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"THE REVENUE ACT OF 1964"

Public Law 88–272

COMPARISON OF PROVISIONS OF H.R. 8363, AS PASSED BY THE HOUSE, WITH PRESENT LAW, TREASURY RECOMMENDATIONS, SENATE FINANCE COMMITTEE VERSION, SENATE VERSION, AND AS AGREED TO BY CONFEREES

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
EIGHTY-EIGHTH CONGRESS
SECOND SESSION

MARCH 1964

Prepared by the Staff of the Committee on Ways and Means for the use of the Committee on Ways and Means

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CONFEREES ON H.R. 8363

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THOMAS J. O'BRIEN, Illinois
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On the Part of the Senate

(Members of the Committee on Finance)

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INTRODUCTION

This comparison of the provisions of H.R. 8363, "The Revenue Act of 1964," consists of six parts. Parts I, II, and III set forth in columns, where applicable, the existing law, the related Treasury recommendations, the House-passed provisions, the action taken by the Senate Committee on Finance, the Senate, and the conferees. The last column which shows the action taken by the conferees is also the Public Law. The section numbers referred to in the titles of Parts I, II, and III are the section numbers of the Public Law.

Part I covers sections 1 through 302 of H.R. 8363 as passed by the House. In some cases, these sections were adopted without change in the Senate. In others, changes were made.

Part II covers the amendments to H.R. 8363 which were added to the House-passed bill by the Senate Finance Committee.

Part III covers the amendments to H.R. 8363 which were added on the Senate floor to the bill as reported by the Senate Committee on Finance.

Part IV describes very briefly other recommendations of the Treasury Department which are not included in H.R. 8363 as finally enacted.

Part V describes very briefly other amendments which were considered but rejected by the Senate Committee on Finance (as announced in its press releases) in connection with its consideration of H.R. 8363.

Part VI describes very briefly other amendments which were offered on the Senate floor but which were rejected or withdrawn during consideration of H.R. 8363.

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LEGISLATIVE HISTORY

Date of President's tax message	Jan. 24, 1963.
Dates of public hearings before the House Committee on Ways and Means	Feb. 6, 7, 8, 18, 19, 20, 21, 25, and 26; Mar. 4, 6, 7, 8, 11, 12, 13, 14, 15, 18, 19, 20, 21, 22, 25, 26, and 27, 1963 (26 days).
House bill number	H.R. 8363.
Date bill introduced in House of Representatives	Sept. 10, 1963.
Date bill reported by Committee on Ways and Means	Sept. 13, 1963.
House report number	H. Rept. 749 (with supplemental and separate views).
Date rule obtained—H. Res. 527 providing for a closed rule, waiving points of order against, 8 hours of debate.	Sept. 24, 1963.
Dates of House floor debates	Sept. 24 and 25, 1963.
Rule: H. Res. 527 adopted by record vote—320 yeas, 66 nays, 46 not voting.	
Motion to recommit: Rejected by a record vote—199 yeas, 226 nays, 7 not voting.	
Final passage: Passed by a record vote—271 yeas, 155 nays, 6 not voting.	
Date bill passed the House of Representatives	Sept. 25, 1963.
Public hearings before the Senate Committee on Finance	Oct. 15, 16, 17, 18, 21, 22, 23, 24, 25, 28, 29, 30, and 31; Nov. 1, 4, 5, 6, 7, 8, 12, 13, 14, 15, 21 and 22; Dec. 2, 3, 4, 5, 6, 9, 10, 1963. (32 days.)
Date reported by Senate Committee on Finance	Jan. 28, 1964.
Senate report number	S. Rept. 830 (with separate views).
S. Rept. 830, pt. 2	Jan. 31, 1964.
Dates of Senate floor debates	Jan. 30, 31; Feb. 3, 4, 5, 6, 7, 1964.
Date bill passed the Senate	Feb. 7, 1964.
Vote	77 yeas, 21 nays, 2 not voting.
Dates of conference action	Feb. 10, 17, 18, and 19, 1964.
Date conference report filed	Feb. 24, 1964.
Conference report number	Rept. No. 1149.
Date conference report presented to House of Representatives	Feb. 25, 1964.
Date conference report accepted by the House of Representatives	Do.
Vote	326 yeas, 83 nays.
Date conference report presented to the Senate	Feb. 25, 1964.
Date conference report accepted by the Senate	Feb. 26, 1964.
Vote	74 yeas, 19 nays.
Date signed by the President	Feb. 26, 1964.
Public law number	Public Law 88–272.

Dates of hearings before the Subcommittee on Taxes of the Senate Select Committee on Small Business (effects of H.R. 8363 on small business)	Apr. 29 and 30, 1963.
Number of report of Select Committee on Small Business	Rept. No. 397.

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*This section deleted from House bill.
**Deleted from the final act.

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SUMMARY OF SENATE FINANCE COMMITTEE REVISIONS AND CONFERENCE ACTION ON SUCH REVISIONS

The following represents a thumbnail sketch of the major revisions made by the Senate Committee on Finance (as announced in press releases issued by that committee), (A) to the provisions of H.R. 8363 as passed by the House, and (B) to other provisions of existing law. Also summarized is the action taken by the conferees with respect to such revisions. Numbers in brackets are Senate numbered amendments. Section numbers referred to are section numbers of the Public Law. (Key: HR—House recedes; SR—Senate recedes.)

A. H.R. 8363 as passed by the House

1. ***Declaration by Congress*** **(*sec. 1*)**—
   (*a*) Revision: Deleted section 1 of the House bill.
   (*b*) Conference action: Agreed to retain this provision in the act. [SA No. 1—SR]
2. ***Group-term insurance*** **(*sec. 204*)**—
   Exclusion—
      (*a*) Revision: Increased the exclusion coverage from $30,000 to $70,000.
      (*b*) Conference action: Agreed upon an exclusion of $50,000. [SA No. 20—HR with an amendment]
   Cost method of computation—
      (*a*) Revision: Deleted the actual cost method of computing the cost of group-term insurance.
      (*b*) Conference action: Agreed to delete this provision from the act. [SA No. 21—HR]
   Special deduction for employees—
      (*a*) Revision: Deleted the special deduction for employees.
      (*b*) Conference action: Agreed to delete this provision from the act. [SA No. 23—HR]
   Withholding provisions—
      (*a*) Revision: Deleted the withholding requirement provisions.
      (*b*) Conference action: Agreed to delete these provisions from the act. [SA No. 25—HR]
   Information returns—
      (*a*) Revision: Substitutes an information return reporting requirement for the withholding requirement.
      (*b*) Conference action: Agreed to retain this revision in the act. [SA No. 26—HR with an amendment]
3. ***Reimbursed medical expenses***—
   (*a*) Revision: Deleted Section 204 of the House bill.
   (*b*) Conference action: Agreed to delete this provision from the act. [SA No. 30—HR]
4. ***Deduction of certain State and local taxes*** **(*sec. 207*)**—
   Gasoline taxes; auto registration fees—
      (*a*) Revision: Amended the House provision to restore the deductibility of State and local gasoline taxes and automobile registration fees (including auto tags and drivers' licenses).
      (*b*) Conference action: Agreed to continue the deductibility of State and local taxes on gasoline, diesel fuels, and other fuels, but to disallow the deductibility of auto registration fees. [SA No. 32—HR with an amendment]
   Special taxing district—
      (*a*) Revision: Continues the deduction for taxes levied by a special taxing district.
      (*b*) Conference action: Agreed to continue the deduction of such taxes. [SA No. 35—HR]

A. **H.R. 8363 as passed by the House**—Continued

5. ***Charitable contributions deduction* (*sec 209*)—**

Unlimited charitable contributions deduction—

(*a*) Revision: Amended the unlimited charitable contributions deduction so as to make that deduction unavailable in the case of charitable contributions to private foundations. House bill makes no change in existing law.

(*b*) Conference action: Agreed to an amendment providing that the unlimited charitable contribution deduction will be available in the case of contributions to organizations "not supported by the general public" (1) where the foundation is itself an "operating foundation" or (2) where the organization pays out (either uses it itself for the charitable purpose or gives it to another organization which uses it for the charitable purpose) within a 3-year period an amount equal to 50 percent or more of the contribution, and all of the income of the organization through the taxable year in which the 50-percent test is met. Such an organization will not qualify, however, if any part of income or corpus is lent to the donor of the contribution, any member of his family, any employee of his, any officer or employee of a corporation in which he owns directly or indirectly 50 percent of the stock, or any partner or employee of a partnership where he owns directly or indirectly a 50-percent interest in the partnership; neither can the foundation pay compensation to this same group of persons (except to the extent of reasonable compensation), nor make the services provided by the foundation available to them on a preferential basis, nor buy any property or securities (except minimal amounts) from them nor sell any but minimal amounts to them. [SA No. 36—HR with an amendment]

Five-year carryover for individuals—

(*a*) Revision: Provides for a 5-year carryover for unused charitable contributions deduction for individuals.

(*b*) Conference action: Agreed to retain this revision in the act. [SA No. 37—HR]

Gifts of future interests—

(*a*) Revision: Modifies the House provision re future interests to deny a deduction in any case where a life interest is reserved (whether reserved for the donor's life or anyone else's life).

(*b*) Conference action: Agreed to retain this revision with an amendment making the provision effective July 1, 1964. [SA No. 41—HR; SA No. 42—HR with an amendment]

Five-year carryover for corporations; effective date—

(*a*) Revision: Provides that the new 5-year carryover for corporations under the House bill is to apply with respect to contributions made in 1962 and subsequent years.

(*b*) Conference action: Agreed to retain this revision in the act. [SA No. 42—HR with an amendment]

6. ***Child care expense deduction* (*sec. 212*)—**

Maximum annual deduction—

(*a*) Revision: Increases the maximum annual deduction to $1,000 for all eligible taxpayers who have three or more dependents.

(*b*) Conference action: Agreed to retain the House provision which provides for increasing the annual deduction to $900 for all eligible taxpayers where there are two or more qualified dependents. [SA No. 46—HR with an amendment]

Income limitation—

(*a*) Revision: Increases the present $4,500 income limitation to $7,000 in the case of working wives and in the case of husbands with incapacitated wives.

(*b*) Conference action: Agreed to increase the income limitation to $6,000 both in the case of working wives and in the case of husbands with incapacitated wives. [SA No. 47—HR with an amendment]

7. ***Stock options* (*sec. 221*)—**

Reset provisions—price—

(*a*) Revision: Provides that the antireset provisions of section 422(b)(5) shall not apply if the new option and all outstanding qualified (or restricted) stock options referred to in such section are to purchase stock of the same class in the same corporation and a price payable under each such outstanding option (as of the date of the grant of the new option) is not more than the option price of the new option.

(*b*) Conference action: Agreed to retain this revision in the act. [SA No. 70—HR with an amendment]

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A. H.R. 8363 as passed by the House—Continued

7. ***Stock options* (*sec. 221*)**—Continued

Reset provisions—accelerating option period—

(*a*) Revision: Provides that the exercise date of the option may be accelerated without such a change being considered a modification which would require a new option price for the option for it to continue to constitute a qualified option.

(*b*) Conference action: Agreed to retain this revision in the act. [SA No. 91—HR]

"Qualified" option—

(*a*) Revision: Amends the dates within which a "qualified" option may be modified to meet the terms of the new section without such modification being considered a new option.

(*b*) Conference action: Agreed to retain this revision in the act. [SA No. 95—HR]

General effective date—

(*a*) Revision: Provides a new general effective date which would make the section apply to options granted to an individual after December 31, 1963, rather than June 11, 1963.

(*b*) Conference action: Agreed to retain these revisions in the act. [SA No. 64, 66, 67, 71, 74, 76, 81, 82, 83, 84, 85, 86, and 87—HR]

8. ***Interest on certain deferred payments* (*sec. 224*)**—

Personal services—

(*a*) Revision: Denies an interest deduction for carrying charges on contracts covering the purchase of services (such as college tuition).

(*b*) Conference action: Agreed to restore this provision to the bill but makes it applicable only with respect to educational services (including lodging) which are purchased from an educational institution and which are provided for a student of such institution. [SA No. 99—HR with an amendment]

Effective date—

(*a*) Revision: Provides that the new provisions, including those in the House bill, will not apply to a sale or exchange made pursuant to a binding written contract (including an irrevocable written option) entered into before July 1, 1963.

(*b*) Conference action: Agreed to retain this revision in the act. [SA No. 100—HR with an amendment]

9. ***Personal holding companies* (*sec. 225*)**—

Lending and finance companies—interest—

(*a*) Revision: Provides that in applying the 20 percent of ordinary gross income test in the case of lending or finance companies, certain interest is not to be treated in the same category as personal holding company income.

(*b*) Conference action: Agreed to retain this revision in the act. [SA No. 102—HR]

Lending or finance business—services or facilities—

(*a*) Revision: Amends the definition of a lending or finance business to include therein the business of rendering services or making facilities available to another member of the same affiliated group which is also in the lending or finance business.

(*b*) Conference action: Under the conference agreement, the definition of a lending or finance business is to include (*a*) the rendering of services or making of facilities available in connection with the activities of making loans, etc., where such activities are carried on by the corporation rendering the services or making the facilities available and (*b*) rendering services or making facilities available to another corporation which is a member of the same affiliated group and is engaged in the lending or finance business if such services or facilities are related to the lending or finance business of such other corporation. [SA No. 105—HR with an amendment]

Lending or finance business—secured loans—

(*a*) Revision: Excepts from the exclusion provided in the term lending or finance business, loans, notes, and installment obligations, evidenced or secured by contracts of conditional sale, chattel mortgages or lease agreements arising out of the sale of goods or services in the course of the transferor's or borrower's trade or business.

(*b*) Conference action: Agreed to retain this revision in the act. [SA No. 106—HR with an amendment]

A. H.R. 8363 as passed by the House—Continued

9. ***Personal holding companies*** **(*sec. 225*)**—Continued

Lending or finance company—income received from members—

(*a*) Revision: Provides that income received by a lending or finance company from another company which is a member of the same affiliated group and which is also a lending or finance company is not to be treated as personal holding income for purposes of applying the 20-percent test.

(*b*) Conference action: Agreed to retain this revision in the act. [SA No. 107—HR]

Rental income—distribution—

(*a*) Revision: Modifies the 10-percent test to provide that where the rental income meets the 50-percent test, the 10-percent test may be considered as met where the company distributes to the shareholders any of the other personal holding company income in excess of the 10-percent requirement.

(*b*) Conference action: Agreed to retain this revision in the act. [SA No. 108—HR]

Rental income—leases—

(*a*) Revision: Provides that gross income derived from leases of tangible personal property which is not customarily rented to any one lessee for more than 3 years is not to be reduced by depreciation and amortization.

(*b*) Conference action: Agreed to retain this revision in the act. [SA No. 109—HR]

Income from mineral, oil, and gas royalties—

(*a*) Revision: Provides that income from mineral, oil, and gas royalties includes production payments and overriding royalties.

(*b*) Conference action: Agreed to retain this revision in the act. [SA No. 111—HR]

One-month liquidations—

(*a*) Revisions: Provides that the special rule for 1-month liquidations shall be applicable to corporate liquidations occurring before January 1, 1967 (rather than January 1, 1966). [SA No. 114]

Provides that the capital gain treatment under new subsection (g) shall not apply to certain earnings and profits to which the corporation succeeds after December 31, 1963 (instead of August 1, 1963). [SA Nos. 116 and 117]

New paragraph (2) of section 333(g) is amended to provide that it shall be applicable to liquidations occurring after December 31, 1966 (instead of December 31, 1965), of corporations which owe qualified indebtedness on January 1, 1964 (instead of on August 1, 1963). [SA Nos. 119 and 124]

Provides that a corporation which attempts to qualify under the new liquidation provisions, but was not eligible to do so, may elect to convert the liquidation to the treatment provided by section 331. [SA No. 131]

(*b*) Conference action: Agreed to retain all of these revisions in the act. [HR]

One-month liquidations—"would have been" corporations—

(*a*) Revision: Provides that the shareholders of a corporation will be a "would have been" corporation if it was not a personal holding company for at least 1 of its 2 most recent taxable years ending before December 31, 1963 (instead of the date of enactment of the bill).

(*b*) Conference action: Agreed to delete this revision from the act. [SA No. 129—SR]

Deduction for amortization of indebtedness—

(*a*) Revision: Provides that the term "qualified indebtedness" includes outstanding indebtedness incurred by the taxpayer before January 1, 1964 (instead of before August 1, 1963). [SA No. 133]

Provides that the deductions allowed for depletion shall be taken into account to reduce the deduction allowed by section 545(c) and the qualified indebtedness under certain circumstances. [SA No. 137 and 139]

Provides that a corporation will be a "would have been" corporation if it was not a personal holding company under section 542 of existing law for at least 1 of its 2 most recent taxable years ending before December 31, 1963 (instead of the date of enactment of the bill). [SA No. 132]

(*b*) Conference action: Agreed to retain the revisions made by SA No. 133, 137, and 139. [SA No. 133, 137, and 139—HR] Agreed to delete the revision made by SA No. 132. [SA No. 132—SR]

A. H.R. 8363 as passed by the House—Continued

9. ***Personal holding companies (sec. 225)***—Continued

Foreign personal holding companies—

(*a*) Revision: Deletes the House provision which provides for an increase in basis with respect to certain foreign personal holding company holdings.

(*b*) Conference action: Agreed to add a new provision to the act which provides that the basis determined under section 1014(b)(5) of a share of stock or a security acquired from a decedent dying after December 31, 1963, of a corporation which was a foreign personal holding company for its most recent taxable year ending before the date of the decedent's death is to be increased by the proportionate share of any Federal estate tax attributable to the net appreciation in value of all such shares and securities. [SA No. 141—HR with an amendment]

10. ***Iron ore royalties (sec. 227)***—

Domestic iron ore—

(*a*) Revision: Limits the new capital gain treatment to iron ore royalties received with respect to iron ore mined in the United States.

