrence of such indebtedness was reasonably foreseeable at the time of such acquisition or improvement.

Where real property is acquired subject to a mortgage or other similar lien, the amount of the indebtedness secured by such mortgage or lien shall be considered (whether the acquisition was by gift, devise, or purchase) as an indebtedness of the lessor incurred in acquiring such property even though the lessor did not assume or agree to pay such indebtedness, except that where real property was acquired by gift, bequest, or devise prior to July 1, 1950, subject to a mortgage or other similar lien, the amount of such mortgage or other similar lien shall not be considered as an indebtedness of the lessor incurred in acquiring such property. Where real property was acquired by gift, bequest, or devise prior to July 1, 1950, subject to a lease requiring improvements in such property upon the happening of stated contingencies, indebtedness incurred in improving such property in accordance with the terms of such lease shall not be considered as an indebtedness for purposes of this subsection. In the case of a corporation described in section 101 (14), all of the stock of which was acquired prior to July 1, 1950, by an organization described in paragraph (1), (6), or (7) of section 101 (and more than one-third of such stock was acquired by such organization by gift or bequest), any indebtedness incurred by such corporation prior to July 1, 1950, and any indebtedness incurred by such corporation on or after such date in improving

*Post*, pp. 953, 959.

53 Stat. 58.  
26 U. S. C. § 141.  
*Post*, p. 1217.

53 Stat. 34.  
26 U. S. C. § 101 (14).

53 Stat. 33.  
26 U. S. C. § 101 (1),  
(6), (7).  
*Post*, p. 959.

real property in accordance with the terms of a lease entered into prior to such date, shall not be considered as an indebtedness with respect to such corporation or such organization for purposes of this subsection. In determining the amount of the supplement U lease indebtedness where only a portion of the real property is subject to a supplement U lease, proper allocation to the premises covered by such lease shall be made of the indebtedness incurred by the lessor with respect to the real property.

“(c) **PERSONAL PROPERTY LEASED WITH REAL PROPERTY.**—For the purposes of this section, the term ‘real property’ and the term ‘premises’ include personal property of the lessor leased by it to a lessee of its real estate if the lease of such personal property is made under, or in connection with, the lease of such real estate.

*Ante*, p. 948.

“(d) **TREATMENT OF SUPPLEMENT U LEASE RENTS AND DEDUCTIONS.**—In computing under section 422 (a) the unrelated business net income for any taxable year—

“(1) **PERCENTAGE OF RENTS TAKEN INTO ACCOUNT.**—There shall be included with respect to each supplement U lease, as an item of gross income derived from an unrelated trade or business, an amount which is the same percentage (but not in excess of 100 per centum) of the total rents derived during the taxable year under such lease as (A) the supplement U lease indebtedness, at the close of the taxable year, with respect to the premises covered by such lease is of (B) the adjusted basis, at the close of the taxable year, of such premises.

“(2) **PERCENTAGE OF DEDUCTIONS TAKEN INTO ACCOUNT.**—There shall be allowed with respect to each supplement U lease, as a deduction to be taken into account in computing unrelated business net income, an amount which is the same percentage (but not in excess of 100 per centum) of the sum determined under paragraph (3) as the amount determined under clause (A) of paragraph (1) is of the amount determined under clause (B) of such paragraph.

“(3) **DEDUCTIONS ALLOWABLE.**—The sum referred to in paragraph (2) is the sum of the following deductions allowable under section 23:

“(A) Taxes and other expenses paid or accrued during the taxable year upon or with respect to the real property subject to the supplement U lease.

“(B) Interest paid or accrued during the taxable year on the supplement U lease indebtedness.

“(C) A reasonable allowance for exhaustion, wear and tear (including a reasonable allowance for obsolescence) of the real property subject to such lease.

Where only a portion of the real property is subject to the supplement U lease, there shall be taken into account under subparagraph (A), (B), or (C) only those amounts which are properly allocable to the premises covered by such lease.

“**SEC. 424. TAXES OF FOREIGN COUNTRIES AND POSSESSIONS OF THE UNITED STATES.**

“The amount of income, war-profits, and excess-profits taxes imposed by foreign countries or possessions of the United States shall be allowed as a credit against the tax of an organization subject to the tax imposed by section 421 (a) to the extent provided in section 131; and in the case of the tax imposed by section 421 (a), the term ‘normal-tax net income’ and the term ‘net income’ as used in section 131 shall be read as ‘supplement U net income.’”

*Ante*, pp. 929, 941;  
*post*, pp. 959, 1219.

*Ante*, p. 948.  
53 Stat. 56.  
26 U. S. C. § 131.  
*Ante*, pp. 544, 946;  
*post*, p. 1219.

(b) **FEEDER ORGANIZATIONS.**—Section 101 is hereby amended by adding at the end thereof the following paragraph:

“An organization operated for the primary purpose of carrying on a trade or business for profit shall not be exempt under any paragraph of this section on the ground that all of its profits are payable to one or more organizations exempt under this section from taxation. For the purposes of this paragraph the term ‘trade or business’ shall not include the rental by an organization of its real property (including personal property leased with the real property).”

(c) **TECHNICAL AMENDMENTS.**—

(1) Section 101 is hereby amended (A) by striking out “The following organizations shall be exempt” and inserting in lieu thereof “Except as provided in supplement U, the following organizations shall be exempt”, and (B) by adding at the end of such section (following the paragraph added by subsection (b) of this section) the following paragraph:

“Notwithstanding supplement U, an organization described in this section (other than in the preceding paragraph) shall be considered an organization exempt from income taxes for the purpose of any law which refers to organizations exempt from income taxes.”

(2) Section 117 (c) (1) is hereby amended by inserting before “and 500” the following: “421,”.

(3) Section 117 (c) (2) is hereby amended by inserting after “sections 11 and 12” the following: “(or, in the case of certain tax-exempt trusts, in lieu of the tax imposed by section 421)”.

(4) Section 143 is hereby amended by adding at the end thereof the following new subsection:

“(h) **WITHHOLDING ON CERTAIN FOREIGN TAX-EXEMPT ORGANIZATIONS.**—In the case of income of a foreign organization subject to the tax imposed by section 421 (a), the provisions of this section and section 144 shall apply to rents includible under section 422 in computing its unrelated business net income, but only to the extent and subject to such conditions as may be provided under regulations prescribed by the Secretary.”

(5) Supplement H is hereby amended by adding at the end thereof the following new section:

**“SEC. 221. FOREIGN EDUCATIONAL, CHARITABLE AND CERTAIN OTHER EXEMPT ORGANIZATIONS.**

“For special provisions relating to foreign educational, charitable and other exempt trusts, see section 421 (d).”

(6) Supplement I is hereby amended by adding at the end thereof the following new section:

**“SEC. 238. FOREIGN EDUCATIONAL, CHARITABLE AND CERTAIN OTHER EXEMPT ORGANIZATIONS.**

“For special provisions relating to foreign educational, charitable and certain other exempt organizations, see section 421 (d).”