(*b*) Conference action: Agreed to retain this revision in the act. [SA No. 151—HR]

Related parties—

(*a*) Denies the new capital gain treatment where the same parties or substantially the same parties directly or indirectly own the iron ore property or operate it.

(*b*) Conference action: Agreed to retain this revision in the act. [SA No. 153—HR]

Social Security Act—

(*a*) Revision: Amends the Social Security Act to prevent iron ore royalties which receive capital gains treatment from being taken into account for social security purposes.

(*b*) Conference action: Agreed to retain this revision in the act. [SA No. 160—HR]

Effective date—

(*a*) Revision: Modifies effective date so as to apply only to royalties received after December 31, 1963, with respect to iron ore mined after that date.

(*b*) Conference action: Agreed to retain this revision in the act. [SA No. 161—HR]

11. ***Taxation of capital gains (sec. 230)***—

Tax rate on capital gains—

(*a*) Revision: Deletes the provisions of the House bill which provide in general that in the case of capital assets held more than 2 years, 40 percent (rather than 50 percent) of the gain will be included in the tax base and the alternative rate of tax on the gain is to be 21 percent (rather than 25 percent).

(*b*) Conference action: Agreed to delete this provision from the act. [SA No. 166—HR with an amendment]

Unlimited carryover for individuals—

(*a*) Revision: Deletes the House provision which provides for an unlimited (instead of a 5-year) carryover of capital losses in the case of individuals.

(*b*) Conference action: Agreed to retain in the act a provision which provides an unlimited carryover of capital losses in the case of individuals. [SA No. 166—HR with an amendment]

12. ***Withholding (sec. 302)***—

Rate of withholding—

(*a*) Revision: Provides for withholding at a rate of 14 percent in 1964 (rather than at a rate of 15 percent for 1964 and 14 percent for 1965 and thereafter).

(*b*) Conference action: Agreed to a withholding rate of 14 percent. [SA No. 204—HR]

Effective date—

(*a*) Revision: Provides that the new withholding rate of 14 percent is to apply with respect to amounts paid after the 7th day following the date of enactment of this act.

(*b*) Conference action: Agreed to retain this revision in the act. [SA No. 208—HR]

B. Other provisions

1. ***Retirement income credit*** **(*sec. 202*)**—

(*a*) Revision: Provides an increase in the amount of the maximum amount of retirement income of $1,524 in the case of certain ioint returns where both the husband and wife have attained age 65 before the close of the taxable year.

(*b*) Conference action: Agreed to the revision with an amendment which provides that a husband and wife, who make a joint return for the taxable year and both of whom have attained age 65 before the close of the taxable year, may elect, in general, to combine their retirement income, in which case, the amount of combined retirement income of both spouses to be taken into account is not to exceed $2,286 less amounts received by both spouses as pensions and annuities (including social security and railroad retirement benefits) and, if the individual has not attained the age of 72, adjustments for earned income received in the taxable year. [SA No. 8—HR with an amendment]

2. ***Foreign expropriation losses*** **(*sec. 210*)**—

(*a*) Revision: Permits certain foreign expropriation losses sustained after 1958 to be carried over for 10 years without any carryback.

(*b*) Conference action: Agreed to retain this provision in the act. [SA No. 43—HR with an amendment]

3. ***Political contributions***—

(*a*) Revision: Allows individuals a deduction, limited to $50 a year ($100 on a joint return) for political contributions.

(*b*) Conference action: Agreed to delete this provision from the act. [SA No.53—SR]

4. ***Intercorporate dividends received deduction*** **(*sec. 214*)**—

(*a*) Revision: Provides a 100-percent intercorporate dividends received deduction for certain affiliated groups.

(*b*) Conference action: Agreed to retain this provision in the act. [SA No. 54—HR]

5. ***"Bank loan" insurance*** **(*sec. 215*)**—

(*a*) Revision: Provides that the provision which disallows a deduction for interest on amounts borrowed to purchase certain insurance and annuity contracts is to apply only with respect to contracts purchased after December 31, 1963 (rather than August 6, 1963).

(*b*) Conference action: Agreed to retain the August 6, 1963, effective date. [SA No. 56—SR]

6. ***Face amount certificate companies*** **(*sec. 216*)**—

(*a*) Revision: Provides that a "face amount certificate company" shall not be subject to the disallowance under section 265(2) of the code relating to indebtedness incurred or continued to purchase or carry tax-exempt obligations of a deduction for interest with respect to face amount certificates to the extent that the average of the tax-exempt obligations of the company do not constitute more than 25 percent of the average of the total assets of the company.

(*b*) Conference action: Agreed to retain this provision with an amendment substituting 15 percent for 25 percent. [SA No. 57—HR with an amendment]

7. ***Travel expense deduction*** **(*sec. 217*)**—

(*a*) Revision: Repeals the requirement of allocation of certain travel expenses for business trips which are combined with a vacation.

(*b*) Conference action: Agreed to this revision with an amendment which limits its applicability to travel within the United States. Existing law is to apply with respect to travel outside of the United States. [SA No. 58—HR with an amendment]

8. ***Corporate reorganizations*** **(*sec. 218*)**—

(*a*) Revision: Provides tax-free status for a stock reorganization where the corporation acquiring the stock exchanges the voting stock of its parent corporation for the stock of the corporation being acquired.

(*b*) Conference action: Agreed to retain this provision in the act. [SA No. 59—HR]

9. ***Union negotiated multi-employer pension plans*** **(*sec. 219*)**—

(*a*) Revision: Provides for retroactive qualification (for all years to which the Internal Revenue Code of 1954 applies) of a multi-employer pension plan created under a collective bargaining agreement with employee representatives.

(*b*) Conference action: Agreed to retain this provision in the act. [SA No. 60—HR]

B. Other provisions—Continued

10. ***Pension plans for employees of certain subsidiaries* (*sec. 220*)**—

(*a*) Revision: Permits U.S. corporations to extend coverage under their qualified pension, profit-sharing, etc., plans to U.S. citizens employed by foreign subsidiaries, or by domestic subsidiaries operating outside the United States, where the employees are also covered for social security purposes.

(*b*) Conference action: Agreed to retain this provision in the act. [SA No. 61—HR with an amendment]

11. ***Revolving credit sales* (*sec. 222*)**—

(*a*) Revision: Installment sales tax treatment is fully extended to revolving credit sales and also to time payment charges associated with revolving credit sales.

(*b*) Conference action: Agreed to retain this provision with an amendment defining the term "installment plan" to include a revolving credit type plan which provides that the purchaser of personal property at retail may pay for such property in a series of periodic payments of an agreed portion of the amounts due the dealer under the plan, except that such term does not include any such plan with respect to a purchaser who uses his account primarily as an ordinary charge account. In addition, deleted the provisions relating to time payment charges. [SA No. 96—HR with an amendment]

12. ***Deduction of contested liabilities* (*sec. 223*)**—

(*a*) Revision: Adopts H.R. 4040, reported by the House Committee on Ways and Means, which allows a taxpayer to take a deduction in the taxable year in which he pays a tax or other liability even though he contests the liability.

(*b*) Conference action: Agreed to this provision with an amendment that this provision is not to apply in respect of any credit against tax nor in respect of the deduction for income, war profits, and excess profits taxes imposed by the authority of any foreign country or possession of the United States. [SA No. 97—HR with an amendment]

13. ***Insurance companies* (*sec. 228*)**—

Mutualization—

(*a*) Revision: Permits the special liquidating distribution deduction treatment, for life insurance companies, of present law to apply to distribution in 1962.

(*b*) Conference action: Agreed to retain this provision. [SA No. 162—HR]

Accrual of bond discount—

(*a*) Revision: Treats market discount on bonds owned by life insurance companies and by small mutual fire and casualty insurance companies as capital gains when the bonds are sold or redeemed.

(*b*) Conference action: Agreed to retain this provision in the act. [SA No. 162—HR]

Contributions to qualified pension plans—

(*a*) Revision: Makes it clear that a deduction will be allowable to casualty insurance companies for their contributions to qualified pension plans.

(*b*) Conference action: Agreed to retain this provision. [SA No. 162—HR]

14. ***Regulated investment companies* (*sec. 229*)**—

Time for mailing notices—

(*a*) Revision: Extends from 30 days to 45 days the time within which regulated investment companies must mail certain notices out to their shareholders. Similar to H.R. 6995 reported by the Committee on Ways and Means.

(*b*) Conference action: Agreed to retain this provision in the act. [SA No. 163—HR]

Unit investment trusts—

(*a*) Revision: Provides that in the case of a redemption by a unit investment trust, the redemption will not be considered as a "preferential dividend." Thus the trust will receive a dividends paid deduction for the entire amount of accumulated earnings and profits distributed to the redeeming shareholder.

(*b*) Conference action: Agreed to retain this provision in the act. [SA No. 163—HR]

B. Other provisions—Continued

15. ***Foreign tax credits*—**

(*a*) Revision: Provides that any excess foreign tax credit which arises from mineral extraction, because of the percentage depletion allowance under U.S. law, may not be used to offset U.S. tax on other foreign income unrelated to mineral extraction, processing, transportation, marketing, or similarly related activity.

(*b*) Conference action: Agreed to delete this provision from the act. [SA No. 164—SR]

16. ***Sale of residence of employee*—**

(*a*) Revision: Provides that amounts received by employees as reimbursement for selling expenses and losses resulting from the forced sale of their house in connection with a transfer of employment are to be treated as proceeds from the sale of the house rather than as compensation.

(*b*) Conference action: Agreed to delete this provision from the act. [SA No. 165—SR]

17. ***Small business corporations* (*sec. 233*)—**

Certain distributions of money—

(*a*) Revision: Provides that in the case of subchapter S corporations, certain distributions of money made within 2½ months after a taxable year may be treated as having been made during the preceding taxable year.

(*b*) Conference action: Agreed to retain this provision in the act. [SA No. 177—HR]

Ownership of certain stock—

(*a*) Revision: Provides in general that a corporate member of an affiliated group may elect subchapter S treatment if the only other members of the group are inactive subsidiary corporations. Similar to H.R. 8798 reported by the Committee on Ways and Means.

(*b*) Conference action: Agreed to retain this provision in the act. [SA No. 177—HR]

18. ***Tax liens* (*sec. 236*)—**

(*a*) Revision: Provides that purchasers, mortgagees, and pledgees of motor vehicles will not be subject to a Federal tax lien against motor vehicles unless they have actual notice or knowledge of the existence of the Government's lien.

(*b*) Conference action: Agreed to this provision with an amendment that the lien is not to be valid with respect to a motor vehicle as against a purchaser (not a mortgagee or pledgee) if at the time of the purchase the purchaser is without notice or knowledge of the existence of such lien and before the purchaser obtains such notice or knowledge, he acquires possession of the motor vehicle and does not thereafter relinquish possession of the motor vehicle to the seller or his agent. It was agreed also that the tax lien will abate with respect to the motor vehicle in question and will not be valid against any subsequent purchaser (or other successor in interest) of the vehicle. [SA No. 193—HR with an amendment]

SUMMARY OF SENATE FLOOR AMENDMENTS AND CONFERENCE ACTION ON SUCH AMENDMENTS

The following represents a thumbnail sketch of the floor amendments made by the Senate to H.R. 8363 as reported by the Senate Committee on Finance. Also summarized is the action taken by the conferees with respect to such amendments. (Key: HR—House recedes; SR—Senate recedes.)

1. ***Group term insurance (sec. 204)***—
   (*a*) Amendment: Permits employees to designate a charity as the beneficiary of group term life insurance by May 1, 1964, in which case no amount would be includable in gross income with respect to group term insurance for the period January 1, 1964, through April 30, 1964.
   (*b*) Conference action: Agreed to retain this amendment in the act. [SA No. 29—HR]
2. ***Wage continuation payments (sec. 205)***—
   (*a*) Amendment: Makes the 30-day waiting period inapplicable where the employee's "sick pay" is less than 75 percent of his regular weekly rate of wages.
   (*b*) Conference action: Modified the amendment to provide that within the 30-day period if the sick pay is 75 percent or less of the regular weekly rate, then up to $75 a week may be excluded after an absence of 7 calendar days on account of injuries or illness and from the first day without any waiting period, if the taxpayer is hospitalized at least 1 day in the first 7. [SA No. 31—HR with an amendment]
3. ***Earned income of U.S. citizens abroad (sec. 237)***—
   (*a*) Amendment: Reduces from $35,000 to $6,000 in the case of U.S. citizens who are bona fide residents of a foreign country for more than 3 years and from $20,000 to $4,000 in the case of a U.S. citizen who is present in a foreign country for 17 out of 18 consecutive months, the present exclusion allowed to U.S. citizens for earned income from sources without the United States.
   (*b*) Conference action: Agreed to reduce to $25,000 from $35,000 the present exclusion allowed U.S. citizens who are bona fide residents of a foreign country for more than 3 years and makes this provision applicable for taxable years beginning after December 31, 1964. Makes no other change in existing law. [SA No. 194—HR with an amendment]
4. ***Head of household***—
   (*a*) Amendment: Provides head of household treatment for any individual who maintains a household for any person who is a dependent.
   (*b*) Conference action: Agreed to delete this provision from the act. [SA No. 195—SR]
5. ***Deduction for losses of personal residences, etc., seized by Cuba (sec. 238)***—
   (*a*) Amendment: Permits a deduction for losses occasioned by the seizure by Cuba of tangible personal property.
   (*b*) Conference action: Agreed to retain this provision in the act. [SA No. 196—HR with an amendment]
6. ***Credit or refund of self-employment tax (sec. 239)***—
   (*a*) Permits refunds of self-employment taxes for persons covered by self-employment tax and by a retroactive social security agreement.
   (*b*) Conference action: Agreed to retain this provision in the act. [SA No. 197—HR with an amendment]
7. ***Estate tax on reversionary or remainder interests (sec. 240)***—
   (*a*) Amendment: Provides 3 years (rather than 2 years) after a precedent interest terminates for the payment of estate tax with respect to reversionary or remainder interests if earlier payment results in undue hardship.
   (*b*) Conference action: Agreed to retain this provision in the act. [SA No. 198—HR with an amendment]

8. ***Crop insurance proceeds***—
   (*a*) Amendment: Permits insurance proceeds received as a result of destruction or damage to be reported in the year following the year of destruction or damage.
   (*b*) Conference action: Agreed to delete this provision from the act. [SA No. 199—SR]
9. ***Deduction for transportation of disabled individuals (sec. 245)***—
   (*a*) Amendment: Provides a deduction of up to $600 for transportation expenses of going to and from work for disabled individuals.
   (*b*) Conference action: Agreed to delete this provision from the act. [SA No. 200—SR]
10. ***Additional personal exemptions for disability***—
   (*a*) Amendment: Provides an extra $600 exemption for a disabled taxpayer or a disabled spouse.
   (*b*) Conference action: Agreed to delete this provision from the act. [SA No. 201—SR]
11. ***Time for filing a claim for refund of gasoline taxes***—
   (*a*) Amendment: Permits the Secretary to honor a claim of taxes paid for gasoline used on farms which is filed after the statutory period for filing the refund claim (June 30 to September 30) if the claimant had good cause for failure to file a timely claim.
   (*b*) Conference action: Agreed to delete this provision from the act. [SA No. 202—SR]
12. ***Water or air pollution***—
   (*a*) Amendment: Allows a double investment credit for facilities or equipment to control water or air pollution.
   (*b*) Conference action: Agreed to delete this provision from the act. [SA No. 203—SR]

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
		Declaration: It is the sense of Congress that the tax reduction provided by this act through stimulation of the economy, will, after a brief transitional period, raise (rather than lower) revenues and that such revenue increases should first be used to eliminate the deficits in the administrative budgets and then to reduce the public debt. To further the objective of obtaining balanced budgets in the near future, Congress by this action, recognizes the importance of taking all reasonable means to restrain Government spending and urges the President to declare his accord with this objective.

Sec. 2.

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
		Title of the bill is to be cited as the "Revenue Act of 1963."

Sec. 111. Reduction

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
Bottom rate of 20 and top rate of 91 percent.	1. Over 3-year period would reduce bottom rate to 14 percent (also split this bracket in half) and top rate to 65 percent. 2. Effective date: About one-quarter of rate reduction would be effective for calendar year 1963; another half for calendar year 1964; and final one quarter for calendar year 1965.	1. Over 2-year period reduces bottom rate to 14 percent and top rate to 70 percent. Bottom $2,000 bracket (for single taxpayer) is split into 4 $500 brackets taxable at 14, 15, 16, and 17 percent. 2. Effective date: Tax rate reductions are generally effective as of Jan. 1, 1964, and Jan. 1, 1965.

Sec. 112. Minimum

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
No comparable provision. In lieu of itemizing deductions, a taxpayer may elect to take a standard deduction of 10 percent of his adjusted gross income (but limited to a maximum of $1,000).	Would allow a minimum standard deduction of $300 for each taxpayer plus $100 for each dependent, including a spouse (maximum of $1,000). Effective date: Would be effective for taxable years beginning after Dec. 31, 1963.	Permits a minimum standard deduction of $300 for each taxpayer plus $100 for every exemption allowed him (maximum of $1,000). Effective date: Generally effective as of Jan. 1, 1964.

I

by Congress

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
Deletes this provision [SA No. 1]----	Deletes this provision----------	Same as House version [SA No. 1—SR].

Short title

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
Title of the bill is to be cited as the "Revenue Act of 1964" [SA No. 3].	Same as reported by Finance Committee	Same as Finance Committee version [SA No. 3—HR].

of tax on individuals

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
Same as House provision----------	Same as House provision----------	Same as House version.

standard deduction

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
Same as House provision----------	Same as House provision----------	Same as House version.

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
(a) Retirement income credit: A tax credit on retirement is provided for passive investment or pension income received by persons generally over age 65. However, the income taken into account for this credit must be reduced for tax exempt social security or railroad retirement income, and for those under age 72, for income derived from work above a specified income level. In computing the credit, present law provides that the income eligible for the credit is to be multiplied by the "rate provided in sec. 1 for the first $2,000 of taxable income." This rate is 20 percent under present law.	----------	(a) Retirement income credit: The rate of tax to be used in computing this credit is to be 15 percent.
(b) Tax on nonresident alien individuals: Nonresident aliens receiving income from sources within the United States such as interest, dividends, rents, salaries, wages, etc., generally are taxed on such income at a flat 30-percent rate (unless applicable tax treaties provide some other rate). However, present law provides that if the nonresident alien receives more than $15,400 from specified sources within the United States, then the regular individual income tax will apply with respect to the nonresident alien's income from sources within the United States (if this results in a higher tax than the flat rate 30-percent tax).	----------	(b) Tax on nonresident alien individuals: The income level of $15,400 has been established at $21,200.

Sec. 121. Reduction

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
A total general corporate rate of 52 percent consisting of a 30-percent normal tax applying to all corporate income and a 22-percent surtax rate applying to corporate income in excess of $25,000.	Would reduce the general corporate rate from 52 to 50 percent in 1964 and to 47 percent in 1965. Would also reverse the normal and surtax rates: (1) normal tax reduced from 30 to 22 percent for calendar year 1963 and subsequent years; (2) the 22-percent surtax rate increased to 30 percent for calendar year 1963, then reduced to 28 percent for calendar year 1964 and further reduced to 25 percent for calendar 1965 and subsequent years.	Reduces the general corporate rate from 52 to 50 percent in 1964 and to 48 percent in 1965. Reverses the normal and surtax rate: (1) normal tax is reduced from 30 to 22 percent for 1964 and years thereafter; (2) the 22-percent surtax rate is to be 28 percent for 1964 and 26 percent for 1965 and subsequent years.

amendments
income credit
alien individuals

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
(a) Same as House provision-------	(a) Modified so that rate of tax will be 17% in case of a taxable year beginning in 1964, or 15 percent in case of a taxable year beginning after December 31, 1964 [SA No. 4].	(a) Same as Senate version [SA No. 4—HR].
(b) Same as house provision-------	(b) Same as House provision------	(b) Same as House version.

of tax on corporations

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
Same as House provision, except for a technical clarifying amendment (relating to the surtax exemption). [SA No. 5].	Same as reported by Finance Com-	Same as Finance Committee version [SA No. 5—HR].

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
Calendar-year corporation pays 25 percent of estimated tax in excess of $100,000 on Sept. 15 and another 25 percent on Dec. 15 of year in which tax liability arises. Remainder of tax due is paid in subsequent year in 2 equal installments—on Mar. 15 and on June 15.	For calendar-year corporations with tax liability in excess of $100,000 the 2 installment payments due Mar. 15 and June 15 of the year following the year of liability, would over a 5-year period (1964–68) be advanced to Apr. 15 and June 15 of year of liability. The Sept. 15 and Dec. 15 estimated payments of 25 percent, as under present law, would not be changed. Any liability not in excess of $100,000 would, as under present law, be payable in 2 installments on Mar. 15 and June 15 of the year following the year of liability. Transitional rule would require that, starting in 1964, the first 2 installments of tax due on Apr. 15 and on June 15 of year of liability would be equal to 5 percent of estimated tax liability and would be increased by an additional 5 percent each year thereafter until 25 percent is reached.	For calendar-year corporations with tax liability in excess of $100,000 the 2 installment payments due Mar. 15 and June 15 of year following year of liability will, over a 7-year period (1964–70) be advanced to Apr. 15 and June 15 of year of liability. No change is made with respect to the 25-percent installment payments due on Sept. 15 and Dec. 15, nor with respect to tax liability where it does not exceed $100,000; i.e., if not paid by estimated tax payments, balance is due in 2 equal installments, Mar. 15 and June 15, of year following year of liability. The quarterly percentage increases, which apply only to tax liability in excess of $100,000, begin with 1 percent in 1964, increasing to 4 percent in 1965, 9 percent in 1966, 14 percent in 1967, 19 percent in 1968, 22 percent in 1969, and 25 percent in 1970 and subsequent years.

Sec. 123. Related
Sec. 123(a). Tax on mutual insurance
Sec 123(b). Receipt of minimum distributions
Sec. 123(c). Amendment

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
		The following amendments are made to conform to the new rates. (a) Tax on mutual insurance companies (other than life, etc.): Amends sec. 821(a) of the code to provide that for each taxable year beginning after Dec. 31, 1963, the normal tax on mutual insurance companies' taxable income is to be 22 percent of such income or 44 percent of the amount by which such income exceeds $6,000, whichever is the lesser. That section is also amended to provide that there is imposed on mutual insurance companies' taxable income a surtax computed as provided in sec. 11(c) of the code and as though the mutual insurance companies' taxable income were the taxable income referred to in sec. 11(c). Thus, the surtax rate is 28 percent for a taxable year beginning after Dec. 31, 1963, and before Jan. 1, 1965, and is 26 percent for a taxable year beginning after Dec. 31, 1964. Also makes conforming changes to sec. 821(c)(1).

payments by corporations

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
Same as House provision	Same as House provision	(a) Same as House version.

amendments
companies (other than life, etc.)
by domestic corporations
of sec. 242

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
(a) Same as House provision	Same as House provision	(a) Same as House version.

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
		(b) Receipt of minimum distributions by domestic corporations: Amends sec. 963(b) of the code to provide a new minimum distribution table for taxable years beginning in 1964 and a new minimum distribution table for taxable years beginning after Dec. 31, 1963. (c) Amendment of sec. 242: Amends sec. 242(a) of the code (relating to deduction for partially tax-exempt interest) to provide that the deduction allowed by the 1st sentence of sec. 242(a) is not allowed for the purpose of any surtax imposed by subtitle A of the code (relating to income taxes).

Sec. 131. Effective date—

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
		Provides that except for purposes of sec. 21 of the code (relating to effect of changes in rates during a taxable year), the amendments made by pts. I and II of title 1 of the bill apply with respect to taxable years beginning after Dec. 31, 1963.

Sec. 132. Effective date—Fisca

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
Effective date—fiscal year taxpayer: In the case of fiscal year taxpayers, sec. 21 of the code provides the general rule that if the effective date of the change of a rate of tax falls on a date other than the 1st day of a taxable year, then tentative taxes are to be computed by applying the rate for the period before the effective date, and the rate for the period on and after such date, to the taxable income for the entire taxable year. The tax for such taxable year is the sum of that proportion of each tentative tax for the number of days in the entire taxable year.	----------	Effective date—fiscal year taxpayer: Amends existing sec. 21(d) of the code (relating to a taxable year beginning before Jan. 1, 1954, and ending after Dec. 31, 1953) to provide rules for applying existing sec. 21(a) to the taxable year of an individual beginning in 1963 and ending in 1964 or beginning in 1964 and ending in 1965. Also provides certain rules for applying existing sec. 21(a) for the purpose of computing the tax liability of a corporation which is subject to the provisions of pt. II of subch. B of ch. 6 of the code (relating to certain controlled corporations), as added by sec. 223(a) of H.R. 8363, for a taxable year beginning in 1963 and ending in 1964.

amendments
companies (other than life, etc.)
by domestic corporations
of sec. 242—Continued

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the Conferees (Public Law)
(b) Same as House provision	(b) Same as House provision	(b) Same as House version.
(c) Same as House provision	(c) Same as House provision	(c) Same as House version.

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General rule

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
Same as House provision	Same as House provision	Same as House version.

year taxpayers

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by conferees (Public Law)
Same as House provision	Same as House provision	Same as House version.

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
Provides a 4-percent dividend credit and a $50 dividend exclusion.	Would repeal the 4-percent dividend credit and the $50 dividend exclusion with respect to dividends received after Dec. 31, 1963.	The 4-percent dividend credit is reduced to 2 percent for 1964, and repealed for subsequent years. The $50 dividend exclusion is increased to $100 for 1964 and subsequent years.

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
(a) Allows a credit equal to 7 percent of certain types of investment (3 percent in case of most public utilities) which may be offset in full against tax liability up to $25,000 and against ¼ of tax liability above this level. In addition, the base on which depreciation may be taken in the case of assets eligible for the credit must be reduced by amount of the credit.	None	(a) In case of property placed in service after June 30, 1963, repeals the provision requiring a 7-percent downward adjustment in basis of property to the extent that the investment credit applies. Basis of the property placed in service prior to this date is to be increased by an equivalent amount.
(b) Where lessor passes investment credit on to lessee, the credit is to be based on the fair market value of the property if the property was constructed by lessor; if not constructed by lessor, credit is to be determined from basis of property to lessor.	----------	(b) Lessor-lessee: Where lessor passes investment credit on to lessee, the credit is to be based on the fair market value of the property, whether or not the lessor constructed the property; except in the case where members of an affiliated group lease property to another member in which case the credit will continue to be measured by the basis of the lessor. Effective date: Applies with respect to property transferred to a lessee on or after date of enactment.
(c) Elevators and escalators are not eligible for the investment credit.	----------	(c) Elevators-escalators. Makes elevators and escalators eligible for the 7-percent investment credit where their construction, reconstruction, or erection is completed after June 30, 1963, or where they are new in the hands of the taxpayer and are acquired after that date. (d) Federal regulatory agencies: (1) In the case of public utility property (eligible for 3-percent credit) Federal regulatory agencies are not, without the taxpayer's consent, for the purpose of establishing the cost of service of the taxpayer, to treat more than a proportionate part of an investment credit as reducing the taxpayer's Federal income tax liabilities; nor are such regulatory agencies permitted to accomplish a similar result by any other method. (2) In the case of other regulated companies (those receiving a 7-percent credit) Federal regulatory agencies are not, without taxpayer's consent, for purposes of establishing the cost of service of the taxpayer, to treat any investment credit allowed him as reducing his Federal income taxes; nor are the agencies to accomplish a similar result by any other method.

received by individuals

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
Same as House provision	Same as House provision	Same as House version.

of sec. 38 property be reduced by 7 percent

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
(a) Same as House provision but is to apply to property placed in service before Jan. 1, 1964. Thus, no downward adjustment in basis is required with respect to property placed in service after Dec. 31, 1963 (June 30, 1963, under the House bill) [SA Nos. 9 to 18].	(a) Same as reported by Finance Committee.	(a) Same as Finance Committee version [SA Nos. 9 to 18—HR].
(b) Lessor-lessee: Same as House provision.	(b) Same as House provision	(b) Same as House version.
(c) Elevators-escalators: Same as House provision.	(c) Same as House provision	(c) Same as House version.
(d) Federal regulatory agencies: Same as House provision.	(d) Same as House provision	(d) Same as House version.

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
The cost of group-term life insurance purchased for employees by their employer or employers is not includable in the employees' income as compensation. (But the cost of such insurance provided under a qualified pension, etc., plan is includible in the employee's income.)	Would limit the employee exclusion for premiums on group-term life insurance furnished by his employer to the cost of the first $5,000 of coverage. The cost of group-term life insurance would be based on a uniform premium table. Effective date: This provision would apply to protection furnished by the employer in taxable years beginning after Dec. 31, 1963.	(a) Limits the employee exclusion for premiums on group-term life insurance furnished through the employer to premiums paid for the 1st $30,000 of coverage, but excepts from this section a taxpayer whose employment has been terminated and, who either has reached the normal retirement age or has become disabled. The employee will not be taxed where the employer directly or indirectly is the beneficiary or the beneficiary of the policy is a charitable organization. (b) The cost of the insurance protection is determined by using a uniform table or by using the actual cost of the policy, but in either case the cost of the insurance is averaged out on the basis of 5-year age brackets. The cost of protection for employees over age 64 will remain constant. (c) Provides a special deduction for employees where employee contributes more than the cost of the protection provided him. (d) Makes the cost of insurance which is taxable to the employee, subject to the regular income tax withholding provisions. Effective date: Applies with respect to group-term life insurance protection provided after Dec. 31, 1963.

purchased for employees

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
(a) Exclusion: Increases the exclusion with respect to premiums attributable to the first $70,000 of insurance rather than the first $30,000 of coverage [SA No. 20].	(a) Exclusion: Same as reported by Finance Committee except modified to permit employees to designate a charity as the beneficiary of group term life insurance by May 1, 1964, and in such a case no amount would be includible in gross income with respect to group-term insurance for the period January 1, 1964, through April 30, 1964 [SA No. 29].	(a) Exclusion: Senate version, modfied to provide for an exclusion of $50,000 [SA No. 29—HR; SA No. 20—HR with an amendment].
(b) Method of computation: Same as House provision but deletes the actual cost method of computing the cost of group-term insurance [SA No. 21].	(b) Method of computation: Same as reported by Finance Committee.	(b) Method of computation: Same as Finance Committee version [SA No. 21—HR].
(c) Special deduction: Deletes the House provision [SA No. 23].	(c) Special deduction: Same as reported by Finance Committee.	(c) Special deduction: Same as Finance Committee [SA No. 23—HR].
(d) Withholding: Deletes withholding requirements of House provision [SA No. 25]. Substitutes in lieu thereof an information return reporting requirement with penalties for failure to file information [SA No. 26]. Effective date: Same as House provision.	(d) Withholding: Same as reported by Finance Committee. Effective date: Same as House provision.	(d) Withholding: Same as Finance Committee version [SA No. 25—HR; SA No. 26—HR with an amendment.] Effective date: Same as House version.

Inclusion in gross income of reimbursed medical expenses

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
In general, gross income is not to include amounts received through accident or health insurance for medical expenses for personal injuries or sickness.	None	Gross income is to include payments received by a taxpayer from health and accident insurance as reimbursement for medical expenses to the extent that the reimbursement payments exceed the actual medical expenses incurred with respect to any one illness or accident. Effective date: Applies with respect to taxable years beginning after Dec. 31, 1963.

Sec. 205. Amounts received

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
Allows a sick-pay exclusion of up to $100 a week for a taxpayer who is absent from work because he is injured or hospitalized. The same exclusion is granted to a taxpayer who is sick and not hospitalized except that such exclusion does not apply to the first 7 days of sickness. The sick-pay exclusion also covers those taxpayers who are permanently retired because of disability before the normal retirement age, but only until that time.	Would repeal the sick-pay exclusion, with the exception that disability pension payments for those retired on disability before Jan. 1, 1964, would continue to be eligible for the sick-pay exclusion. Effective date: Would apply with respect to payments received for periods of absence occurring after Dec. 31, 1963.	Makes the sick-pay exclusion of up to $100 a week applicable only to amounts attributable to those periods of absence from work due to sickness or injury beyond the 1st 30 days. Disability pension payments received by taxpayers permanently retired will continue to be eligible (after 30 days) for the exclusion up to normal retirement age. Effective date: Will apply to wage payments attributable to periods of absence commencing after Dec. 31, 1963.

Sec. 206. Exclusion from gross income of gain on sale or

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
Where an individual sells his old residence and, within 1 year (either before or after) of that sale, purchases a new residence or within 18 months thereafter builds a new residence, the gain on the sale of the old residence is not recognized to the extent that it, plus the cost or other basis of the old residence, is invested in the new residence. Any gain subject to tax is taxed as capital gain.	None	Provides a full exclusion (for 1 time only) from gross income for the gain attributable to the 1st $20,000 of sales price received from the sale or exchange of a personal residence in the case of taxpayers who have reached age 65 before the sale or exchange occurs, and who have owned and used the property involved as their principal residence for 5 out of the last 8 years before the sale or exchange. The exclusion is elective and may be made or revoked at any time before the expiration of the period for making a claim for credit or refund of income tax with respect to the year in which the sale or exchange occurred. Effective date: Applies with respect to sales, exchanges, and other dispositions of a residence after Dec. 31, 1963.

to the extent that the reimbursement exceeds the expenses

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
Deletes House provision [SA No. 30].	Deletes House provision.	Same as Finance Committee version. [SA No. 30—HR].

under wage continuation plans

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
Same as House provision.	Modified House provision to provide that if an employee's "sick pay" is less than 75 percent of his regular weekly rate of wages, then in applying the exclusion of up to $100 per week, the waiting period under existing law (7 days in the case of sickness; no waiting in the case of injuries or hospitalization) is to apply (rather than the 30-day period under the House bill) [SA No. 31].	Senate version modified to provide that within the 30-day period if the sick pay is 75 percent or less of the regular weekly rate, then up to $75 a week may be excluded after an absence of 7 calendar days on account of injuries or illness and from the first day without any waiting period if the taxpayer is hospitalized at least 1 day in the first 7. [SA No. 31—HR with an amendment].

exchange of residence of individual who has attained age 65

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
Same as House provision.	Same as House provision.	Same as House version.

Sec. 207. Denial of deduction for

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
State and local taxes paid or accrued by a taxpayer generally are deductible for Federal income tax purposes except death and gift taxes and most local improvement taxes. In addition, no deduction is allowed from gross income for Federal taxes paid except to the extent that Federal import duties and Federal excise and stamp taxes qualify as business expenses or expenses incurred in the production of income.	Would limit the total of all itemized deductions (including interest, taxes, charitable contributions, casualty losses, etc.) to amounts in excess of 5 percent of taxpayer's adjusted gross income. Effective date: Would apply to taxable years beginning after Dec. 31, 1963.	(a) Denies a deduction in computing income subject to Federal tax for State and local taxes other than (1) State and local personal property taxes; (2) State and local, and foreign, real property taxes; (3) State and local, and foreign, income, war profits, and excess profits taxes; and (4) State and local general sales taxes. Thus, State and local gasoline taxes and automobile registration fees (including auto tags and drivers' licenses) would not be deductible. This section has no application to the extent that the taxes paid or incurred represent trade or business expenses or expenses incurred in the production of income. (b) Definitions: (1) A personal property tax which may be deducted is defined as an ad valorem tax imposed on an annual basis in respect of personal property. (2) A general sales tax which may be deducted is defined as a tax imposed at 1 rate with respect to the sale at retail of a broad range of classes of items. Also included within the definition is a compensating use tax. (c) Deletes the provision of existing law which allows certain very limited local improvement taxes to be deductible. Effective date: Applies with respect to taxable years beginning after Dec. 31, 1963.