**SEC. 302. EXEMPTION OF CERTAIN ORGANIZATIONS FOR PAST YEARS.**

(a) **TRADE OR BUSINESS NOT UNRELATED.**—For any taxable year beginning prior to January 1, 1951, no organization shall be denied exemption under paragraph (1), (6), or (7) of section 101 of the Internal Revenue Code on the grounds that it is carrying on a trade or business for profit if the income from such trade or business would not be taxable as unrelated business income under the provisions of Supplement U of the Internal Revenue Code, as amended by this Act, or if such trade or business is the rental by such organization of its real property (including personal property leased with the real property).

53 Stat. 33.  
26 U. S. C. § 101.  
*Infra*; *post*, p. 959.

*Supra*.

*Ante*, p. 946.

*Ante*, p. 946.

56 Stat. 843.  
26 U. S. C. § 117 (c)

(1).  
*Ante*, p. 948.  
56 Stat. 844.  
26 U. S. C. § 117 (c)

(2).  
*Ante*, pp. 910, 911,  
948.

53 Stat. 60.  
26 U. S. C. § 143.  
*Ante*, pp. 944, 945.

*Ante*, p. 948.

53 Stat. 62.  
26 U. S. C. § 144.  
*Ante*, p. 948.

*Ante*, p. 945.

*Ante*, p. 948.

53 Stat. 78.  
26 U. S. C. §§ 231-  
238; Sup. III, § 231.  
*Ante*, p. 919.

*Ante*, p. 948.

53 Stat. 33.  
26 U. S. C. § 101 (1),  
(6), (7).  
*Post*, p. 959.

*Ante*, p. 947.

*Ante*, p. 953; *post*,  
p. 959.

58 Stat. 37.  
26 U. S. C. § 54 (f).

53 Stat. 86.  
26 U. S. C. § 275.

53 Stat. 82.  
26 U. S. C. § 272.

(b) **PERIOD OF LIMITATIONS.**—In the case of an organization which would otherwise be exempt under section 101 of the Internal Revenue Code were it not carrying on a trade or business for profit, the filing of the information return required by section 54 (f) of the Internal Revenue Code (relating to returns by tax-exempt organizations) for any taxable year beginning prior to January 1, 1951, shall be deemed to be the filing of a return for the purposes of section 275 of the Internal Revenue Code (relating to period of limitation upon assessment and collection). In the case of such an organization which was, by the provisions of section 54 (f) of the Internal Revenue Code, specifically not required to file such information return, for the purposes of the preceding sentence a return shall be deemed to have been filed at the time when such return should have been filed had it been so required. The provisions of this subsection shall not apply to a taxable year of such an organization with respect to which, prior to September 20, 1950, (1) any amount of tax was assessed or paid, or (2) a notice of deficiency under section 272 of the Internal Revenue Code was sent to the taxpayer.

53 Stat. 147.  
26 U. S. C. § 1004 (b)  
(2), (3).  
*Post*, p. 959.

(c) **DENIAL OF DEDUCTIONS.**—A gift or bequest to an organization prior to January 1, 1951, for religious, charitable, scientific, literary, or educational purposes (including the encouragement of art and the prevention of cruelty to children or animals) otherwise allowable as a deduction under section 23 (o) (2), 23 (q) (2), 162 (a), 505 (a) (2), 812 (d), 861 (a) (3), 1004 (a) (2) (B), or 1004 (b) (2) or (3) of the Internal Revenue Code, may not be denied under such sections if a denial of exemption to such organization for the taxable year of the organization in which such gift or bequest was made is prevented by the provisions of subsections (a) or (b) of this section.

### SEC. 303. EFFECTIVE DATE OF PART I.

*Ante*, p. 953; *post*,  
p. 959.

*Ante*, p. 953.

The amendments made by this part shall be applicable only with respect to taxable years beginning after December 31, 1950. The determination as to whether an organization 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 section 301 (b) of this Act had not been enacted and without inferences drawn from the fact that the amendment made by such section is not expressly made applicable with respect to taxable years beginning before January 1, 1951.

## Part II—Charitable, etc., Deductions of Trusts Not Exempt From Taxation

### SEC. 321. CHARITABLE, ETC., DEDUCTIONS OF TRUSTS.

53 Stat. 66.  
26 U. S. C. § 162.  
*Post*, p. 956.

(a) **AMENDMENT OF SECTION 162.**—Section 162 is hereby amended by adding at the end thereof the following:

“(g) **RULES FOR APPLICATION OF SUBSECTION (a) IN THE CASE OF TRUSTS.**—

*Post*, p. 956.

*Ante*, p. 947.

*Post*, p. 959.

*Ante*, p. 948.

“(1) **TRADE OR BUSINESS INCOME.**—In computing the deduction allowable under subsection (a) to a trust for any taxable year beginning after December 31, 1950, no amount otherwise allowable under subsection (a) as a deduction shall be allowed as a deduction with respect to income of the taxable year which is allocable to its Supplement U business income for such year. As used in this paragraph the term ‘Supplement U business income’ means an amount equal to the amount which, if such trusts were exempt under section 101 (6) from taxation, would be computed as its unrelated business net income under section 422 (relating to income derived from certain business activities and from certain leases).

## “(2) OPERATIONS OF TRUSTS.—

“(A) LIMITATION ON CHARITABLE, ETC., DEDUCTION.—The amount otherwise allowable under subsection (a) as a deduction shall not exceed 15 per centum of the net income of the trust (computed without the benefit of subsection (a)) if the trust has engaged in a prohibited transaction, as defined in subparagraph (B) of this paragraph.

Post, p. 956.

“(B) PROHIBITED TRANSACTIONS.—For the purposes of this paragraph the term ‘prohibited transaction’ means any transaction after July 1, 1950, in which any trust while holding income or corpus which has been permanently set aside or is to be used exclusively for charitable or other purposes described in subsection (a)—

Post, p. 956.

“(i) lends any part of such income or corpus, without receipt of adequate security and a reasonable rate of interest, to;

“(ii) pays any compensation from such income or corpus, in excess of a reasonable allowance for salaries or other compensation for personal services actually rendered, to;

“(iii) makes any part of its services available on a preferential basis to;

“(iv) uses such income or corpus to make any substantial purchase of securities or any other property, for more than an adequate consideration in money or money's worth, from;

“(v) sells any substantial part of the securities or other property comprising such income or corpus, for less than an adequate consideration in money or money's worth, to; or

“(vi) engages in any other transaction which results in a substantial diversion of such income or corpus to; the creator of such trust; any person who has made a substantial contribution to such trust; a member of the family (as defined in section 24 (b) (2) (D)) of an individual who is the creator of the trust or who has made a substantial contribution to the trust; or a corporation controlled by any such creator or person through the ownership, directly or indirectly, of 50 per centum or more of the total combined voting power of all classes of stock entitled to vote or 50 per centum or more of the total value of shares of all classes of stock of the corporation.