Sec. 208. Personal

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
Deductions for losses of property, not connected with a trade or business, which arise from fire, storm, shipwreck, or other casualty, or from thefts, are available without limitation to all taxpayers who itemize their personal deductions. In addition, losses incurred in a taxpayer's trade or business or losses incurred in connection with transactions entered into for profit are deductible.	In the case of taxpayers who itemize their personal deductions, would limit deductible casualty and theft losses to those in excess of 4 percent of taxpayer's adjusted gross income. Effective date: Would apply to taxable years beginning after Dec. 31, 1963.	Limits the deduction for personal casualty and theft losses to the amount in excess of $100 for each casualty or theft. The $100 limitation applies a joint return by a husband and wife as well as to a separate return of either. No limitation is placed by this section on trade or business losses or losses incurred in connection with transactions entered into for profit. Effective date: Applies with respect to losses sustained after Dec. 31, 1963.

certain State, local, and foreign taxes

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
(a) Amends the House provision to restore the deductibility of State and local gasoline taxes and automobile registration fees (including auto tags and drivers' licenses) [SA No. 32].	(a) Same as reported by Finance Committee.	(a) Same as House version except that it continues the deductibility of State and local gasoline, diesel fuel and other fuels taxes [SA No. 32—HR with an amendment].
(b) Same as House provision	(b) Same as House provision	(b) Same as House version.
(c) Amends House provision to restore a deduction for taxes levied by a district described in sec. 164(b)(5)(B) of the code for the purpose of retiring indebtedness existing on December 31, 1963 [SA No. 35]. Effective date: Same as House provision except as provided in (c) above.	(c) Same as reported by Finance Committee. Effective date: Same as reported by Finance Committee.	(c) Same as Finance Committee version [SA No. 35—HR]. Effective date: Same as Finance Committee version.

casualty and theft losses

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
Same as House provision	Same as House provision	Same as House version.

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
(a) In general, individuals are allowed a deduction of up to 20 percent of their adjusted gross income for contributions to or for the use of charitable, educational, religious, etc., organizations. An additional 10-percent deduction is allowed for contributions to churches, schools, hospitals, certain medical research organizations, and certain organizations affiliated with State colleges or universities.	Would increase the maximum charitable contributions deduction from 20 to 30 percent for all contributions except those to private foundations. Effective date: Would apply to taxable years beginning after Dec. 31, 1963.	(a) 30-percent deduction: Allows a 30-percent maximum charitable contributions deduction generally for contributions to organizations other than private foundations. Effective date: Applies with respect to taxable years beginning after Dec. 31, 1963.
(b) Carryover for corporations: Corporations are allowed a maximum charitable contribution deduction of 5 percent of their taxable income computed without regard to this and certain other deductions. In addition, a corporation is permitted a 2-year charitable contribution carryover.	----------	(b) Carryover for corporations: In the case of corporations, extends the 2-year carryover of charitable contributions to 5 years. Effective date: Applies with respect to contributions paid (or treated as paid) in taxable years beginning after Dec. 31, 1963.
(c) Gift of future interest: A taxpayer who gives property to charity but retains for either his or someone else's life or any other period the use or enjoyment of the property, receives a charitable contribution deduction for income tax purposes, at the time of the gift of the future interest, equal to the present discounted value of that future interest.	----------	(c) Gift of future interest: Denies a charitable contributions deduction for future interests in tangible personal property until the donor's (and certain related parties') interest in the property expires or is relinquished, except where the right to the property is retained for the life or lives of the donor or donors. Effective date: Applies with respect to transfers after Dec. 31, 1963.
(d) Unlimited deduction: An unlimited charitable contributions deduction is permitted for contributions in cases where the contributions plus taxes equal 90 percent or more of the taxpayer's taxable income in the taxable year and in 8 out of the 10 preceding taxable years.	Unlimited deduction: Would eliminate this deduction for all taxable years beginning after Dec. 31, 1963.	(d) Unlimited deduction: Makes no change in existing law.

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
(a) 30-percent deduction: Same as House provision.	(a) 30-percent deduction: Same as House provision.	(a) 30-percent deduction: Same as House version.
(b) Carryover for corporations: Same as House provision. Effective date: Modified House provision so as to apply with respect to contributions paid (or treated as paid) in taxable years beginning after Dec. 31, 1961 [SA No. 42].	(b) Carryover for corporations: Same as House provision. Effective date: Same as reported by Finance Committee.	(b) Carryover for corporations: Same as House version. Effective date: Same as Finance Committee version [SA No. 42—HR with an amendment].
(c) Gift of future interests: Modified House provision to deny a deduction in any case where a life interest is reserved (whether reserved for the donor's life or anyone else's life) [SA No. 41].	(c) Gift of future interests: Same as reported by Finance Committee.	(c) Gift of future interests: Same as Finance Committee version modified to make provision effective July 1, 1964 [SA No. 41—HR; SA No. 42—HR with an amendment].
(d) Unlimited deduction: Amends the unlimited charitable contributions deduction so as to make that deduction unavailable in the case of charitable contributions to private foundations (i.e., those not eligible for the 30-percent charitable contributions deduction under the House bill) [SA No. 36].	(d) Unlimited deductions: Same as reported by Finance Committee.	(d) Unlimited deductions: Same as Finance Committee version but modified to provide that the unlimited charitable contribution deduction will be available in the case of contributions to organizations "not supported by the general public" (1) where the foundation is itself an "operating foundation" or (2) where the organization pays out (either uses it itself for the charitable purpose or gives it to another organization which uses it for the charitable purpose) within a 3-year period an amount equal to 50 percent or more of the contribution, and all of the income of the organization through the taxable year in which the 50-percent test is met. Such an organization will not qualify, however, if any part of income or corpus is lent to the donor of the contribution, any member of his family, any employee of his, any officer or employee of a corporation in which he owns directly or indirectly 50 percent of the stock, or any partner or employee of a partnership where he owns directly or indirectly a 50-percent interest in the partnership; neither can the foundation pay compensation to this same group of persons (except to the extent of reasonable compensation for actual personal services), nor make the services provided by the foundation available to them on a preferential basis, nor buy any property or securities (except minimal amounts) from them nor sell any but minimal amounts to them. Effective date: Applies to contributions made on or after date of enactment of the act [SA No. 36—HR with an amendment].

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
(e) Carryover for individuals: An individual is not allowed a carryover of a deduction from one year to the next for excess charitable contributions.	----------	----------

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
If a taxpayer itemizes his deductions, he is allowed to deduct only those medical expenses which exceeded 3 percent of his adjusted gross income. In computing his medical expenses, which are subject to the 3-percent limit, medicines and drugs may be taken into account only if they exceed 1 percent of his adjusted gross income. The 1-percent limitation applies to all taxpayers without regard to their age. The 3-percent limitation does not apply in the case of medical expenses of the taxpayer and his spouse where either of them is 65 or over nor in the case of medical expenses of the mother or father of the taxpayer or his spouse where the parent is 65 or over and is a dependent of the taxpayer.	(a) In the case of medical expenses of persons under 65 years of age, would substitute a 4-percent floor on medical expenses generally for the separate 3-percent floor on medical expenses and the 1-percent floor on medicine and drugs. In the case of medical expenses of persons 65 or over, there would be no floor. (b) Would remove the ceilings on medical deductions so as to permit all taxpayers to deduct the full amount of their eligible medical expenses. (c) Would amend the definition of medical expenses which qualify for deduction to permit a deduction for the cost of facilities, services, and devices (such as a clarinet, dancing lessons, swimming pools, air conditioners, etc.) only if they were of a type customarily used primarily for medical purposes, and were in fact intended primarily for medical use of the taxpayer or a dependent. (d) The deductibility of expenses for medicines and drugs would be limited to those purchased pursuant to a doctor's prescription. (e) Would limit the deductibility of certain transportation expenses as medical expenses. (f) In the case of insurance premiums paid by a taxpayer on a policy which covers both medical and nonmedical protection, only the portion of the premium attributable to medical protection would qualify as a medical expense. Effective date: Would apply to taxable years beginning after Dec. 31, 1963.	The 1-percent limitation on medicines and drugs which must be taken into account in determining deductible medical expenses is made inapplicable in the case of amounts paid for the care of the taxpayer and his spouse if either of them has attained age 65 before the end of the taxable year and also in the case of amounts paid for the care of a dependent mother or father of the taxpayer or his spouse if the mother or father has attained age 65 before the end of the taxable year and is a dependent of the taxpayer. Effective date: Applies with respect to taxable years beginning after Dec. 31, 1963.

contributions and gifts—Continued

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
Effective date: Applies to taxable years beginning after Dec. 31, 1963. Thus, prior law will apply when any year prior to 1964 is taken into account and the new rules will be applicable with respect to any computation involving 1964 or a subsequent year. (e) Carryover for individuals: In the case of individuals, provides a 5-year carryover for such individuals with respect to excess contributions that qualify in the 30-percent category (as amended by the House bill). No contribution may be carried to or through a year with respect to which the taxpayer has elected the unlimited charitable contributions deduction. Effective date: Applies with respect to contributions paid in taxable years beginning after Dec. 31, 1963 [SA No. 37].	Effective date: Same as reported by Finance Committee. (e) Carryover for individuals: Same as reported by Finance Committee. Effective date: Same as reported by Finance Committee.	Effective date: Same as Finance Committee version. (e) Carryover for individuals: Same as Finance Committee version [SA No. 37—HR]. Effective date: Same as Finance Committee version.

on medicine and drugs

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
Same as House provision	Same as House provision	Same as House version.

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
(a) Amount deductible: Allows a deduction of up to $600 for expenses incurred for child care, without regard to the number of children or other dependents of the taxpayer.	(a) Amount deductible: Would increase the deduction from $600 per year per taxpayer to $900 for a taxpayer with 2 dependents and to $1,000 for a taxpayer with more than 2 dependents.	(a) Amount deductible: Increases the maximum annual deduction from $600 to $900 where there are 2 or more qualified dependents, except that the additional $300 is not to be available to a working wife (unless her husband is incapable of self-support).
(b) Eligible taxpayers: The class of taxpayers allowed the deduction are (1) women that are single, are divorced or separated (or, in some cases deserted), or are widows; (2) men who are widowed, divorced, or legally separated; and (3) working wives.	(b) Eligible taxpayers: Would expand the class of taxpayers allowed the deduction to include (1) a man whose wife is incapacitated (or institutionalized) for a period of 90 days or more.	(b) Eligible taxpayers: Expands the class of taxpayers allowed the deduction to include a husband (1) where his wife is incapacitated in which case the deduction is fully available only where the adjusted gross income of the taxpayer and his spouse does not exceed $4,500 (the deduction decreases $1 for each $1 of income above $4,500); (2) where the wife is institutionalized for a period of 90 days or more in which case the $4,500 limitation does not apply.
(c) Age limit: The child of the taxpayer for whom this deduction is granted must be a son, daughter, stepson, or step-daughter of the taxpayer and must be under age 12, or must be a dependent who is physically or mentally incapable of caring for himself.	(c) Age limit: The under-12-year age limit would be extended to cover expenses for care of children under 13 years of age.	(c) Age limit: Increases the under-12 age bracket to cover expenses for care of children under 13 years of age.
(d) Income limitation: In the case of working wives, the $600 deduction is available only if the combined adjusted gross income of the wife and husband who file a joint return does not exceed $4,500. The deduction available is decreased $1 for each $1 of income above $4,500, but this $4,500 limitation does not apply if the husband is incapable of self-support because mentally or physically defective.	(d) Income limitation: Would increase the present $4,500 limitation on the joint husband-wife income to $7,000. Effective date: Would apply to taxable years beginning after Dec. 31, 1963.	(d) Income limitation: Makes no change in existing law in the case of working wives or in the case of husbands with incapacitated wives. Effective date: Applies with respect to taxable years beginning after Dec. 31, 1963.

Sec. 213.

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
(a) Reimbursed expenses: (1) old or existing employees: (i) moving of household goods and personal effects—excludable. (ii) transportation costs of employee and family—excludable. (iii) meals and lodging in transit—excludable. (iv) house hunting—includible in gross income, but no deduction allowed. (v) temporary living allowances—no exclusion or deduction allowed by IRS, but exclusion permitted by Tax Court in *Cavanagh*, 36 T.C. 300.	(a) Reimbursed expenses: (1) old or existing employees: (i) moving of household goods and personal effects—includible in gross income, but allows a deduction for all employees, whether or not they itemize. (ii) transportation costs of employee and family—same as (i) above. (iii) meals and lodging in transit of employee and family—same as (i) above. (iv) house hunting—includible in gross income but no deduction allowed. (v) temporary living allowances—same as (iv) above.	(a) Reimbursed expenses: (1) old or existing employees: Does not change present law as outlined in col. No. 1.

of dependents

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
(a) Amount deductible: Increases the maximum annual deduction from $600 to $900 for a taxpayer with 2 dependents and to $1,000 for a taxpayer who has 3 or more dependents [SA No. 46].	(a) Amount deductible: Same as reported by the Finance Committee.	(a) Amount deductible: Same as House version except that the additional $300 is available to a working wife [SA No. 46—HR with an amendment].
(b) Eligible taxpayers: Same as House provision but increases the income limitation to $7,000 from $4,500 in cases where the wife is incapacitated [SA No. 47].	(b) Eligible taxpayers: Same as reported by Finance Committee.	(b) Eligible taxpayers: Same as Finance Committee version modified to provide for an income limitation of $6,000 [SA No. 47—HR with an amendment].
(c) Age limit: Same as House provision.	(c) Age limit: Same as House provision.	(c) Age limit: Same as House version.
(d) Income limitation: Increases the present $4,500 limitation to $7,000 in the case of working wives and in the case of husbands with incapacitated wives [SA No. 47]. Effective date: Same as House provision.	(d) Income limitation: Same as reported by Finance Committee. Effective date: Same as House provision.	(d) Income limitation: Same as Finance Committee version except that the income limitation is $6,000. [SA No. 47—HR with an amendment]. Effective date: Same as House version.

Moving expenses

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
(a) Reimbursed expenses: (1) Old or existing employees: Same as House provision. (But see new provision in sec. 232 of the Finance Committee bill relating to treatment of reimbursements of loss on sale of residence by certain transferred employees explained in (i) below.)	(a) Reimbursed expenses: (1) Old or existing employees: Same as reported by Finance Committee.	(a) Reimbursed expenses: (1) Old or existing employees: Same as House version.

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
(vi) loss on sale of personal residence—includible in gross income, but no deduction allowed. The Tax Court and the 4th circuit in *Bradley*, 39 T.C. 652, held reimbursement to be compensation and overruled *Schairer*, 9 T.C. 549 (which had permitted reimbursement to be treated as part of sales price of residence).	(vi) loss on sale of personal residence—same as (iv) above.	Loss on sale of personal residence: Does not change present law as outlined in col. No. 1.
(2) new employees: Includible in gross income, but no deduction allowed.	(2) new employees: Would provide same treatment for new employees on items listed above as for old employees.	(2) new employees: Allows a deduction for reasonable expenses of: (i) moving household goods and personal effects. (ii) transportation costs of employee and family. (iii) meals and lodging in transit of employee and family.
(b) Nonreimbursed expenses: No deduction is allowed for any moving expenses whether old or new employee.	(b) Nonreimbursed expenses: Allows a deduction in case of items (i), (ii), and (iii) above, regardless of whether deductions are itemized. No deduction allowed for items (iv), (v), and (vi) above.	(b) Nonreimbursed expenses: Allows a deduction similar to those allowed in (2) above, whether old or new employee.
		(c) Mileage limitation: The new deduction is not available unless the employee's commuting distance to his new principal place of work is at least 20 miles more than it was to his former principal place of work; or if he never worked or was unemployed for a long time, the commuting distance between his former residence and his new principal place of work must be at least 20 miles.
		(d) Employment period: The employee must remain employed in the new locality, on a full-time basis, for at least 39 weeks in the 12-month period immediately following his arrival in the general area of his new principal place of work.
		(e) Withholding: Redefines the term "wages" for withholding tax purposes to exclude reimbursement for which it is reasonable to believe that a moving expense deduction is allowable.
	Effective date: Would apply to expenses incurred with respect to moves made after Dec. 31, 1963.	Effective date: Applies with respect to moving expenses incurred after Dec. 31, 1963, in taxable years ending after that date.

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
(i) Loss on sale of personal residence: In cases where an employer reimburses an employee for certain expenses in connection with the sale of his house, such reimbursement is to be treated as a part of the sales price of the house rather than compensation received by the employee. The reimbursement referred to is to cover any losses by the employee attributable to the forced sale of his house and also the selling expenses incurred by him in connection with that sale. (Added by sec. 232 of the Finance Committee bill.) Effective date: Applies to reimbursements received with respect to sales contracts entered into after Dec. 31, 1963, in taxable years ending after such date [SA No. 165].	(i) Loss on sale of personal residence: Same as reported by Finance Committee. Effective date: Same as reported by Finance Committee.	(i) Loss on sale of personal residence: Same as House version, i.e., present law [SA No. 165—SR].
(2) New employees: Same as House provision.	(2) New employees: Same as House provision.	(2) New employees: Same as House version.
(b) Nonreimbursed expenses: Same as House provision.	(b) Nonreimbursed expenses: Same as House provision.	(b) Nonreimbursed expenses: Same as House version.
(c) Mileage limitation: Same as House provision.	(c) Mileage limitation: Same as House provision.	(c) Mileage limitation: Same as House version.
(d) Employment period: Same as House provision.	(d) Employment period: Same as House provision.	(d) Employment period: Same as House version.
(e) Withholding: Same as House provision but modified to apply with respect to remuneration paid after one week following date of enactment [SA No. 52]. Effective date: Same as House provision.	(e) Withholding: Same as reported by Finance Committee. Effective date: Same as House provision.	(e) Withholding: Same as Finance Committee version [SA No. 52—HR]. Effective date: Same as House version.

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Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
(a) Borrowing for premiums: A taxpayer is allowed an interest deduction in cases where he purchases an insurance contract with the intention of borrowing the maximum amount of the contract each year, unless the contract falls within one of the following categories, in which case no interest deduction is allowed: (i) in case of indebtedness incurred or continued to purchase, or carry, a single premium life insurance, endowment, or annuity contract; (ii) in cases where substantially all the premiums on a contract are paid within 4 years of the date on which the contract was purchased; (iii) in cases where a purchaser borrows an amount equal to a substantial portion of the premium payments on a contract, but instead of purchasing the policy outright, deposits the borrowed funds with the insurance company for future payments on a policy.	(a) Borrowing for premiums: Would amend sec. 264 to disallow a deduction for interest on indebtedness incurred or continued to purchase or carry a life insurance, endowment, or annuity contract under circumstances which reasonably establish the existence of a systematic plan, program or intention that any part of a substantial number of premiums be paid by means of indebtedness. Would apply to loans by the insurance company issuing the policy as well as oans from others. Effective date: Would apply to interest paid or incurred during taxable years beginning after Dec. 31, 1963.	(a) Borrowing for premiums: Denies a deduction for interest paid on indebtedness incurred or continued to purchase or carry a life insurance, endowment, or annuity contract pursuant to a plan of purchase which contemplates the systematic direct or indirect borrowing of part or all of the increases in the cash value of the contract. The disallowance applies whether the borrowing is done through the insurance company issuing the policy, or from a bank, or other lender. For the disallowance to apply, the plan need not contemplate a systematic plan of borrowing over the entire life of the contract, so long as it contemplates such borrowings over s substantial number of years, and the plan of borrowing may begin at any time prior to payment of the 4th annual premium under the contract. Four exceptions to the general rule where the disallowance will not apply are as follows: (i) in cases where no part of 4 of the annual premiums due during the 7-year period following the date the first premium is due under the contract is paid by means of indebtedness; (ii) in cases where the total amount of interest paid or accrued in the taxable year with respect to amounts borrowed to pay premiums does not exceed $100; (iii) in cases where the interest involved was paid with respect to indebtedness incurred because of an "unforeseen substantial loss of income or unforeseen substantial increase in financial obligations"; (iv) in cases where interest is paid or accrued on indebtedness incurred in connection with the taxpayer's trade or business. Effective date: Applies with respect to interest paid or accrued in taxable years beginning after Dec. 31, 1963, but only with respect to contracts purchased after Aug. 6, 1963.
(b) Split-dollar insurance: Under this type of arrangement where the employee pays part of the insurance premium on an ordinary life insurance policy on his life, and his employer pays that part of the premium which is added to the cash surrender value, the employee is not required to include in income the interest earned on the cash surrender value (part paid by employer) which is applied by the employer to reduce employee's premium.	(b) Split-dollar insurance: Would include in employee's income subject to tax, the earnings on the employer's cash surrender value which are applied to purchase protection for the employee. Effective date: Would apply to premiums paid in taxable years beginning after Dec. 31, 1963.	(b) Split-dollar insurance: Makes no change in existing law.

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
(a) Borrowing for premiums: Same as House provision but modified effective date as set forth below.	(a) Borrowing for premiums: Same as reported by Finance Committee.	(a) Borrowing for premiums: Same as House version.
Effective date: Modified House provision so as to apply only to contracts purchased after Dec. 31, 1963 [SA No. 56].	Effective date: Same as reported by Finance Committee.	Effective date: Same as House version [SA No. 56—SR].
(b) Split-dollar insurance: Makes no change in existing law.	(b) Split-dollar insurance: Makes no change in existing law.	(b) Split-dollar insurance: Makes no change in existing law.

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
(a) Restricted stock options: (i) Company issuing stock—generally no deduction is allowed. (ii) Qualifications: Conditions stock option or plan must meet: (1) option price must be at least 85 percent of market price at time of granting of option. However, the price requirement can be met by use of a variable price formula based on the market price at time of option. (2) option must not be transferrable other than at death and must be exercisable during the employee's lifetime only by him; (3) option must not be for a period of more than 10 years; (4) recipient may not be a 10-percent stockholder in the corporation (unless the option price is at least 110 percent of fair market value and option is not exercisable after 5 years from grant).	(a) Restricted stock options: Would repeal the restricted stock option provisions in their entirety. Upon exercise of option, ordinary income would result in amount representing the difference between the value of the stock acquired and the option price. A special installment tax privilege would have been provided, and the proposed general averaging provisions would also have been available.	(a) Qualified stock options: (i) Company issuing stock—generally no deduction is allowed. (ii) Qualifications: Conditions stock option or plan must meet: Comparable provisions under existing law: (1) option price must equal or exceed the fair market value of the stock at the time the option is granted, except that this condition is considered to be met where the option price is less than the market price, but the underestimate was in good faith. (2) option by its terms must be nontransferrable other than by death and must be exercisable during the employee's lifetime only by him; (3) option by its terms must be exercisable only within 5 years of the time it is granted; (4) the employee immediately before the option is granted generally must not own stock representing more than 5 percent of the voting power or value of all classes of stock of the employer corporation (or its parent or subsidiary). Employee may own up to 10 percent without the option being disqualified where the equity capital of a corporation is less than $1,000,000 with the allowable percentage of holding decreasing gradually from the 10-percent level for a company with $1,000,000 of equity capital down to the 5-percent level for a corporation with equity capital of $2,000,000 or more. No comparable requirement under existing law: (5) options must be granted under a plan which specifies the number of shares of stock to be issued, the employees or class of employees eligible to receive the options, and must be approved by the stockholders of the corporation within 12 months before or after the plan is adopted; (6) options must be granted within 10 years of the time the plan is adopted, or approved by the stockholders, whichever is earlier;

option and purchase plans

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
(a) Qualified stock options: Same as House provision except as noted below.	(a) Qualified stock options: Same as reported by Finance Committee.	(a) Qualified stock options: Same as Finance Committee version with modification noted below.

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
		(7) the option by its terms must not be exercisable while there is outstanding any qualified or restricted stock option which was granted to the employee at an earlier date, except that (a) in the case of restricted stock options (those granted before June 12, 1963), such options may be canceled at any time before Jan. 1, 1965, without adversely affecting the exercise of a qualified stock option subsequently issued, and (b) in the case of restricted stock options made available only in installments, the installments which cannot yet be exercised at the time of the granting of a qualified stock option need not be exercised before the exercise of the 2d option until the installments become exercisable.
Conditions employee receiving stock must meet: (1) individual must hold the stock and/or option for at least 2 years after date of granting of option and for at least 6 months after transfer of stock to him. This holding period is waived in the event of death; (2) individual must be an employee of the company granting the option or a parent or a subsidiary of such company at the time of granting of the option and on the day ending 3 months before the date of the exercise of the option. This requirement is waived in the event of death.	----------	Conditions employee receiving stock must meet: (1) individual must not sell or otherwise dispose of his stock within 3 years of the date of exercise of the stock option. This holding period is waived in the event of death; (2) individual must be an employee of the company granting the option or a parent or a subsidiary of such company for the entire time from the date of the granting of the option until 3 months before the date of the exercise of the option. This requirement is waived in the event of death.
(iii) taxable amount when requirements are met: (1) no income tax imposed when the option is granted or when the option is exercised; only upon disposition of the stock by employee; (2) when option price is at least 95 percent of market value at time of grant, entire amount of any gain when stock is disposed of is taxed at capital gains rates;	----------	(iii) taxable amount when requirements are met: (1) with 1 exception, no income tax is imposed until the stock is sold or otherwise disposed of by the employee; (2) the exception is where an attempt had been made in good faith to set the option price at the fair market value of the stock at the time of grant, but this market value, nevertheless, was underestimated. In these cases the option will not be disqualified, but 1½ times the difference between the option price and the actual fair market value of the stock at the time the option is granted (or the difference between the option price and the fair market value at the time of exercise, if this is smaller) will be taxed as ordinary income at the time the option is exercised.

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
Reset provisions: (1) Price of new option provides, in general, that the anti-reset provisions of Section 422(b)(5) shall not apply to an option being granted if the option being granted and all outstanding qualified (or restricted) stock options previously granted to the individual are to purchase stock of the same class in the same corporation and the price payable under each outstanding option does not exceed the option price of the option being granted [SA No. 70]. (2) Accelerating option period: Also provides that a change in the terms of an option not immediately exercisable in full to accelerate the time at which the option may be exercised is not to be considered a modification of the terms of the option [SA No. 91].	Reset provisions: Same as reported by Finance Committee.	Reset provisions: (1) Price of new option: Same as Finance Committee version with an amendment [SA No. 70—HR with an amendment]. (2) [Accelerating] option period: Same as Finance Committee version. [SA No. 91—HR].

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
(3) when option price is between 85 and 95 percent of market value at time of grant; (a) where stock is sold at more than the market value of stock at time option was granted, the difference between option price and market value at time of grant will be taxed at ordinary income rates. Any additional gain will be taxed at capital gains rate; (b) where stock is sold at a gain but for less than the market value of stock at time option was granted, the gain will be taxed as ordinary income; (4) when stock is sold for less than basis, the difference between basis and price at which stock is sold will be treated as a capital loss;	----------	(3) when stock is held beyond 3 years, any gain on the sale will result in a class A gain, with a 40-percent inclusion factor and a 21-percent maximum rate; (4) a transfer to a trustee in bankruptcy (or a similar fiduciary) is not considered a "disposition" of the share of stock by an insolvent individual; thus no ordinary income will be recognized at that time, although a capital gains tax may be due. Effective date: Generally, the new provisions apply to options granted to an individual after June 11, 1963; but do not apply to an option granted after that time if granted pursuant to a binding, written contract entered into before June 12, 1963.
(b) Employee stock purchase plans: The provisions relating to restricted stock options are generally applicable to employee stock purchase plans.	----------	(b) Employee stock purchase plans: (i) Company issuing stock—generally no deduction is allowed. (ii) Qualifications: Conditions stock option, plan, or offering must meet: Comparable provisions under existing law: (1) options must be granted only to employees of the grantor corporation (or its parent or subsidiary); (2) option must not be transferable by the employee other than by death and must be exercisable during his lifetime only by him. (3) option price may not be less than 85 percent of the market value of stock at time of granting of option, or 85 percent of fair market value of stock at time option is exercised (whichever is lesser).

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
Stock held beyond 3 years: When stock is held beyond 3 years, any gain on the sale will result in long-term capital gain. This change reflects the deletion of sec. 219 of the House bill relating to capital gains.	----------	
Effective date: In general, makes the new provisions apply to options granted to an individual after Dec. 31, 1963. In addition, modifies House provision to provide that options granted after Dec. 31, 1963, and before Jan. 1, 1965, which do not in all respects meet the terms of a "qualified option" may be modified to meet those terms without the modification being considered a new option [SA No. 95].	Effective date: Same as reported by Finance Committee.	Effective date: Same as Finance Committee version [SA No. 95—HR].
(b) Employees' stock purchase plans: Same as House provision.	(b) Employees' stock purchase plans: Same as House provision.	(b) Employees' stock purchase plans: Same as House version.

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
		(4) option must be exercised within 5 years where option price is not less than 85 percent of value of stock at time of exercise. Where option price is determined on basis of the 85-percent rule at time of grant, option must be exercised within 27 months from date of grant of option; (5) no employee may be granted an option if he owns 5 percent or more of the voting power or value of all classes of stock of employer corporation (or of its parent or subsidiary corporation); No comparable provisions under existing law— (6) the plan or stock offering must be approved by the stockholders of the corporation granting the option within 12 months before, or after, the date the plan is adopted; (7) the option must be available to all employees of the corporation except that there may be excluded 1 or more of the following categories: (a) employees who have been employed less than 2 years; (b) employees who are part time; i.e., employed 20 hours or less per week; (c) employees whose customary employment is not for more than 5 months a year; and (d) officers, supervisory personnel, or highly compensated employees. (8) plan or stock offering must specify that all employees granted options have the same rights and privileges, except that the amount of stock which may be purchased by any employee may be a uniform percentage of total compensation or regular or basic compensation and the plan may provide a maximum number, or value, of shares to be purchased. (9) employee must not be able to purchase stock under the purchase plan at an annual rate in excess of $25,000 a year.
Conditions employee receiving stock must meet: (1) individual must hold the stock and/or option for a period of 2 years and must hold the stock alone for a period of at least 6 months;	----------	Conditions employee receiving stock must meet: (1) individual must hold the stock and/or option for a period of 2 years and must hold the stock alone for a period of at least 6 months;

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
(2) individual must be an employee of the company granting the option at the time of granting of the option and on the day ending 3 months before the date of exercise of the option.	----------	(2) individual must be an employee of the company granting the option or a parent or a subsidiary of such company for the entire time from the date of the granting of the option until 3 months before the date of exercise of the option.
(iii) Taxable amount: See discussion under sec. 219, relating to capital gains on p. 58 of this document.	----------	(iii) Taxable amount: See discussion under sec. 219, relating to capital gains on p. 58 of this document. Effective date: The new provisions generally apply to options granted after June 11, 1963. Existing law, however, will continue to apply to stock options granted after that time but issued pursuant to a written plan adopted and approved before June 12, 1963, which at that time met the nondiscriminatory requirements or which were being administered in a way which did not discriminate in favor of officers, supervisory personnel, or highly compensated employees.

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
(a) Interest: When an individual sells a capital asset on the installment basis and makes no provision for interest payments on the installments, the full difference between his cost (or other basis) for the property and the sales price may be treated as a capital gain to the seller, unless sec. 1245 is applicable.	(a) "Unstated interest": In the case of sales of assets where all or part of the payment is deferred for more than 1 year, would provide that if the contract of sale failed to designate as interest any part of the deferred payments, or if the amount designated as interest is unrealistically low, the contract would be treated as though it did designate a reasonable amount of interest. If no interest is specified, an interest rate of 5 percent per year on the unpaid balance will be deemed to apply, except this rule would not apply where the contract specifies total interest at least equal to interest computed at an annual interest rate of 4 percent. Other rules would apply where the interest rate is less than 4 percent.	(a) "Unstated interest": Where property is sold on an installment basis and part of the payments are due more than 1 year from the date of the sale or exchange, if no interest payments are specified (or if "too low" interest payments are specified) a part of each of these payments due after the 1st 6 months is to be treated as an "unstated interest" payment. The "unstated interest" is to be determined by using an interest rate specified by the Secretary of the Treasury or his delegate by regulations. Rules are provided for determining the amount of each installment payment which is to be considered as interest in various installment transactions. This provision is not to apply or is to be modified: (1) It is not to apply unless the sale price of the property is in excess of $3,000. (2) If any of the amounts involved under the installment contract are carrying charges which presently are treated as interest from the standpoint of the purchaser then, in the case of the purchaser, such amounts are to be treated as interest payments for purposes of this provision.

option and purchase plans—Continued

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
Effective date: Generally, the new provisions apply to options granted to an individual after Jan. 1, 1964 [SA Nos. 64, 66, 67, 71, 74, 76, 81, 82, 83, 84, 85, 86, 87 and 88].	Effective date: Same as reported by Finance Committee.	Effective date: Same as Finance Committee version [SA Nos. 64, etc—HR].

certain deferred payments

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
(a) "Unstated interest": Same as House provision except for modification of effective date as set forth below.	(a) "Unstated interest": Same as reported by Finance Committee.	(a) "Unstated interest": Same as Finance Committee version.

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
		(3) In the case of the seller this provision is to apply only if some part of the gain (if any) from the sale or exchange of the property would be considered as gain from a capital asset, or gain from depreciable property. (4) It is not to apply in the case of payments with respect to patents which are treated as resulting in capital gain under present law. (5) It is not to apply where the property involved is exchanged for annuity payments which depend in whole or in part on the life expectancy of one or more individuals nor is it to apply to payments such as those for timber, coal, and iron ore (sec. 631). In this latter case, the provision does not apply because the transaction involved is not considered to be an installment contract. Effective date: This provision applies to payments made after Dec. 31, 1963, on account of sales or exchanges of property occurring after June 30, 1963.
(b) Carrying charges: In certain cases, carrying charges are treated as an interest deduction to the extent of 6 percent of the average unpaid balance under the contract. This provision applies only in the case of "personal property" purchased under an installment contract.	----------	(b) Carrying charges: Extends the provisions of present law applicable to personal property, which treats as an interest deduction carrying charges to the extent of 6 percent of the average unpaid balance under the contract to cover payments for services sold under an installment contract. Effective date: This provision applies to taxable years beginning after Dec. 31, 1963.
(c) Deferred payments contingent on future income: In some cases on the sale of capital assets, the seller may receive capital gains treatment even though the seller retains an interest in the income that is produced by the asset.	(b) Deferred payments contingent on future income: With several exceptions, payments contingent on future income assets which are deferred over more than 5 years and are contingent on future income would be treated as ordinary income. Effective date: The proposals would apply to payments received with respect to contracts entered into after Feb. 6, 1963.	(c) Deferred payments contingent on future income: Makes no change in existing law.

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
In general, a personal holding company is defined as a closely held corporation, most of whose income is derived from certain specified forms of passive investment income.	Makes 6 recommendations with respect to changes in the personal holding company provisions.	Amends the provisions of existing law as follows:
(a) Rate of tax: The rate of tax on "undistributed personal holding company income" is 75 percent on the first $2,000 and 85 percent on the balance.	----------	(a) Provides a rate of 70 percent on the entire amount of undistributed personal holding company income.

certain deferred payments—Continued

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
Effective date: Modified so that this provision is not to apply to any sale or exchange made pursuant to a binding written contract (including an irrevocable written option) entered into before July 1, 1963. [SA No. 100]. (b) Carrying charges: Deletes this provision [SA No. 99]. (c) Deferred payment contingent on future income: Makes no change in existing law.	Effective date: Same as reported by Finance Committee. (b) Carrying charges: Same as reported by Finance Committee. (c) Deferred payment contingent on future income: Makes no change in existing law.	Effective date: Same as Finance Committee version [SA No. 100—HR with an amendment]. (b) Carrying charges: Same as House version modified so as to make it applicable only with respect to educational services (including lodging) which are purchased from an educational institution and which are provided for a student of such institution [SA No. 99—HR with an amendment]. (c) Deferred payment contingent on future income: Makes no change in existing law.

holding companies

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
(a) Same as House provision-----	(a) Same as House provision.	(a) Same as House version.