53 Stat. 17.  
20 U. S. C. § 24 (b)  
(2) (D).

“(C) TAXABLE YEARS AFFECTED.—The amount otherwise allowable under subsection (a) as a deduction shall be limited as provided in subparagraph (A) only for taxable years subsequent to the taxable year during which the trust is notified by the Secretary that it has engaged in such transaction, unless such trust entered into such prohibited transaction with the purpose of diverting such corpus or income from the purposes described in subsection (a), and such transaction involved a substantial part of such corpus or income.

Post, p. 956.

“(D) FUTURE CHARITABLE, ETC., DEDUCTIONS OF TRUSTS DENIED DEDUCTION UNDER SUBPARAGRAPH (C).—If the deduction of any trust under subsection (a) has been limited as provided in this paragraph, such trust, with respect to any taxable year following the taxable year in which notice is received of limitation of deduction under subsection (a), may, under regulations prescribed by the Secretary, file claim for the allowance of the unlimited deduction under

Post, p. 956.

*Infra.*

subsection (a), and if the Secretary, pursuant to such regulations, is satisfied that such trust will not knowingly again engage in a prohibited transaction, the limitation provided in subparagraph (A) shall not be applicable with respect to taxable years subsequent to the year in which such claim is filed.

“(E) **DISALLOWANCE OF CERTAIN CHARITABLE, ETC., DEDUCTIONS.**—No gift or bequest for religious, charitable, scientific, literary, or educational purposes (including the encouragement of art and the prevention of cruelty to children or animals), otherwise allowable as a deduction under section 23 (o) (2), 23 (q) (2), 162 (a), 505 (a) (2), 812 (d), 861 (a) (3), 1004 (a) (2) (B), or 1004 (b) (2) or (3), shall be allowed as a deduction if made in trust and, in the taxable year of the trust in which the gift or bequest is made, the deduction allowed the trust under subsection (a) is limited by subparagraph (A). With respect to any taxable year of a trust in which such deduction has been so limited by reason of entering into a prohibited transaction with the purpose of diverting such corpus or income from the purposes described in subsection (a), and such transaction involved a substantial part of such income or corpus, and which taxable year is the same, or prior to the, taxable year of the trust in which such prohibited transaction occurred, such deduction shall be disallowed the donor only if such donor or (if such donor is an individual) any member of his family (as defined in section 24 (b) (2) (D)) was a party to such prohibited transaction.

53 Stat. 147.  
26 U. S. C. § 1004 (b)  
(2), (3).  
*Infra*; *post*, p. 959.

*Infra.*

“(F) **DEFINITION.**—For the purposes of this paragraph the term ‘gift or bequest’ means any gift, contribution, bequest, devise, legacy, or transfer.

“(3) **CROSS REFERENCE.**—For disallowance of certain charitable, etc., deductions otherwise allowable under subsection (a), see section 3813.

“(4) **ACCUMULATED INCOME.**—If the amounts permanently set aside, or to be used exclusively, for the charitable and other purposes described in subsection (a) during the taxable year or any prior taxable year and not actually paid out by the end of the taxable year—

“(A) are unreasonable in amount or duration in order to carry out such purposes of the trust; or

“(B) are used to a substantial degree for purposes other than those described in subsection (a); or

“(C) are invested in such a manner as to jeopardize the interests of the religious, charitable, scientific, etc., beneficiaries,

*Infra.*

the amount otherwise allowable under subsection (a) as a deduction shall be limited to the amount actually paid out during the taxable year and shall not exceed 15 per centum of the net income of the trust (computed without the benefit of subsection (a)).”

(b) **TECHNICAL AMENDMENT.**—Section 162 (a) is hereby amended by striking out “There shall be allowed as a deduction” and inserting in lieu thereof “Subject to the provisions of subsection (g), there shall be allowed as a deduction”.

53 Stat. 66.  
26 U. S. C. § 162 (a).  
*Ante*, p. 954.

## SEC. 322. EFFECTIVE DATE OF PART II.

The amendments made by this part shall be applicable only with respect to taxable years beginning after December 31, 1950, except that subsection (g) (2) (E) of section 162 of the Internal Revenue Code, added by section 321 (a) of this Act, shall apply only with respect to

*Supra.*

gifts or bequests (as defined in section 162 (g) (2) (F) of the Internal Revenue Code) made on or after January 1, 1951.

*Ante*, p. 956.

### Part III—Loss of Exemption Under Section 101 (6) and Disallowance of Certain Gifts and Bequests

*Post*, p. 959.

#### SEC. 331. EXEMPTION OF CERTAIN ORGANIZATIONS UNDER SECTION 101 (6) AND DEDUCTIBILITY OF CONTRIBUTIONS MADE TO SUCH ORGANIZATIONS.

Chapter 38 is hereby amended by inserting at the end thereof the following new sections:

53 Stat. 467.  
26 U. S. C. § 3790-3808; Sup. III, § 3792 et seq.  
*Ante*, pp. 543, 544, 946.

#### “SEC. 3813. REQUIREMENTS FOR EXEMPTION OF CERTAIN ORGANIZATIONS UNDER SECTION 101 (6) AND FOR DEDUCTIBILITY OF CONTRIBUTIONS MADE TO SUCH ORGANIZATIONS.

*Post*, p. 959.

“(a) ORGANIZATIONS TO WHICH SECTION APPLIES.—This section shall apply to any organization described in section 101 (6) except—

*Post*, p. 959.

“(1) a religious organization (other than a trust);

“(2) an educational organization which normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on;

“(3) an organization which normally receives a substantial part of its support (exclusive of income received in the exercise or performance by such organization of its charitable, educational, or other purpose or function constituting the basis for its exemption under section 101 (6)) from the United States or any State or political subdivision thereof or from direct or indirect contributions from the general public;

*Post*, p. 959.

“(4) an organization which is operated, supervised, controlled, or principally supported by a religious organization (other than a trust) which is itself not subject to the provisions of this section; and

“(5) an organization the principal purposes or functions of which are the providing of medical or hospital care or medical education or medical research.

“(b) PROHIBITED TRANSACTIONS.—For the purposes of this section, the term ‘prohibited transaction’ means any transaction in which an organization subject to the provisions of this section—

“(1) lends any part of its income or corpus, without the receipt of adequate security and a reasonable rate of interest, to;

“(2) pays any compensation, in excess of a reasonable allowance for salaries or other compensation for personal services actually rendered, to;

“(3) makes any part of its services available on a preferential basis to;

“(4) makes any substantial purchase of securities or any other property, for more than adequate consideration in money or money’s worth, from;

“(5) sells any substantial part of its securities or other property, for less than an adequate consideration in money or money’s worth, to; or

“(6) engages in any other transaction which results in a substantial diversion of its income or corpus to;

the creator of such organization (if a trust); a person who has made a substantial contribution to such organization; a member of the family (as defined in section 24 (b) (2) (D)) of an individual who is the creator of such trust or who has made a substantial contribution to such organization; or a corporation controlled by such creator or

53 Stat. 17.  
26 U. S. C. § 24 (b) (2) (D).

person through the ownership, directly or indirectly, of 50 per centum or more of the total combined voting power of all classes of stock entitled to vote or 50 per centum or more of the total value of shares of all classes of stock of the corporation.

**“(c) DENIAL OF EXEMPTION TO ORGANIZATIONS ENGAGED IN PROHIBITED TRANSACTIONS.—**

**“(1) GENERAL RULE.—**No organization subject to the provisions of this section which has engaged in a prohibited transaction after July 1, 1950, shall be exempt from taxation under section 101 (6).

**“(2) TAXABLE YEARS AFFECTED.—**An organization shall be denied exemption from taxation under section 101 (6) by reason of paragraph (1) only for taxable years subsequent to the taxable year during which it is notified by the Secretary that it has engaged in a prohibited transaction, unless such organization entered into such prohibited transaction with the purpose of diverting corpus or income of the organization from its exempt purposes, and such transaction involved a substantial part of the corpus or income of such organization.

**“(d) FUTURE STATUS OF ORGANIZATION DENIED EXEMPTION.—**Any organization denied exemption under section 101 (6) by reason of the provisions of subsection (c), with respect to any taxable year following the taxable year in which notice of denial of exemption was received, may, under regulations prescribed by the Secretary, file claim for exemption, and if the Secretary, pursuant to such regulations, is satisfied that such organization will not knowingly again engage in a prohibited transaction, such organization shall be exempt with respect to taxable years subsequent to the year in which such claim is filed.

**“(e) DISALLOWANCE OF CERTAIN CHARITABLE, ETC., DEDUCTIONS.—**No gift or bequest for religious, charitable, scientific, literary, or educational purposes (including the encouragement of art and the prevention of cruelty to children or animals), otherwise allowable as a deduction under section 23 (o) (2), 23 (q) (2), 162 (a), 505 (a) (2), 812 (d), 861 (a) (3), 1004 (a) (2) (B), or 1004 (b) (2) or (3), shall be allowed as a deduction if made to an organization which, in the taxable year of the organization in which the gift or bequest is made, is not exempt under section 101 (6) by reason of the provisions of this section. With respect to any taxable year of the organization for which the organization is not exempt pursuant to the provisions of subsection (c) by reason of having engaged in a prohibited transaction with the purpose of diverting the corpus or income of such organization from its exempt purposes and such transaction involved a substantial part of such corpus or income, and which taxable year is the same, or prior to the, taxable year of the organization in which such transaction occurred, such deduction shall be disallowed the donor only if such donor or (if such donor is an individual) any member of his family (as defined in section 24 (b) (2) (D)) was a party to such prohibited transaction.

**“(f) DEFINITION.—**For the purposes of this section, the term ‘gift or bequest’ means any gift, contribution, bequest, devise, legacy, or transfer.

**“SEC. 3814. DENIAL OF EXEMPTION UNDER SECTION 101 (6) IN THE CASE OF CERTAIN ORGANIZATIONS ACCUMULATING INCOME.**

“In the case of any organization described in section 101 (6) to which section 3813 is applicable, if the amounts accumulated out of income during the taxable year or any prior taxable year and not actually paid out by the end of the taxable year—

*Post*, p. 959.

*Post*, p. 959.

*Post*, p. 959.

*Supra*.

53 Stat. 147.  
26 U. S. C. § 1004 (b)  
(2), (3).

*Post*, p. 959.

*Post*, p. 959.

*Supra*.

53 Stat. 17.  
26 U. S. C. § 24 (b)  
(2) (D).

*Post*, p. 959.

*Ante*, p. 957.

“(1) are unreasonable in amount or duration in order to carry out the charitable, educational, or other purpose or function constituting the basis for such organization’s exemption under section 101 (6); or

“(2) are used to a substantial degree for purposes or functions other than those constituting the basis for such organization’s exemption under section 101 (6); or

*Infra.*

“(3) are invested in such a manner as to jeopardize the carrying out of the charitable, educational, or other purpose or function constituting the basis for such organization’s exemption under section 101 (6),

*Infra.*

exemption under section 101 (6) shall be denied for the taxable year.”

### SEC. 332. TECHNICAL AMENDMENTS.

(a) AMENDMENT OF SECTION 23 (o).—Section 23 (o) (2) is hereby amended by striking out “legislation;” and inserting in lieu thereof the following: “legislation. For disallowance of certain charitable, etc., deductions otherwise allowable under this paragraph, see sections 3813 and 162 (g) (2);”

53 Stat. 14.  
26 U. S. C. § 23 (o)  
(2); Sup. III, § 23 (o)  
(2).

*Ante*, pp. 957, 955.

(b) AMENDMENT OF SECTION 23 (q).—Section 23 (q) (2) is hereby amended by striking out “legislation; or” and inserting in lieu thereof the following: “legislation. For disallowance of certain charitable, etc., deductions otherwise allowable under this paragraph, see sections 3813 and 162 (g) (2); or”

53 Stat. 15.  
26 U. S. C., Sup. III,  
§ 23 (q) (2).

*Ante*, pp. 957, 955.

(c) AMENDMENT OF SECTION 101 (6).—Section 101 (6) is hereby amended by striking out “legislation;” and inserting in lieu thereof the following: “legislation. For loss of exemption under certain circumstances, see sections 3813 and 3814;”

53 Stat. 33.  
26 U. S. C. § 101 (6).

*Ante*, pp. 957, 958.

(d) AMENDMENT OF SECTION 505 (a).—Section 505 (a) (2) is hereby amended by adding at the end thereof the following: “For disallowance of certain charitable, etc., deductions otherwise allowable under this paragraph, see sections 3813 and 162 (g) (2).”

53 Stat. 108.  
26 U. S. C., Sup. III,  
§ 505 (a) (2).

*Ante*, pp. 957, 955.

(e) AMENDMENT OF SECTION 812 (d).—Section 812 (d) is hereby amended by adding at the end thereof the following: “For disallowance of certain charitable, etc., deductions otherwise allowable under this subsection, see sections 3813 and 162 (g) (2).”

53 Stat. 124.  
26 U. S. C., Sup. III,  
§ 812 (d).

*Ante*, pp. 957, 955.

(f) AMENDMENT OF SECTION 861 (a).—Section 861 (a) (3) is hereby amended by adding at the end thereof the following: “For disallowance of certain charitable, etc., deductions otherwise allowable under this paragraph, see sections 3813 and 162 (g) (2).”

53 Stat. 130.  
26 U. S. C., Sup. III,  
§ 861 (a) (3).

*Ante*, pp. 957, 955.