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
(b) Gross income test: To be a personal holding company, 80 percent of a company's gross income must be personal holding company income.	(a) Recommends reducing the 80-percent test to 60 percent and changing the base on which this 60 percent is computed.	(b) Provides that a corporation is a personal holding company if at least 60 percent of its "adjusted ordinary gross income" is personal holding company income. The bill defines the term "ordinary gross income" to mean gross income minus the gains on capital assets and sec. 1231 assets. The term "adjusted ordinary gross income" is defined to mean ordinary gross income minus certain deductions to the extent attributable to rent income or to income from mineral, oil, and gas royalties or from working interest in oil and gas wells. The deductions referred to are those for depreciation or depletion, property taxes and severance taxes, interest, and rent.
(c) Excluded corporations—finance companies: Certain classes of corporations are not to be treated as personal holding companies under present law. Among the types of corporations excluded are different kinds of finance companies which are in general as follows: (i) licensed personal finance companies classified as "small loan companies" by State law; (ii) other lending companies engaged in the small loan or consumer finance business; (iii) a loan or investment company (such as a Morris Plan bank) whose business consists substantially of receiving funds not subject to check and evidenced by certificates of indebtedness; (iv) a finance company actively engaged in purchasing or discounting notes receivable or installment obligations or in making loans secured by any of these or by tangible personal property.	----------	(c) Excluded corporations—finance companies: The bill eliminates these 4 subsections of present law and substitutes a single subsection which excludes all types of lending or finance companies in general terms. To avoid classification as a personal holding company, a finance company must meet the following requirements: (i) 60 percent or more of its ordinary gross income must be derived directly from the active and regular conduct of a lending or finance business; (ii) its personal holding company income (excluding income from the finance business) must not be more than 20 percent of its ordinary gross income; (iii) its business expenses must be 15 percent of its income up to $500,000 income and 5 percent on the next $500,000; and (iv) the loans to a shareholder who owns 10 percent or more of the stock must not exceed $5,000.
(d) Rental income: Rental income is not classified as personal holding company income if the gross rent is 50 percent or more of gross income.	(b) Rental income: Would retain the basic 50 percent test, but would provide that in computing the rental income subject to this 50 percent test, depreciation, interest, property taxes, and in the case of leases, amortization and rents paid be subtracted. In addition, personal holding company income other than rental income must not represent more than 10 percent of the gross income of the company.	(d) Rental income: Rent will be personal holding company income unless the following 2 tests are both satisfied: (1) the "adjusted income from rents" is 50 percent or more of the "adjusted ordinary gross income." For this purpose, the "adjusted income from rents" is defined as the gross rent decreased by the allocable depreciation, property taxes, interest, and rent paid. The term "adjusted ordinary gross income" is defined as the ordinary gross income decreased by depreciation, depletion, property taxes, severance taxes, interest, and rent paid.

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
(b) Same as House provision-----	(b) Same as House provision.	(b) Same as House version.
(c) Excluded corporations-finance companies. House provision modified as follows: (1) Income received by a lending or finance company from another company which is a member of the same affiliated group and which is also a lending or finance company is not to be treated as personal holding income for purposes of applying the 20-percent test [SA No. 107]. (2) In applying the 20-percent of ordinary gross income test in the case of lending or finance companies, certain interest is not to be treated in the same category as personal holding company income [SA No. 102]. (3) Amends the definition of a lending or finance business to include therein the business of rendering services or making facilities available to another member of the same affiliated group which is also in the lending or finance business [SA No. 105]. (4) Excepts from the exclusion provided in the term lending or finance business, loans, notes, and installment obligations, evidenced or secured by contracts of conditional sale, chattel mortgages or lease agreements arising out of the sale of goods or services in the course of the transferor's or borrower's trade or business [SA No. 106].	(c) Excluded corporations—Finance Companies: Same as reported by Finance Committee.	(c) Excluded corporations—Finance companies. (1) Same as Finance Committee version [SA No. 107—HR]. (2) Same as Finance Committee version [SA No. 102—HR]. (3) Same as Finance Committee version but redefines the term "lending or finance business" to include (*a*) the rendering of services or making of facilities available in connection with the activities of making loans, etc., where such activities are carried on by the corporation rendering the services or making the facilities available and (*b*) rendering services or making facilities available to another corporation which is a member of the same affiliated group and is engaged in the lending or finance business, if such services or facilities are related to the lending or finance business of such other corporation [SA No. 105—HR with an amendment]. (4) Same as Finance Committee version [SA No. 106—HR with an amendment].
(d) Rental income: Same as House provision except as modified below. Adjusted income from rents—leases: Same as House provision but modified to provide that for purposes of determining the 50-percent test in the case of rental income, depreciation attributable to this rental income is not to be deducted in the case of tangible personal property normally rented for not more than 5 years to 1 lessee. [SA No. 109].	(d) Rental income: Same as reported by Finance Committee. Adjust income from rents—leases: Same as reported by Finance Committee.	(d) Rental income: Same as Finance Committee version. Adjusted income from rents—leases: Same as Finance Committee version [SA No. 109—HR].

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
		(2) the personal holding company income other than rent is 10 percent or less of the ordinary gross income (unadjusted except for capital gains).
(i) Film rentals: Payments received for permitting the exhibition of motion picture films are treated as rent.	(i) Film rentals: Proposes that payments received from the exhibition and distribution of a film be treated as copyright royalties, rather than as rent.	(i) Film rentals: Payments for the use of a motion picture film generally will be considered copyright royalty income with the exception that in the case of "produced film rents," i.e., income received for permitting the exhibition of films produced by the corporation owning them, such rents will not be treated as personal holding company income if the produced film rents constitute 50 percent or more of the ordinary gross income of the corporation.
(ii) Copyright royalties: Copyright royalties are personal holding company income unless they are 50 percent or more of the gross income and the corporation has less than 10 percent other personal holding company income. The business deductions of that corporation must be 50 percent or more of the gross income.	(ii) Copyright royalties: Would amend this provision to provide that all royalties paid are excluded for purposes of determining whether the "business expense" test is met and to make it clear that deductions under the code other than those under sec. 162 are not treated as deductions for purposes of this test. Proposes that the required percentage of business expenses be reduced from 50 to 20 percent.	(ii) Copyright royalties: The definition of copyright royalties is amended to include payments for the right to use motion picture films except "produced films." The 50-percent business deductions test is changed to provide that these deductions must equal 25 percent of ordinary gross income diminished by royalties paid and depreciation or amortization deductions with respect to royalties.
(e) Mineral royalties: Mineral, oil, or gas royalties are not personal holding company income if they total more than 50 percent of gross income and if the business deductions are 15 percent or more of gross income.	(c) Mineral royalties: Proposes that in determining whether the mineral royalty income represents 50 percent or more of gross income, both the mineral royalty income and the total gross income be reduced for any depletion deduction and interest deduction. In addition, proposes that in determining whether or not the 15 percent test is met, only those deductions attributable to the mineral royalties be taken into account.	(e) Mineral royalties: Mineral, oil, and gas royalties are to be personal holding company income unless such royalties diminished by the fixed charges, such as depreciation or depletion, etc., are 50 percent or more of the corporation's adjusted ordinary gross income. The royalties are also personal holding company income if other personal holding company income constitutes more than 10 percent of ordinary gross income (unadjusted).
(f) Oil and gas interests: A working interest in an oil or gas well is classified as income from an active trade or business. Thus, it is not treated as personal holding company income in applying the 80 percent gross income test.	(d) Oil and gas interests: Proposes that the gross income from an oil or gas interest be reduced by depletion, interest, and royalties paid out in computing the 60 percent gross income test.	(f) Oil and gas interests: Provides that the gross income from oil and gas interests is to be reduced by depletion, interest, property taxes, and severance taxes in computing the 60 percent of gross income test.
(g) Capital gains or assets other than stock, securities, or commodities: Capital gains (other than capital gains attributable to stocks, securities, or commodities) are not treated as personal holding company income; however, such gains are included in the gross income of a company.	(e) Capital gains on assets other than stock, securities, or commodities: Proposes that capital gains on assets other than stocks, securities, or commodities be excluded from gross income in determining whether the 60 percent gross income test is met.	(g) Capital gains: All capital gains are to be excluded in determining whether the 60 percent of gross income test is met.

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
10-percent test: House provision modified to provide that the 10-percent test will be considered as met if all personal holding company income (other than rents) is paid out (either actually or through consent dividends) to the extent it exceeds 10-percent of ordinary gross income [SA No. 108].	10-percent test: Same as reported by Finance Committee.	10-percent test: Same as Finance Committee version [SA No. 108—HR].
(e) Mineral royalties: Same as House provision but modified to provide that mineral royalties are to include production payments and overriding royalties [SA No. 111].	(e) Mineral royalties: Same as reported by Finance Committee.	(e) Mineral royalites: Same as Finance Committee version [SA No. 111—HR].
(f) Oil and gas interests: Same as House provision.	(f) Oil and gas interests: Same as House provision.	(f) Oil and gas interests: Same as House version.
(g) Capital gains: Same as House provision.	(g) Capital gains: Same as House provision.	(g) Capital gains: Same as House version.

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
(h) Liquidating dividends: The 85 percent or 75 percent tax on personal holding companies applies only to the undistributed personal holding company income, i.e., the tax is applied after dividend distributions are taken into account. The undistributed personal holding company income is reduced by dividend distributions and also by distributions in liquidation to the extent of the accumulated earnings and profits. In this latter type distribution, the shareholders are not taxed on dividend income.	(f) Liquidating dividends: Proposes that no dividends-paid deduction be allowed with respect to undistributed personal holding company income in the case of a liquidating distribution except to the extent that the liquidating corporation elects to treat this distribution as an ordinary dividend distribution to its shareholders.	(h) Liquidating dividends: The bill amends present law so as to provide that a personal holding company will have to either pay the personal holding company tax or distribute its income as a dividend in the year in which it liquidates. This bill also eliminates the effect of a liquidation under sec. 332 which permits a parent corporation to use the excess of the current and accumulated earnings and profits of its subsidiary over that subsidiary's undistributed personal holding company income as a carryover dividend-paid deduction in computing its own dividends-paid deduction. (j) "Would have been" corporations: A "would have been" corporation is one which is not a personal holding company under present law but which may become a personal holding company if the bill is enacted. A corporation will qualify for the special treatment provided in the bill if: (1) it was not a personal holding company for at least 1 of its 2 most recent taxable years ending before the enactment of the bill; and (2) it would have been a personal holding company for such year if the bill had already been enacted. (3) Liquidations: (i) Before Jan. 1, 1966. If such a corporation is liquidated and all its property distributed before Jan. 1, 1966, none of the new personal holding company provisions are applicable (except the provision dealing with liquidation distributions).

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
(h) Liquidating dividends: Same as House provision.	(h) Liquidating dividends: Same as House provision.	(h) Liquidating dividends: Same as House version.
(j) "Would have been" corporations: Same as House provision except as modified below.	(j) "Would have been" corporations: Same as reported by Finance Committee.	(j) "Would have been" corporations:
Provides that a corporation will be a "would have been" corporation if it was not a personal holding company for at least 1 of its 2 most recent taxable years ending before Dec. 31, 1963 (instead of date of enactment of the bill) [SA No. 129 and 132].	Same as reported by Finance Committee.	Same as House version [SA No. 129 and 132—SR].
Liquidations: Modifies the House liquidation provisions as follows:	Liquidations: Same as reported by Finance Committee.	
New par. (2) of sec. 333(g) is amended to provide that it shall be applicable to liquidations occurring after Dec. 31, 1966 (instead of Dec. 31, 1965), of corporations which owe qualified indebtedness on Jan. 1, 1964 (instead of on Aug. 1, 1963) [SA Nos. 119 and 124].		Same as Finance Committee version [SA Nos. 119 and 124—HR].
Provides that shareholders of a corporation which attempts to qualify under the new liquidation provisions, but was not eligible to do so, may elect to convert the liquidation to the treatment provided by sec. 331 [SA No. 131].		Same as Finance Committee version [SA No. 131—HR].
Provides that the term "qualified indebtedness" includes outstanding indebtedness incurred by the taxpayer before Jan. 1, 1964 (instead of Aug. 1, 1963) [SA No. 133].		Same as Finance Committee version [SA No. 133—HR].
Provides that the deductions allowed for depletion shall be taken into account to reduce the deduction allowed by sec. 545(c) and the qualified indebtedness under certain circumstances [SA Nos. 137 and 139].		Same as Finance Committee version [SA Nos. 137 and 139—HR].

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
		(ii) 1-month liquidations before Jan. 1, 1966. If such a corporation is liquidated under sec. 333 before Jan. 1, 1966, the shareholders are taxed on their allocable shares of the earnings or profits as class B capital gains and on the fair market value of certain stocks and securities acquired by the corporation after Dec. 31, 1962. (iii) 1-month liquidations after Dec. 31, 1965. Provides special rules for taxation of shareholders of "would have been" corporations which liquidate under sec. 333 and which in general had unpaid debts on Aug. 1, 1963; which notified the Secretary before Jan. 1, 1967, they would avail themselves of this provision and liquidated before the end of the year in which they paid such debts. Provides a special deduction in computing undistributed personal holding company income for payment of a debt which is outstanding on Aug. 1, 1963, or a debt substituted for such debt.
(j) Foreign personal holding companies:	----------	(k) Foreign personal holding companies:
(i) When stock in a foreign personal holding company is transferred at death, basis of the stock is not increased.	----------	(i) Amends present law to provide that when stock in a corporation which was a foreign personal holding company for its last taxable year before enactment of the bill, is transferred at death and the decedent's basis for such stock is less than its fair market value, the basis of the stock is to be increased by the amount of Federal estate tax attributable to the net appreciation in value.
(ii) Sec. 333 does not apply to foreign corporations.	----------	(ii) 1-month liquidations: Provides that in certain cases, sec. 333 of existing law is to apply to foreign personal holding companies.
(iii) Foreign personal holding income is defined largely in terms of domestic personal holding company income.	----------	(iii) Amendments are made to sec. 553 relating to foreign personal holding company income to conform to the changes made with respect to domestic personal holding company income. No substantive changes are involved.
	Effective date: The amendment would be effective for taxable years beginning after Dec. 31, 1963.	Effective date: In general, the provisions are made effective with respect to taxable years beginning after Dec. 31, 1963. The dividends-paid deduction modification and the liquidation provision, however, apply to distributions made in taxable years of the distributing corporation beginning after Dec. 31, 1963.

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
(k) Foreign personal holding companies: Deletes this provision [SA No. 141].	(k) Foreign personal holding companies: Deletes this provision.	(k) Foreign personal holding companies. The provisions of the House bill relating to an increase in basis is restored with the modifications set forth below but the provisions relating to the liquidation of foreign personal holding companies are omitted. The modifications add a new provision to the act which provides that the basis determined under sec. 1014 (b)(5) of a share of stock or a security acquired from a decedent dying after Dec. 31, 1963, of a corporation which was a foreign personal holding company for its most recent taxable year ending before the date of the decedent's death is to be increased by such share's or security's proportionate share of any Federal estate tax attributable to the net appreciation in value of all such shares and securities [SA No. 141—HR with an amendment].
Effective date: Same as House provision.	Effective date: Same as House provision.	Effective date: Same as House version.

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
(a) Aggregation of oil and gas property: In the case of oil and gas, operators have an option to use either the 1939 code "lease" rule or the 1954 code "operating unit" rule.	(a) Aggregation of oil and gas property: Recommends that the "operating unit" rule be eliminated in the case of oil and gas properties.	(a) Aggregation of oil and gas property: (i) In general, the bill restores the rule prevailing prior to the 1954 act, i.e., the 1939 code "lease" test of the term "property" is reinstated for all oil and gas cases for all taxable years beginning after Dec. 31, 1963.
Optional rule: A taxpayer has an option to treat each operating interest in each mineral deposit in each tract or parcel of land as separate "property" unless he affirmatively elects to aggregate them. However, an election to treat an interest as a "separate property" is binding unless permission is granted by the Commissioner to change such treatment.	Optional rule: Alternatively, would provide that the taxpayer could either maintain separate deposits as separate properties or could elect to combine all deposits falling within a single lease or acquisition. The combination of different leases or acquisitions would not be permitted.	Optional rule: The operational pattern of present law of the option to elect to combine or aggregate any 2 or more operating interests falling within a single lease or acquisition into a single "property" is recast so that under the House bill, failure to affirmatively elect to the contrary automatically aggregates such interests as they are developed. Thus, as each discovery is made, the taxpayer has a choice as to whether to include it in the existing aggregation or to treat it separately.
		(ii) "Unscrambling" of basis. Alternative methods are provided of redetermining the adjusted bases, if any, of operating interests presently aggregated which under the bill must hereafter be treated separately. One method provides that any basis may be divided among the separate properties in accordance with the fair market value of each property. The second method provides that taxpayers may take the adjusted basis of each property at the time it was first included in an aggregation and adjust this basis downward for adjustments reasonably attributable to the property so that the total of these adjusted bases equals the adjusted basis of the former aggregation.
	Unitization or pooling agreements: An exception to the optional rule could be provided where an oil and gas producer enters a so-called unitization agreement, in which case the undivided interest would be treated as 1 property even though it covers more than 1 lease. This same type of exception could also be applied where a producer owning a number of leases enters a unitization agreement with various royalty owners for the purpose of determining the share of production allocable to each of the royalty owners.	(iii) Unitization or pooling agreements: A unitization or pooling agreement is an exception to the optional rule stated above. Thus, in unitization or pooling agreement cases all of the operating mineral interests of a taxpayer which participate in 1 of these unitization agreements are to be treated as a single property without regard to the optional rule stated above. This treatment applies to all compulsory unitization agreements required by State law and also to voluntary agreements which meet these 2 tests: (1) The operating mineral interests must be in the same deposit or 2 or more deposits, the joint development or production of which is logical from the standpoint of geology, convenience, economy, or conservation; and (2) The operating mineral interests covered by the agreement must be in tracts or parcels of land which are either contiguous or in close proximity.

in case of oil and gas wells

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
(a) Aggregation of oil and gas property: Same as House provision.	(a) Aggregation of oil and gas property: Same as House provision.	(a) Aggregation of oil and gas property: Same as House version.

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
		Prior agreements: In case of unitization agreements entered into in taxable years beginning before Jan. 1, 1964, where the taxpayer, for the last taxable year beginning before 1964, treated each interest as a separate property and if it is determined by law that this was the proper treatment, then the taxpayer may, if he so desires, continue to treat these interests as separate properties despite the fact that they are in a unitization agreement.
	Effective date: This proposal would apply to all oil and gas properties for taxable years beginning after Dec. 31, 1963.	Effective date: The amendments made by this provision apply to taxable years beginning after Dec. 31, 1963. However, this does not involve any change in elections for those already covered under the 1939 code rules.
(b) Carryover of excess deductions: A percentage depletion allowance is computed by applying a specific percentage rate (27½ percent in case of oil and gas wells) to the gross income from each mineral property, but the deduction allowed cannot exceed 50 percent of the net income from the property. In determining "net income" for the purpose of this 50-percent limitation, all deductions (except depletion) attributable to the property are deducted from gross income. Intangible drilling costs and exploration and development expenditures are included in those deductions which reduce gross income for this purpose.	(b) Carryover of excess deductions: Provides that amounts deducted with respect to a mineral property which are in excess of gross income from that property in any taxable year would be carried forward to future years and used in computing the "net income from the property" for purposes of applying the 50-percent-of-net-income limitation. The amount of the carryover of such deductions to be used to reduce net income in any subsequent taxable year would be limited to that amount which reduced the taxpayer's otherwise allowable percentage depletion for the taxable year by 50 percent, but never less than the cost depletion allowable. Effective date: Would apply to excess deductions taken with respect to a property in taxable years beginning after Dec. 31, 1963.	(b) Carryover of excess deductions: Makes no change in existing law.
(c) Foreign mineral operations: U.S. citizens and domestic corporations may treat certain foreign taxes paid or accrued to a foreign country as a credit against their U.S. income tax otherwise payable. Domestic corporations are allowed a credit for foreign taxes paid by 10-percent-owned 1st tier foreign subsidiaries and by 2d tier foreign subsidiaries if 50 percent of their voting stock is owned by a 10-percent-owned 1st tier foreign subsidiary. Similar tax credits are also allowed for certain tax-haven income. Limitation: The foreign taxes which may be allowed as a credit against U.S. tax are limited to the same proportion of the U.S. tax against which the credit is taken if the income from sources within each foreign country (the per country limitation) or, alternatively, all foreign countries (the overall limitation) bears to the entire taxable income of the taxpayer. Except in the case of interest income, computations of foreign and U.S. taxes on foreign source income for purposes of	(c) Foreign mineral operations: Recommends that the deductions for development costs and exploration expenses be restricted so as not to permit them to reduce the U.S. tax on income earned in the United States. This would be accomplished by denying a deduction against domestic income for any foreign operating losses to the extent such losses are attributable to development costs and exploration expenses. However, losses on abandonment would be allowed to offset U.S. income. Also recommends that excess foreign tax credits, which arise from the allowance of percentage depletion and the deduction of intangible drilling costs and development and exploration expenses in foreign mineral operations, not be permitted to offset the U.S. taxes on other nonmineral foreign income. Such excess tax credits could be used only to offset U.S. taxes on income from foreign mineral operations.	**(c) Foreign mineral operations. Makes no change in existing law.**

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
Effective date: Same as House provision.	Effective date: Same as House provision.	Effective date: Same as House version.
(b) Carryover of excess deductions: Makes no change in existing law.	(b) Carryover of excess deductions: Makes no change in existing law.	(b) Carryover of excess deductions: Makes no change in existing law.
(c) Foreign mineral operations: Provides that excess foreign tax credits which are attributable to the allowance of percentage, rather than cost, depletion by the United States shall not be allowed as a tax credit against U.S. tax otherwise payable on the income from the taxpayer's nonmineral foreign activities. (Added by sec. 231 of the Finance Committee bill.) Mineral income defined: (1) Mineral income includes (a) income derived from the extraction of minerals from mines, wells, or other mineral deposits; (b) income from the processing of such minerals into their primary products; and (c) income from the transportation, distribution, and sale of the primary product derived from the mineral or of the mineral itself. (2) Taxpayers are permitted to treat dividends from corporations in which they own 5 percent or more of the voting stock as mineral income to the extent the dividend is attributable	(c) Foreign mineral operations: Same as reported by Finance Committee.	(c) Foreign mineral operations: Same as House version, i.e., makes no change in existing law [SA No. 164—SR].

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
the limitation on the foreign tax credit, are made without regard to the type of activity from which the income is derived. Carryover: The excess foreign tax may be carried back 2 years and forward 5 years and be used as a credit against U.S. tax in those years to the extent the foreign tax credit limitation for these years exceeds the foreign tax credit otherwise allowable. Depletion allowance: Taxpayers who extract minerals in foreign countries are allowed a deduction for percentage depletion in computing their U.S. income tax. To the extent foreign tax paid or accrued on foreign income derived from the extraction of minerals from mines, wells, or other mineral deposits exceeds the U.S. tax on the same income, the excess foreign tax is available as a credit against U.S. tax otherwise payable on foreign source income from unrelated activities of the taxpayer in the same or other foreign countries. (d) Sale of mineral interests: Intangible drilling costs and certain development and exploration expenditures are deductible from ordinary income. However, when the taxpayer sells his interest in a mineral property, any gain realized is taxed as a capital gain.	Effective date: Would apply for all taxable years beginning after Dec. 31, 1963. (d) Sale of mineral interests: Would provide that on the sale or disposition of mineral property, a portion of any gain realized be treated as ordinary income in a manner similar to the treatment now provided in the case of tangible personal property. The amount treated as ordinary income at the time of sale would be (1) the amount of intangible drilling and development expenditures in the case of oil or gas properties, or exploration and development expenditures in the case of other mineral properties, which had been deducted, together with (2) any depletion taken (either cost or percentage) but only to the extent of the basis of the taxpayer in the property. Thus, if the depletion deduction taken exceeded the cost or other basis of the taxpayer in the property, this excess amount would not give rise to ordinary income. Effective date: Would apply to dispositions of mineral properties after Dec. 31, 1963, and in the case of these dispositions the deductions of capital costs which would give rise to ordinary income would be those incurred in periods after Dec. 31, 1963.	(d) Sale of mineral interests: Makes no change in existing law.

Present law	Treasury recommendation	H.R. 8363 as passed by the House of Representatives
A lessor or sublessor of iron ore deposits is entitled to cost depletion or to a percentage depletion allowance measured by 15 percent of his gross royalty income (which is regarded as ordinary income).	None	Affords to iron ore royalty income the same income tax classification and capital gain treatment applicable to coal royalties under existing law, i.e., a 50-percent inclusion factor with a 25-percent alternative maximum rate.

of oil and gas wells—Continued

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
to mineral activities of the payor corporation. In this case, the dividend must be one which is treated as income from sources without the United States. (3) A taxpayer may treat a portion of his distributable share of income of a partnership as mineral income to the extent it is derived from foreign mineral activities of the partnership. (4) Income attributable to the manufacture, distribution, and marketing of petrochemicals is not to be treated as mineral income. Carryover: No carryback or carryforward is permitted for foreign taxes which are disallowed under this provision. Effective date: Applies with respect to the computation of foreign tax credits for taxable years beginning after Dec. 31, 1963 [SA No. 164]. (d) Sale of mineral interests: Makes no change in existing law.	Effective date: Same as reported by Finance Committee. (d) Sale of mineral interests: Makes no change in existing law.	(d) Sale of mineral interests: Makes no change in existing law.

of iron ore royalties

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees
Modifies the House provision as follows: (a) Limits the new capital gain treatment to iron ore royalties received with respect to iron ore mined in the United States [SA No. 150].	Same as reported by Finance Committee.	Same as Finance Committee version: (a) [SA No. 151—HR].

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
		Effective date: Applies to iron ore mined in taxable years beginning after Dec. 31, 1963.

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
(a) General rule: In the case of gains from sales or exchanges of capital assets held for 6 months or less (short term), 100 percent of the gain is taxable as ordinary income. In the case of gains from the sales or exchanges of capital assets held for more than 6 months (long term) by taxpayers other than corporations, 50 percent of the excess of the net long-term gain over any net short-term loss is taxable as ordinary income, or 100 percent of the excess is taxed at a flat 25-percent rate.	(a) General rule: Would provide that in the case of capital gains on assets held 1 year or less (short term), 100 percent of such gains is taxable as ordinary income. In the case of capital gains on assets held more than 1 year (long term), 30 percent of the excess of the net long-term capital gain over any net short-term capital loss would be taxable as ordinary income, or, 100 percent of the excess would be taxable at a flat 19.5-percent rate. In the case of corporate taxpayers, the alternative rate would be reduced to 22 percent.	(a) General rule: In the case of capital gains on assets held 6 months or less (short term), 100 percent of such gains is taxed as ordinary income. In the case of a net capital gain on assets held more than 6 months but not more than 2 years (class B), 50 percent of such net gain will be taxed as ordinary income, or 100 percent of such net gain will be taxed at a flat 25-percent rate. In the case of a net capital gain on assets held more than 2 years (class A), 40 percent of such net gain will be taxed as ordinary income, or 100 percent of such net gain will be taxed at a flat 21-percent rate. In the case of corporations no change is made.
(b) Offset rules: Capital gains and losses are first offset within each category to determine if there is a net short-term capital gain or loss or a net long-term capital gain or loss. Net gains of 1 category are netted against net losses of the other category.	(b) Offset rules: Recommends no changes with respect to the offset rules of present law.	(b) Offset rules: Capital gains and losses are first offset within each category to determine if there is a net short-term capital gain or loss, a net class B capital gain or loss, or a net class A capital gain or loss. The 3 categories are then to be netted as follows: (1) net class A capital losses first reduce net class B capital gains and then net short-term capital gain. (2) net class B capital losses first reduce net class A capital gain and then net short-term capital gain. (3) net short-term capital losses first reduce net class B capital gain and then net class A capital gain.

of iron ore royalties—Continued

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
(b) Denies the new capital gain treatment where the same parties or substantially the same parties directly or indirectly own the iron ore property or operate it [SA No. 153].		(b) [SA No. 153—HR].
(c) Amends the Social Security Act to prevent iron ore royalties which receive capital gains treatment from being taken into account for social security tax purposes [SA No. 160].		(c) [SA No. 160—HR].
Effective date: Modified to apply only to royalties received after Dec. 31, 1963, with respect to iron ore mined after that date [SA No. 161].	Effective date: Same as reported by Finance Committee.	Effective date: Same as Finance Committee version [SA No. 161—HR].

and losses

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
(a) General rule: Deletes this provision [SA No. 166].	(a) General rule: Deletes this provision.	(a) General rule: Finance Committee deletion modified to allow an unlimited loss carryover for individuals (rather than 5 years) as set forth in (c) below. [SA No. 166—H.R. with an amendment].
(b) Offset rules: Deletes this provision.	(b) Offset rules: Deletes this provision.	(b) Offset rules: Same as Finance Committee version.

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
(c) Carryover of losses: Any excess of capital losses over capital gains (either short-term or long-term) may be offset against ordinary income to the extent of $1,000. If any net loss remains, it may be carried forward for a period of up to 5 years as a short-term capital loss and as such, offset against capital gains in each year and against ordinary income in each year to the extent of $1,000. In the case of corporations, capital losses are offset against capital gains and a 5-year carryover is provided.	(c) Carryover of losses: Any net capital losses in excess of capital gains to be allowed as a deduction against ordinary income to the extent of $1,000. In lieu of a 5-year loss carryforward, would provide an indefinite loss carryforward. Loss carryforwards would retain their character. In addition, proposes that married taxpayers filing separate returns be limited to an annual offset of $500. No change is proposed in the case of corporations in the manner in which capital losses are treated.	(c) Carryover of losses: Provides for an unlimited carryforward of capital losses. Also provides that each class of capital loss is to retain its character. No change in the treatment of capital losses of corporations is made.
(d) Property eligible for capital gain treatment: In general, capital assets mean property held by a taxpayer other than— (1) Inventory; (2) Depreciable property used in a trade or business; (3) Real property used in a trade or business; (4) Copyrights, literary, musical or artistic compositions held by a taxpayer whose personal efforts created such property (or by a person who determines gain or loss by reference to the basis of such property to such person); (5) Accounts and notes receivable acquired in the ordinary course of business for services rendered or from sale of inventory; and (6) Government obligations issued on a discount basis and payable without interest at a fixed maturity date not exceeding 1 year.		(d) Property eligible for capital gains treatment: Except in the case of iron ore, no change is made in the definition of "assets" gain from the sale of which is accorded capital gains treatment. Thus, class B or class A capital gain treatment will apply to the sale of capital assets.
Depreciable personal property, real property, and certain other property used in the trade or business are excluded from the definition of "capital assets," but gain from the sale or exchange of these assets may in some situations receive capital gain treatment.		Class B or class A capital gain may apply in the case of the sale or exchange of depreciable or real property used in a trade or business.
Timber: Gain treated as long-term capital gain with a 50-percent inclusion factor or alternatively at a flat 25-percent rate.	Timber: Would provide that for contracts entered into after Feb. 6, 1963, gain from the sale of timber or the right to cut timber with a retained economic interest will result in ordinary income, except in the case of individuals the first $5,000 of income from timber will remain capital gain. Would also provide for expensing of reforestation costs.	Timber: Gain to be treated as class B; i.e., with a 50-percent inclusion factor or alternatively at a flat 25-percent rate, if held more than 6 months.
Coal royalties: Treated as long-term capital gain with a 50-percent inclusion factor or alternatively at a flat 25-percent rate.	Coal: Would repeal existing law with respect to contracts entered into after Feb. 6, 1963.	Coal royalties: To be treated as class B; i.e., with a 50-percent inclusion factor or alternatively at a flat 25-percent rate, if held more than 6 months.
Iron ore royalties: Treated as ordinary income.		Iron ore royalties: To be treated as class B; i.e., with a 50-percent inclusion factor or alternatively at a flat 25-percent rate, if held more than 6 months.

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
(c) Carryover of losses: Deletes this provision [SA No. 166].	(c) Carryover of losses: Deletes this provision.	(c) Carryover of losses: Same as House version [SA No. 166—HR with an amendment].
(d) Property eligible for capital gain treatment: Deletes this provision.	(d) Property eligible for capital gain treatment: Deletes this provision.	(d) Property eligible for capital gain treatment: Same as present law.
Timber: Deletes this provision	Timber: Deletes this provision	Timber: Same as present law.
Coal royalties: Deletes this provision. Iron ore royalties: Deletes this provision.	Coal royalties: Deletes this provision. Iron ore royalties: Deletes this provision.	Coal royalties: Same as present law. Iron ore royalties: Same as present law.

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
Property used in the trade or business of farming: Gain from sale of livestock held for dairy breeding or draft purposes will be treated as long-term capital gain with a 50-percent inclusion factor or alternatively at a flat 25-percent rate. Expenses attributable to the care and maintenance and depreciation deductions may be taken with respect to such animals.	Property used in the trade or business of farming: Would provide that in any year taxpayer's adjusted gross income from nonfarm sources equals $15,000 or more, and his deductions from farming exceed that amount, then capital gains from farming will be treated as ordinary income to the extent of such deductions. Deductions from farming would continue to be deductible against nonfarm income. Would apply to taxable years beginning after Dec. 31, 1963.	Property used in the trade or business of farming: Gain from sale of livestock held for dairy breeding or draft purposes will be treated as class B; i.e., with a 50-percent inclusion factor or alternatively at a flat 25-percent rate, if held for 12 months or more. No change made with respect to expenses and depreciation.
Unharvested crops: Gain treated as long-term capital gain with a 50-percent inclusion factor or alternatively at a flat 25-percent rate.		Unharvested crops: Gain to be treated as class B; i.e., with a 50-percent inclusion factor or alternatively at a flat 25-percent rate. The bill permits, however, class A capital gain treatment to apply to the gain from the sale of timber, coal, iron ore, livestock and unharvested crops if such gain would have resulted in capital gain treatment under present law without regard to to sec. 1231(b)(2) of the 1954 code.
(e) Distributions from pension and profit-sharing plans: In general, lump-sum distributions from trusts created or organized as part of a pension or profit-sharing plan are taxed as long-term capital gain if paid to a distributee within 1 taxable year on account of an employee's death or other separation from service.	Distribution from pension and profit-sharing plans: In general, lump-sum distribution payments would be treated as ordinary income, but the general averaging provision would be available. This provision would apply to distributions received after Dec. 31, 1963, but would not apply to that amount which equaled the amount in the employee's account as of the close of the last plan year preceding Feb. 6, 1963, plus the future earnings of that amount.	(e) Distributions from pension and profit-sharing plans: In general, lump-sum distributions will receive class B capital gains treatment; i.e., a 50-percent inclusion factor or alternatively a flat 25-percent rate.
Employer's stock: Gain or loss on employer's stock notr ecognized at time of distribution; recognized only when sold or otherwise disposed of by an employee in a taxable transaction.		Employer's stock: Gain or loss on employer's stock not recognized at time of distribution; recognized only when sold or otherwise disposed of by an employee in a taxable transaction. Gain equal to the unrealized appreciation at time of distribution, regardless of holding period of stock, will be treated as class B capital gain. Remainder of gain, if any, will be treated as short-term, class B, or class A capital gain as the case may be.
(f) Royalties from patents: In general, royalties received by the creator of an invention, and in certain cases by individuals who purchase their interests in an invention, are accorded long-term capital gains treatment.	Patents: Recommends that patents be excluded from the definition of capital asset and that amounts received on the sale of the patent by the inventor be treated as ordinary income rather than capital gain.	(f) Royalties from patents: Royalties received by the creator of the invention will be afforded class B capital gain treatment. Royalties received by individuals who finance the creator could receive class A capital gain treatment if the holding period requirement is satisfied.
(g) Employee termination payments: Amounts received by an employee for the assignment or release of his rights to receive a percentage of future profits of his employer are accorded capital gain treatment if certain conditions are met.		(g) Employee termination payments: Continues existing law by treating such amounts as class B capital gains.