(g) AMENDMENT OF SECTION 1004 (a).—Section 1004 (a) (2) (B) is hereby amended by striking out “legislation;” and inserting in lieu thereof the following: “legislation. For disallowance of certain charitable, etc., deductions otherwise allowable under this subparagraph, see sections 3813 and 162 (g) (2);”

53 Stat. 147.  
26 U. S. C. § 1004 (a)  
(2) (B).

*Ante*, pp. 957, 955.

(h) AMENDMENT OF SECTION 1004 (b).—Section 1004 (b) is hereby amended by adding at the end thereof the following new paragraph: “For disallowance of certain charitable, etc., deductions otherwise allowable under paragraphs (2) and (3), see sections 3813 and 162 (g) (2).”

53 Stat. 147.  
26 U. S. C. § 1004 (b);  
Sup. III, § 1004 (b).

*Ante*, pp. 957, 955.

### SEC. 333. EFFECTIVE DATES.

Subsections (c) and (d) of section 3813 and section 3814 of the Internal Revenue Code, added by section 331 of this Act, shall apply with respect to taxable years beginning after December 31, 1950, and subsection (e) of section 3813 of the Internal Revenue Code shall apply only with respect to gifts or bequests (as defined in section 3813 of the Internal Revenue Code) made on or after January 1, 1951.

*Ante*, p. 958.

*Ante*, p. 958.

## Part IV—Information To Be Made Available to the Public

### SEC. 341. INFORMATION TO BE MADE AVAILABLE TO THE PUBLIC.

(a) INFORMATION WITH RESPECT TO CERTAIN CHARITABLE, ETC., EXEMPTIONS AND DEDUCTIONS.—Supplement D of chapter 1 (relating to returns and payment of tax) is hereby amended by adding at the end thereof the following new section:

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

“(a) CERTAIN TAX-EXEMPT ORGANIZATIONS.—Every organization described in section 101 (6) which is subject to the requirements of section 54 (f) shall furnish annually information, at such time and in such manner as the Secretary may by regulations prescribe, setting forth—

“(1) its gross income for the year,

“(2) its expenses attributable to such income and incurred within the year,

“(3) its disbursements out of income within the year for the purposes for which it is exempt,

“(4) its accumulation of income within the year,

“(5) its aggregate accumulations of income at the beginning of the year,

“(6) its disbursements out of principal in the current and prior years for the purposes for which it is exempt, and

“(7) a balance sheet showing its assets, liabilities and net worth as of the beginning of such year.

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

“(1) the amount of the charitable, etc., deduction taken under section 162 (a) within such year (showing separately the amount of such deduction which was paid out and the amount which was permanently set aside for charitable, etc., purposes during such year),

“(2) the amount paid out within such year which represents amounts for which charitable, etc., deductions under section 162 (a) have been taken in prior years,

“(3) the amount for which charitable, etc., deductions have been taken in prior years but which has not been paid out at the beginning of such year,

“(4) the amount paid out of principal in the current and prior years for charitable, etc., purposes,

“(5) the total income of the trust within such year and the expenses attributable thereto, and

“(6) a balance sheet showing the assets, liabilities, and net worth of the trust as of the beginning of such year.

“(c) INFORMATION AVAILABLE TO THE PUBLIC.—The information required to be furnished by subsections (a) and (b), together with the names and addresses of such organizations and trusts, shall be made available to the public at such times and in such places as the Secretary may prescribe.

“(d) PENALTIES.—In the case of a willful failure to furnish the information required under this section, the penalties provided in section 145 (a) shall be applicable.”

(b) EFFECTIVE DATE.—The amendment made by this section shall be applicable with respect to taxable years beginning after December 31, 1949.

53 Stat. 58.  
26 U. S. C. §§ 141-152; Sup. III, § 142 *et seq.*  
*Ante*, pp. 944, 945, 953; *post*, pp. 1136, 1217.

*Ante*, p. 959.

58 Stat. 37.  
26 U. S. C. § 54 (f).

*Ante*, p. 956.

*Supra*.

53 Stat. 62.  
26 U. S. C. § 145 (a).

## TITLE IV—INCOME TAXES OF LIFE INSURANCE COMPANIES

### SEC. 401. CORRECTION OF FORMULA USED IN COMPUTING INCOME TAXES OF LIFE INSURANCE COMPANIES FOR 1949 AND 1950.

(a) **RESERVE AND OTHER POLICY LIABILITY CREDIT.**—The second sentence of section 202 (b) (relating to definition of reserve and other policy liability credit) is hereby amended to read as follows: "This figure shall be based on such data with respect to life insurance companies for the preceding taxable year as the Secretary considers representative and shall be computed as follows:

53 Stat. 71.  
26 U. S. C. § 202 (b).

"(1) **IN GENERAL.**—Except as provided in paragraph (2), the figure shall be computed in accordance with the following formula: The ratio which a numerator comprised of the aggregate of the sums of (A) 2 per centum of the reserves for deferred dividends, (B) interest paid, and (C) the product of (i) the mean of the adjusted reserves at the beginning and end of the taxable year and (ii) the reserve earnings rate bears to a denominator comprised of the aggregate of the excess of net incomes computed without any deduction for tax-free interest, over the adjustment for certain reserves provided in subsection (c).

56 Stat. 870.  
26 U. S. C. § 202 (c).

"(2) **SPECIAL RULE FOR 1949 AND 1950.**—In the case of the taxes imposed for a taxable year beginning in 1949 or 1950, the figure to be used for such year shall be computed as provided in paragraph (1) except that—

"(A) in computing the product required under clause (C) of paragraph (1), there shall be used, in lieu of the reserve earnings rate, the average rate of interest assumed in computing life insurance reserves. Such average rate shall be calculated in the manner provided in the second sentence of section 201 (c) (4); and

56 Stat. 868.  
26 U. S. C. § 201 (c)  
(4).

"(B) if the Secretary, in computing the ratio, finds that the net effect of including the data with respect to any life insurance company is to increase the numerator more than it increases the denominator, he shall limit the net change in the numerator resulting from such inclusion to the net change in the denominator resulting therefrom."

(b) **TECHNICAL AMENDMENT.**—Section 203 (b) is hereby amended by striking out "figure" and inserting in lieu thereof "applicable figure".

53 Stat. 72.  
26 U. S. C. § 203 (b).

(c) **EFFECTIVE DATE.**—The amendments made by this section shall be applicable to taxable years beginning after December 31, 1948. The Secretary of the Treasury shall, within sixty days after the date of the enactment of this Act, determine and proclaim in accordance with the provisions of section 202 (b) of the Internal Revenue Code, as amended by this section, the figures to be used by life insurance companies in computing their reserve and other policy liability credits for taxable years beginning in 1949.

### SEC. 402. FILING OF RETURNS FOR TAXABLE YEAR 1949.

Every life insurance company subject to the taxes imposed by section 201 of the Internal Revenue Code shall, after the date of the Secretary's proclamation required by section 401 (c) of this Act and on or before the 15th day of the third month following the close of the month in which this Act is enacted, make a return for its taxable year beginning in 1949 with respect to the taxes imposed by such section 201 (determined with the amendments made by section 401 of this Act). The return required by this section for such taxable year shall

53 Stat. 71.  
26 U. S. C. § 201.  
*Ante*, p. 918.  
*Supra*.

constitute the return for such taxable year for all purposes of the Internal Revenue Code; and no return for such taxable year, with respect to the taxes imposed by section 201 of such code, filed on or before the date of such proclamation shall be considered for any of such purposes as a return for such year. The taxes imposed by section 201 of such code (determined with the amendments made by section 401 of this Act) for such taxable year shall be paid on the 15th day of the third month following the close of the month in which this Act is enacted, in lieu of at the time prescribed in section 56 (a) of such code. All payments with respect to the taxes for such taxable year imposed by section 201 of such code under the law in effect prior to the enactment of this Act, to the extent that such payments have not been credited or refunded, shall be deemed to be payments made at the time of the filing of the return required by this section on account of the taxes for that year determined with the amendments made by section 401 of this Act.

53 Stat. 71.  
26 U. S. C. § 201.  
*Ante*, p. 918.

*Ante*, p. 961.

*Ante*, p. 930.

## TITLE V—ESTATE TAX

### SEC. 501. TRANSFERS IN CONTEMPLATION OF DEATH.

(a) TRANSFERS, ETC., IN CONTEMPLATION OF DEATH.—Section 811 (relating to gross estate) is hereby amended by striking out “(l)” at the beginning of subsection (l) and inserting in lieu thereof “(m)”, and by inserting after subsection (k) the following new subsection:

“(l) CONTEMPLATION OF DEATH.—If the decedent within a period of three years ending with the date of his death (except in case of a bona fide sale for an adequate and full consideration in money or money’s worth) transferred an interest in property, relinquished a power, or exercised or released a power of appointment, such transfer, relinquishment, exercise, or release shall, unless shown to the contrary, be deemed to have been made in contemplation of death within the meaning of subsections (c), (d), and (f); but no such transfer, relinquishment, exercise, or release made prior to such three-year period shall be deemed or held to have been made in contemplation of death.”

(b) AMENDMENTS OF SECTION 811 (c) AND (d).—

(1) Section 811 (c) (1) (A) (relating to transfers in contemplation of death) is hereby amended to read as follows:

“(A) in contemplation of his death; or”.

(2) Section 811 (d) (relating to revocable transfers) is hereby amended by striking out paragraph (4) thereof.

(c) EFFECTIVE DATE.—The amendments made by this section shall be applicable only with respect to estates of decedents dying after the date of the enactment of this Act.

### SEC. 502. REPEAL OF DEDUCTION FOR SUPPORT OF DEPENDENTS.

Effective with respect to estates of decedents dying after the date of the enactment of this Act, section 812 (b) (relating to deductions for expenses, etc.) is hereby amended—

(a) by inserting the word “and” at the end of paragraph (3) thereof;

(b) by striking out of paragraph (4) thereof the following: “and”;

(c) by striking out paragraph (5) thereof; and

(d) by striking out “(3), (4), and (5) exceed” and inserting in lieu thereof “(3), and (4) exceed”.

### SEC. 503. REVERSIONARY INTERESTS IN CASE OF LIFE INSURANCE.

(a) AMENDMENT OF SECTION 404 (c) OF REVENUE ACT OF 1942.—Effective with respect to estates of decedents dying after October 21,

53 Stat. 120.  
26 U. S. C. § 811;  
Sup. III, § 811.

*Infra*.

63 Stat. 894.  
26 U. S. C., Sup. III,  
§ 811 (c) (1) (A).

53 Stat. 121.  
26 U. S. C. § 811 (d)  
(4).

53 Stat. 123.  
26 U. S. C. § 812 (b).

56 Stat. 945.  
26 U. S. C. § 811 note.

56 Stat. 945.  
26 U. S. C. § 811 note.

1942, section 404 (c) of the Revenue Act of 1942 is hereby amended by adding at the end thereof the following: "For the purposes of the preceding sentence, the term 'incident of ownership' includes a reversionary interest only if (1) at some time after January 10, 1941, the value of such reversionary interest exceeded 5 per centum of the value of the policy, and (2) the reversionary interest arose by the express terms of the policy or other instrument and not by operation of law. As used in this subsection, the term 'reversionary interest' includes a possibility that the policy, or the proceeds of the policy, (A) may return to the decedent or his estate, or (B) may be subject to a power of disposition by him. The value of a reversionary interest at any time shall be determined (without regard to the fact of the decedent's death) by usual methods of valuation, including the use of tables of mortality and actuarial principles, pursuant to regulations prescribed by the Secretary. In determining the value of a possibility that the policy or proceeds thereof may be subject to a power of disposition by the decedent, such possibility shall be valued as if it were a possibility that such policy or proceeds may return to the decedent or his estate."

(b) **NO INTEREST ON REFUNDS.**—No interest shall be allowed or paid on any overpayment resulting from the application of subsection (a) with respect to any payment made prior to the date of the enactment of this Act.

## TITLE VI—EXCISE TAXES

### SEC. 601. SALES AT AUCTION.

Chapter 19 (relating to retailers' excise taxes) is hereby amended by adding at the end thereof the following new section:

55 Stat. 718.  
26 U. S. C. §§ 2400-  
2411; Sup. III, § 2401.

#### "SEC. 2412. AUCTION SALES OF JEWELRY AND FURS.

"(a) **IN GENERAL.**—For the purposes of sections 2400 and 2401 the term 'articles sold at retail' includes an article sold at retail by an auctioneer or other agent in the course of his business on behalf of (1) a person who is not engaged in the business of selling like articles, or (2) the legal representative of the estate of a decedent who was not engaged in the business of selling like articles. In the case of articles so sold, the auctioneer or other agent shall, for the purposes of section 2403, be considered the 'person who sells at retail'.

"(b) **EXEMPTION OF \$100 IN CASE OF AUCTION SALE AT PRIVATE HOME.**—

"(1) In the case of an auction sale held at the home of a person whose articles are being sold, any taxable article (as defined in paragraph (2)) of such person sold by the auctioneer shall be exempt from the tax imposed by section 2400 or 2401 except to the extent that the price for which such article is sold, when added to the sum of the sale prices of all other taxable articles of such person previously sold at the same auction, exceeds \$100.

"(2) For the purposes of this subsection—

"(A) the term 'taxable article' means an article which, by reason of subsection (a) of this section and without regard to the exemption provided in paragraph (1), is taxable under section 2400 or 2401 when sold at auction; and

"(B) in the case of articles of a decedent sold on behalf of the legal representative of his estate, an auction sale held at the home of such decedent shall be considered as 'held at the home of a person whose articles are being sold'."

### SEC. 602. RETAIL SALES BY UNITED STATES OR BY ITS AGENCIES OR INSTRUMENTALITIES.

Chapter 19 (relating to retailers' excise taxes) is hereby amended by adding after section 2412 (added by section 601 of this Act) the following new section:

Supra.

**"SEC. 2413. SALES BY UNITED STATES, ETC.**

58 Stat. 61.  
26 U. S. C. § 1651.

"The taxes imposed by this chapter and by section 1651 shall apply with respect to articles sold at retail by the United States, or by any agency or instrumentality of the United States, unless sales by such agency or instrumentality are by statute specifically exempted from such taxes."

**SEC. 603. TAX ON COIN-OPERATED GAMING DEVICES.**

56 Stat. 978.  
26 U. S. C. § 3267 (a).

(a) **INCREASE IN TAX ON SLOT MACHINES.**—Section 3267 (a) (relating to rate of tax) is hereby amended by striking out "\$100" wherever appearing therein and inserting in lieu thereof "\$150".

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

**SEC. 604. FEDERAL AGENCIES OR INSTRUMENTALITIES.**

53 Stat. 394.  
26 U. S. C. §§ 3270-3282.

Subchapter B of chapter 27 (relating to occupational taxes) is hereby amended by adding at the end thereof the following new section:

**"SEC. 3283. FEDERAL AGENCIES OR INSTRUMENTALITIES.**

"Any tax imposed by this chapter shall apply to any agency or instrumentality of the United States unless such agency or instrumentality is granted by statute a specific exemption from such tax."

**SEC. 605. TELEVISION RECEIVING SETS.**

55 Stat. 712.  
26 U. S. C. § 3404.

(a) **IMPOSITION OF TAX ON TELEVISION RECEIVING SETS.**—So much of section 3404 (manufacturers' excise tax on radio receiving sets) as precedes subsection (c) is hereby amended to read as follows:

**"SEC. 3404. TAX ON RADIO RECEIVING SETS, TELEVISION RECEIVING SETS, PHONOGRAPHS, PHONOGRAPH RECORDS, AND MUSICAL INSTRUMENTS.**

"There shall be imposed upon the following articles (including in each case, except in the case of musical instruments, parts or accessories therefor sold on or in connection with the sale thereof) sold by the manufacturer, producer, or importer a tax equivalent to 10 per centum of the price for which sold:

"(a) Radio receiving sets, automobile radio receiving sets, television receiving sets, automobile television receiving sets, phonographs, and combinations of any of the foregoing.

"(b) Chassis, cabinets, tubes, speakers, amplifiers, power supply units, antennae of the 'built-in' type, and phonograph mechanisms, which are suitable for use on or in connection with, or as component parts of, any of the articles enumerated in subsection (a), whether or not primarily adapted for such use."

(b) **CREDIT FOR TAX PAID ON AUTOMOBILE TELEVISION RECEIVING SETS.**—Section 3403 (e) is hereby amended to read as follows:

53 Stat. 410.  
26 U. S. C. § 3403 (e).

"(e) If tires, inner tubes, or automobile radio or television receiving sets on which tax has been imposed under this chapter are sold on or in connection with, or with the sale of, a chassis, body, or motorcycle, there shall (under regulations prescribed by the Secretary) be credited against the tax under this section an amount equal to, in the case of an article taxable under subsection (a), 5 per centum, and in the case of an article taxable under subsection (b), 7 per centum—

26 U. S. C. § 3403 (a),  
(b).

"(1) of the purchase price (less, in the case of tires, the part of such price attributable to the metal rim or rim base) if such tires or inner tubes were taxable under section 3400 (relating to tax on tires and inner tubes) or, in the case of automobile radio or television receiving sets, if such sets were taxable under section 3404; or

53 Stat. 409.  
26 U. S. C. § 3400.

*Supra.*

“(2) if such tires, inner tubes, or automobile radio or television receiving sets were taxable under section 3444 (relating to use by manufacturer, producer, or importer), then of the price (less, in the case of tires, the part of such price attributable to the metal rim or rim base) at which such or similar tires, inner tubes, or sets are sold, in the ordinary course of trade, by manufacturers, producers, or importers thereof, as determined by the Secretary.”

53 Stat. 418.  
26 U. S. C. § 3444.  
*Infra.*

(c) TECHNICAL AMENDMENTS.—

(1) The first sentence of section 3403 (c) is hereby amended by striking out “radios” and inserting in lieu thereof: “radio and television receiving sets”.

55 Stat. 712.  
26 U. S. C. § 3403 (c).

(2) The last sentence of section 3442 is hereby amended by striking out “automobile radios” and inserting in lieu thereof “automobile radio or television receiving sets”.

55 Stat. 721.  
26 U. S. C. § 3442.

(3) Section 3443 (a) (1) and section 3444 (a) are amended by striking out “automobile radio” wherever appearing therein and inserting in lieu thereof “automobile radio or television receiving set”.

55 Stat. 721.  
26 U. S. C. §§ 3443  
(a) (1), 3444 (a).

**SEC. 606. IMPOSITION OF TAX ON QUICK-FREEZE UNITS.**

So much of section 3405 (manufacturers' excise tax on mechanical refrigerators and air-conditioning units) as precedes subsection (c) is hereby amended to read as follows:

55 Stat. 713.  
26 U. S. C. § 3405.

**“SEC. 3405. TAX ON MECHANICAL REFRIGERATORS, QUICK-FREEZE UNITS, AND SELF-CONTAINED AIR-CONDITIONING UNITS.**

“There shall be imposed on the following articles (including in each case parts or accessories therefor sold on or in connection with the sale thereof) sold by the manufacturer, producer, or importer a tax equivalent to 10 per centum of the price for which so sold:

“(a) REFRIGERATORS AND QUICK-FREEZE UNITS.—Household type refrigerators (for single or multiple cabinet installations) having, or being primarily designed for use with, a mechanical refrigerating unit operated by electricity, gas, kerosene, or gasoline; household type units for the quick freezing or frozen storage of foods, operated by electricity, gas, kerosene, or gasoline; combinations of such household type refrigerators and units.

“(b) REFRIGERATING AND FREEZING APPARATUS.—Cabinets, compressors, condensers, condensing units, evaporators, expansion units, absorbers, and controls (hereinafter referred to as ‘refrigerator components’) for, or suitable for use as parts of or with, household type refrigerators or quick-freeze units of the kind described in subsection (a), except when sold as component parts of complete refrigerators, refrigerating or cooling apparatus, or quick-freeze units. Under regulations prescribed by the Secretary, the tax under this subsection shall not apply in the case of sales of any such refrigerator components by the manufacturer, producer, or importer to a manufacturer or producer of refrigerators, refrigerating or cooling apparatus, or quick-freeze units. If any such refrigerator components are resold by such vendee otherwise than on or in connection with, or with the sale of, complete refrigerators, refrigerating or cooling apparatus, or quick-freeze units, manufactured or produced by such vendee, then for the purposes of this section the vendee shall be considered the manufacturer or producer of the refrigerator components so resold.”

**SEC. 607. TRANSPORTATION WHICH BEGINS AND ENDS WITHIN THE UNITED STATES.**

(a) TRANSPORTATION OF PERSONS.—

(1) AMENDMENT OF SECTION 3469 (a).—So much of section 3469 (a) (relating to tax on transportation of persons) as pre-

55 Stat. 721.  
26 U. S. C., Sup. III,  
§ 3469 (a).

cedes "10 per centum of the amount so paid" is hereby amended to read as follows:

"(a) **TRANSPORTATION.**—There shall be imposed—

"(1) upon the amount paid within the United States for the transportation of persons by rail, motor vehicle, water, or air within or without the United States, and

"(2) upon the amount paid without the United States for the transportation of persons by rail, motor vehicle, water, or air which begins and ends in the United States,

a tax equal to".

55 Stat. 721.  
26 U. S. C. § 3469 (c).

(2) **SEATS, BERTHS, ETC.**—Section 3469 (c) (relating to tax with respect to seating and sleeping accommodations) is hereby amended by striking out "within the United States".

55 Stat. 722.  
26 U. S. C., § 3469 (d).

(3) **COLLECTION OF TAX.**—So much of the second sentence of section 3469 (d) (relating to returns and payment of tax) as precedes "on or before the last day of each month" is hereby amended to read as follows: "Each person receiving any payment specified in subsection (a) or (c) shall collect the amount of the tax imposed from the person making such payment; except that, if the payment is made outside the United States for a prepaid order, exchange order, or similar order, the person furnishing the initial transportation pursuant to such order shall collect the amount of the tax. Any person required to collect the tax imposed by this section shall,".

*Ante*, p. 965: *supra*.

56 Stat. 979.  
26 U. S. C. § 3475 (a).

(b) **TRANSPORTATION OF PROPERTY.**—The first sentence of section 3475 (a) (relating to tax on transportation of property) is hereby amended to read as follows: "There shall be imposed upon the amount paid within or without the United States for the transportation of property by rail, motor vehicle, water, or air from one point in the United States to another, a tax equal to 3 per centum of the amount so paid, except that, in the case of coal, the rate of tax shall be 4 cents per short ton."

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to amounts paid on or after the first day of the first month which begins more than ten days after the date of the enactment of this Act for transportation which begins on or after such first day.

#### SEC. 608. ALLOWING STAMPS TO BE ATTACHED IN FOREIGN COUNTRIES TO CERTAIN TOBACCO PRODUCTS.

53 Stat. 229.  
26 U. S. C. § 2103 (c).

(a) **TOBACCO AND SNUFF.**—Section 2103 (c) (relating to supply of stamps) is hereby amended by adding at the end thereof the following new sentence: "If the government of a foreign country permits the revenue stamps of such country to be affixed in the United States to tobacco or snuff manufactured in the United States and imported into such foreign country, then, if tobacco or snuff manufactured in such foreign country is imported into the United States from such foreign country, the importer may, under such rules and regulations as the Secretary may prescribe, have the United States revenue stamps attached to such tobacco or snuff in such foreign country."

56 Stat. 977.  
26 U. S. C. § 2112 (c).

(b) **CIGARS.**—The second sentence of section 2112 (c) (relating to attaching stamps to cigarettes in foreign countries) is hereby amended by striking out "cigarettes" wherever appearing therein and inserting in lieu thereof "cigars or cigarettes".

(c) **EFFECTIVE DATE.**—The amendments made by this section 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.

#### SEC. 609. ARTICLES SOLD FOR USE OF AIRCRAFT ENGAGED IN FOREIGN TRADE.

Effective with respect to articles purchased (by the user thereof) on or after the first day of the first month which begins more than ten days

after the date of the enactment of this Act, section 3443 (a) (3) (A) (ii) (relating to refunds in the case of articles used or resold for use as ships' stores, etc.) is hereby amended to read as follows:

53 Stat. 417.  
26 U. S. C., Sup. III,  
§ 3443 (a) (3) (A) (ii).

“(ii) used or resold for use for any of the purposes, but subject to the conditions, provided in section 3451;”.

53 Stat. 419.  
26 U. S. C. § 3451.

**SEC. 610. EFFECTIVE DATE OF SECTIONS 601, 602, 605, AND 606.**

The amendments made by sections 601, 602, 605, and 606 shall be effective only with respect to articles sold on or after the first day of the first month which begins more than ten days after the date of the enactment of this Act. For the purposes of this section an article shall be considered as sold prior to such first day if possession thereto, or the right of possession thereto, passed to the purchaser before such first day.

**TITLE VII—EXCESS PROFITS TAX**

**SEC. 701. EXCESS PROFITS TAX.**

(a) The House Committee on Ways and Means and the Senate Committee on Finance are hereby directed to report to the respective Houses of Congress a bill for raising revenue by the levying, collection, and payment of corporate excess profits taxes with retroactive effect to October 1, or July 1, 1950, said bill to originate as required by article I, section 7, of the Constitution. Said bill shall be reported as early as practicable during the Eighty-first Congress after November 15, 1950, if the Congress is in session in 1950 after such date; and if the Congress is not in session in 1950 after November 15, 1950, said bill shall be reported during the first session of the Eighty-second Congress, and as early as practicable during said session.

Reports.

1 Stat. 12.

Study.

(b) The Joint Committee on Internal Revenue Taxation, or any duly authorized subcommittee thereof, is hereby authorized and directed to make a full and complete study of the problems involved in the taxation of excess profits accruing to corporations as the result of the national defense program in which the United States is now engaged. The joint committee shall report the results of its study to the House Committee on Ways and Means and the Senate Committee on Finance as soon as practicable.

Approved September 23, 1950, 3:15 p. m.

[CHAPTER 995]

AN ACT

Relating to the construction of school facilities in areas affected by Federal activities, and for other purposes.

September 23, 1950  
[S. 2317]  
[Public Law 815]

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

School facilities in areas affected by Federal activities.

**TITLE I—SURVEYS AND STATE PLANS FOR SCHOOL CONSTRUCTION**

**AUTHORIZATION OF APPROPRIATION**

**SEC. 101.** In order to assist the several States to inventory existing school facilities, to survey the need for the construction of additional facilities in relation to the distribution of school population, to develop State plans for school construction programs, and to study the adequacy of State and local resources available to meet school facilities requirements, there is hereby authorized to be appropriated the sum of \$3,000,000, to remain available until expended. The sums appropriated pursuant to this section shall be used for making payments to

Post, p. 1051.