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
Property used in the trade or business of farming: Deletes this provision.	Property used in the trade or business of farming: Deletes this provision.	Property used in the trade or business of farming: Same as present law.
Unharvested crops: Deletes this provision.	Unharvested crops: Deletes this provision.	Unharvested crops: Same as present law.
(e) Distribution from pension and profit-sharing plans: Deletes this provision.	(e) Distribution from pension and profit-sharing plans: Deletes this provision.	(e) Distribution from pension and profit-sharing plans: Same as present law.
Employer's stock: Deletes this provision.	Employer's stock: Deletes this provision.	Employer's stock: Same as present law.
(f) Royalties from patents: Deletes this provision.	(f) Royalties from patents: Deletes this provision.	(f) Royalties from patents: Same as present law.
(g) Employee termination payments: Deletes this provision.	(g) Employee termination payments: Deletes this provision.	(g) Employee termination payments: Same as present law.

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
(h) Short sales: In certain cases, gain on the closing of short sales is considered short-term capital gain. If the substantially identical property is not used to close the short sale, a new holding period begins.	----------	(h) Short sales: Continues existing law and also provides similar rule if substantially identical property is held at the time of the short sale for more than 6 months but less than 2 years. In this case, class B capital gain would apply.
Losses: If on the date of the short sale substantially identical property has been held for more than 6 months, such losses are considered long-term losses.	----------	Losses: If on the date of the short sale, substantially identical property has been held for more than 2 years or more than 6 months but not more than 2 years, such losses will be considered either as class A or as class B losses.
	Effective date: In general, the amendments would be effective for taxable years beginning after Dec. 31, 1963. The 1-year holding period would be applicable to assets purchased after Dec. 31, 1963.	Effective date: Provisions are applicable to taxable years beginning after Dec. 31, 1963. In the case of lump-sum distributions, the bill applies to sales of employer stock in taxable years beginning after Dec. 31, 1963, without regard to when such stock was distributed.

Sec. 231. Gain from dispositions

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
(a) With respect to real property (other than land) used in a trade or business or held for the production of income, a taxpayer may take depreciation with respect to such real property either on a straight line method, a double declining balance method, sum of the years-digits method or any other consistent method which does not during the 1st two-thirds of the useful life of the property result in greater depreciation than under the double declining balance method. If the property subsequently is sold, any gain realized on the difference between the sales price (adjusted for selling expenses) and the adjusted basis of the property is generally taxed as a capital gain if there is a gain, or as an ordinary loss where the amount realized is less than the adjusted basis.	(a) Proposes that depreciation with respect to depreciable real property acquired after Feb. 6, 1963, be limited to an amount not in excess of the depreciation which is allowed under the straightline method of depreciation.	(a) Amends present law to provide that when depreciable real estate is disposed of after Dec. 31, 1963, a proportion of any gain upon the sale of the property is to be treated as ordinary income; that is, previous depreciation deductions against ordinary income are to be "recaptured" from the capital gains made. The amount to be recaptured which is to be treated as ordinary income is a certain percentage of what is called additional depreciation or the amount of gain on the sale of the property, whichever is smaller. The term "additional depreciation" is defined as that part of the depreciation deductions which exceeds the depreciation deductions allowable under the straightline method.
	(b) Would provide that gain on the sale of real property (other than land) after Dec. 31, 1963, be treated as ordinary income, instead of capital gain, to the extent of depreciation taken for taxable years beginning after Dec. 31, 1962, and subsequent years if the property is sold within 6 years of the purchase date. In the case of property held for more than 6 years, but not more than 14⅓ years after date of purchase, the percentage of gain reflecting the depreciation which would be treated as ordinary income would be reduced by 1 percentage point for each month the property has been held for more than 6 years. If the property is held longer than 14⅓ years, no portion of any gain is treated as ordinary income.	(b) Methods of recapture: (i) If real property is held 1 year or less, then all of the depreciation taken is subject to recapture (but not more than the amount of the gain). (ii) If the real property was held more than 1 year but less than 21 full months, there is recognized as ordinary income 100 percent of the smaller of— (1) the "additional depreciation"; or (2) the gain on the transfer.

losses—Continued

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
(h) Short sales: Deletes this provision.	(h) Short sales: Deletes this provision.	(h) Short sales: Same as present law.
Losses: Deletes this provision_____	Losses: Deletes this provision_____	Losses: Same as present law.
Effective date: Deletes this provision.	Effective date: Deletes this provision.	Effective date: Same as present law.

of certain decpreciable realty

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
(a) Same as House provision_____	(a) Same as House provision_____	(a) Same as House version.
(b) Methods of recapture: Same as House provision.	(b) Methods of recapture: Same as House provision.	(b) Methods of recapture: Same as House version.

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
	(c) Would provide rules for the recapture of deductions for the amortization of leaseholds and rental deductions.	----------

(iii) If the real property is held for at least 1 full month more than 20 full months but less than 10 years, a percentage of the gain or of the "additional depreciation" (whichever is smaller) is taxed as ordinary income. The percentage is 100 percent minus 1 percentage point for each full month more than 20 full months that the property was held.

(iv) Substantial improvements: In determining when property has been acquired, the bill defines the term "separate improvement" which is to be treated as a separate element for purposes of determining the amount to be treated as ordinary income upon the sale or exchange of real property. The term is defined as arising only where the cost of the improvements over a 3-year period is greater than the largest of the following 3 amounts—

(1) 25 percent of the adjusted basis of the property;

(2) 10 percent of the original cost of the property plus the cost of any improvements made prior to those being considered here less the cost of retired components; or

(3) $5,000.

In applying this test, improvements in any one of the 3 years involved are to be omitted entirely if they do not amount to at least $2,000, or 1 percent of the original cost of the property plus the cost of any improvements previously made (less the cost of retired components) whichever is greater.

(v) Except as listed below, this bill applies to all depreciable real property (other than sec. 1245 property) including leases of unimproved real estate with regard to which depreciation may be taken and applies to all sales, exchanges, and transfers of such property other than those excepted hereafter:

(1) In general, gifts are completely excepted.

(2) Transfers at death are excepted completely (unless sec. 691 applies).

(3) Certain tax-free transfers in which the transferee takes over the transferor's basis, except to the extent that gain is recognized. These transfers are those to which sec. 332, 351, 361 371(a), 721, or 731 applies.

(4) Certain amounts are excepted in the case of like-kind exchanges(undersec.1031) or involuntary conversions (under sec. 1033).

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)

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Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
		(5) Transactions involving the exchange or sale of property in obedience to orders of the Federal Communications Commission or of the Securities and Exchange Commission. (6) In general, an exception is provided in the case of property distributed by a partnership in a pro rata distribution to its partners. (7) A disposition of a principal residence by a taxpayer who meets the age and ownership requirements of sec. 121. (vi) Leasehold improvements: Provides that in the case of leasehold improvements, in determining the norm for purposes of specifying "additional depreciation" which may be treated as ordinary income, periods for which a lease may be renewed, extended, or continued under an option exercisable by the lessee are generally to be taken into account. However, the renewal periods so taken into account are not to extend the amortization period by more than ⅔ of the initial lease period remaining after the improvement was made. Effective date: This provision is to apply with respect to depreciation attributable to periods after Dec. 31, 1963, and to dispositions of property after that date.

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
(a) Although no generally available income-averaging provision is provided, present law does contain 6 specific averaging provisions which are as follows: (i) Sec. 1301 relating to certain compensation for personal services. In this case, the employment involved must have covered more than 36 months and 80 percent of the compensation from the employment must be received in the current year. (ii) Sec. 1302 relating to income from inventions or artistic works. In this case, the work must have covered a period of 24 months or more and the income received with respect to it in the current year must have amounted to 80 percent or more of the income from the work (taking into account all prior years and 1 immediately future year). (iii) Sec. 1303 relating to certain income from back pay. In this case, the amount received in the current year must exceed 15 percent of the individual's income for that year.	(a) As a substitute for the existing averaging provisions (secs. 1301–1306), would provide a general averaging provision. Under the proposed provision, once the amount of income to be averaged is determined, the taxpayer would compute a tentative tax on ⅕ of this amount by including it in the current year's income. The tax attributable to this ⅕ would then be multiplied by 5 to determine the final tax on the averageable income.	(a) General rule: In general, this bill deletes the present law averaging provisions and substitutes in lieu thereof an income-averaging device which is available to individual taxpayers generally. In limited cases, the bill permits the continuation of the application of certain existing provisions. In effect, the bill provides for the averaging of income over a 5-year period where the income in the current year exceeds the average of the 4 prior years by more than ⅓ and that excess equals at least $3,000. Once the taxpayer computes what is called the averagable income the taxpayer computes a tentative tax on ⅕ of the amount of the averagable income. The tax on this ⅕ is determined by adding this income on top of 1⅓ times the average income received in the prior 4 years plus the average capital gains income in the same 4-year period. The tax attributable to this ⅕ is then multiplied by 5 to determine the final tax on this income.

of certain depreciable realty—Continued

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
Effective date: Same as House provision.	Effective date: Same as House provision.	Effective date: Same as House version.

averaging

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
(a) Same as House provision.	(a) Same as House provision except as as noted below.	(a) Same as House version except as noted below.

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
(iv) Sec. 1304 relating to compensation for damages for patent infringements. In this case no specific eligibility rules are provided. (v) Sec. 1305 relating to breach of contract damages. In this case, no specific eligibility rules are provided. (vi) Sec. 1306 relating to damages for injuries under the antitrust laws. In this case, no specific eligibility rules are provided. (b) In the case of the averaging provisions above, the income tax attributable to the special type of income is determined by spreading the income back ratably over the period to which the income relates, except in the case of artistic work this may not exceed 36 months and in the case of the invention may not exceed 5 years. In each case, the tax is imposed as of the current year, although determined on the basis of making a recomputation for the back years involved at the rates applicable for those years.	(b) Income eligible for averaging: (i) Only income in the current year which exceeds by more than ⅓ the average taxable income in the 4 prior years would be eligible for averaging; (ii) The excess amount would be eligible only if it exceeds $3,000. (iii) Capital gains: Net long-term capital gains would be excluded from the 4 prior years and the current year in determining the amount of income which would be averaged; however, capital gains would be taken into account in the 4 prior years and in the current year in determining whether or not a taxpayer has sufficient income to be eligible for averaging. (iv) Gifts, bequests, etc.: In determining the amount of income with respect to which the averaging treatment would be available, there would be excluded any income (above some de minimis amount) which is attributable to property acquired by gifts, bequest, or inheritance during the current year and the 4 prior years.	(b) Definitions: (i) Averageable income: This income is the excess of the taxable income in the current year or the computation year—with certain adjustments—over 1⅓ times the average base period income. (ii) Adjusted taxable income: This income is the taxable income for the computation year decreased by— (1) any capital gain net income for that year; (2) any income for that year attributable to gifts, bequests, devises, or inheritances received during that year or any of the 4 prior base period years; (3) any excess of wagering gains in the computation, year, over wagering losses; and (4) certain amounts of income to which penalties apply with respect to the owner employees who are self-employed for pension plan purposes (sec. 72(m)(5)). (iii) Average base period income: This income is the average of the taxable income in the 4 prior years computed for each year with the following adjustments: (1) capital gains net income is excluded; (2) income from gifts, bequests, devises, or inheritances is excluded where taxable income in the computation year was decreased by such income; and (3) To this base period income must be added back any income which was excluded for the base period years on the grounds that it was earned in a foreign country (sec. 911) or on the grounds that it was income from sources within a possession of the United States. (c) Priority of tax: In determining the tax which is attributable to the income subject to averaging: (i) the 1st income subject to tax is to be the ordinary income not eligible for averaging; (ii) the income subject to the next higher income tax rates is the capital gain net income of the computation year but only to the extent this does not exceed the average base period capital gains net income;

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
(b) Definitions: Same as House provision.	(b) Definitions: Same as House provision but modifies the term "capital gains net income" so as to reflect the deletion by this bill of sec. 219 of House bill, relating to capital gains [SA No. 169].	(b) Definitions: House version modified by Senate amendments. Same as Senate version [SA No. No. 169–HR].
(c) Priority of tax: Same as House provision.	(c) Priority of tax: Same as House provision.	(c) Priority of tax: Same as House version.

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
		(iii) the income subject to the next higher income tax rates is the income subject to averaging, with respect to which ⅕ is included, the tax then computed and the result multiplied by 5; (iv) the income subject to the next higher income tax rates is any remaining capital gains income in the computation year in excess of the average base period capital gains net income, income from wagering or gifts, bequests, devises, or inheritances.
	(c) Eligible individuals: In general, the proposed averaging treatment would be available only to taxpayers who are a part of the work force and are subject to U.S. tax. Thus, this provision would not be available in the case of a taxpayer who in the current year or any of the 4 prior taxable years— (A) had not attained the age of 19; (B) was claimed as a dependent by another taxpayer; (C) was a full-time student; (D) was a nonresident alien; or (E) was a U.S. citizen who claimed an exclusion for income earned abroad.	(d) Eligible individuals: To be eligible for the averaging provisions: (i) the individual's income must have been subject to tax by the United States throughout the entire base period as well as in the computation year; (ii) the individual must not have been a nonresident alien in any of the 4 base period years or in the computation year; (iii) the individual must be a citizen of the United States in the computation year; (iv) the individual must be claiming no exclusions in the computation year for income earned abroad. If claimed with respect to a base period year, this income must be added back to his base period income; (v) the individual in general must have been a member of the labor force in both the computation year and in the 4 base period years. In this case, the individual and his spouse must have furnished ½ or more of their support in each of the base period years. Exceptions to the general rule: (1) Individuals generally are eligible for averaging if they are 25 years old and it would have been at least 4 years since the individual attained age 21 in which he was not a full-time student. Thus, individuals age 25 or over will be eligible for averaging so long as they have been out of school for at least 4 years since age 21. (2) individuals who although not self-supporting in the 4 base period years are nevertheless eligible for averaging if they have income in the current year more than ½ of which is attributable in substantial part to work they did in 2 or more of the base period years.

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
(d) Eligible individuals: Same as House provision.	(d) Eligible individuals: Same as House provision.	(d) Eligible individuals: Same as House version.

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
		(3) an individual who is not self-supporting in the base period and who makes a joint return with his spouse is also eligible for averaging if not more than 25 percent of the total adjusted gross income of the couple in the computation year is attributable to the individual in question.
	(d) Separate and joint returns: Where because of marriage, divorce, separation, or death of a taxpayer in the current year, the taxpayer in that year would not have the same status as in the 4 prior years, the income in the 4 prior years would be adjusted to reflect the tax situation of the taxpayer which exists in the current year.	(e) Special rules with respect to marital status: Special rules are provided for reconstructing the income of a husband and wife where they either filed separately (or were married to other spouses) in the base period years or are filing separately in the computation year. In determining base period income for purposes of this provision, community property laws are not to be taken into account in the case of earned income. (f) Continuation of existing law: Permits a taxpayer to elect to apply the provision of present law (sec. 1301) where the taxpayer receives or accrues compensation for employment which began before Feb. 6, 1963. If this election is made, the taxpayer must forego for that year the averaging provisions of this section.
	(e) Carry-forwards and carrybacks of losses: The averaging treatment proposed in the case of carry-forwards of net operating losses would be applied after the application of these losses to all of the appropriate years. In the case of carrybacks of net operating losses, subsequent adjustments would be taken into account where such losses affect the actual year of computation but would not be taken into account where they affect merely some of the 4 prior years. (f) Other special situations: Adjustments to the proposed averaging provision would possibly be necessary in the case of certain special situations such as in the case of lump-sum pensions and profit-sharing plan distributions.	
	Effective date: The amendments made by this provision would apply to taxable years beginning after Dec. 31, 1963.	Effective date: Taxpayers would be permitted to elect to apply the averaging provision with respect to taxable years beginning after Dec. 31, 1963. The 4 prior years may be years occurring before that time.

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
(e) Special rules with respect to marital status: Same as House provision.	(e) Special rules with respect to marital status: Same as House provision.	(e) Special rules with respect to marital status: Same as House version.
(f) Continuation of existing law: Same as House provision.	(f) Continuation of existing law: Same as House provision.	(f) Continuation of existing law: Same as House version.
	Provides that taxpayers who elect averaging may use the standard deduction without regard to the limitations in sec. 144 of the code [SA No. 171].	Same as Senate version [SA No. 171—HR].
Effective date: Same as House provision.	Effective date: Same as House provision.	Effective date: Same as House version.

Sec. 234. Repeal of additional 2-percent tax

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
(a) Where an election to file a consolidated return is made, a special tax is levied of 2 percent of the consolidated taxable income of a group.	(a) Would eliminate the 2-percent tax on consolidated returns. Effective date: This provision would apply to taxable years beginning after Dec. 31, 1963.	(a) Repeals the 2-percent penalty tax in cases where consolidated returns are filed. Effective date: This provision applies to taxable years beginning after Dec. 31, 1963.

Sec. 235. Reduction of surtax exemption

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
(a) In general: Corporations are taxed at a 30-percent rate on the 1st $25,000 of taxable income and at a 52-percent rate on all income in excess of $25,000. Thus, corporations are exempt from the 22-percent surtax on the 1st $25,000 of taxable income.	(a) In general: Proposes that in the case of common ownership of related corporations, only 1 $25,000 surtax exemption be granted to the related corporations to be divided equally among the related corporations unless they elect to apportion the exemption in some other manner. Would also provide similar rules with respect to the $100,000 accumulated earnings tax credit and the 1st $100,000 of estimated tax liability not subject to accelerated payment. (i) Common ownership: (1) Parent-subsidiary corporations: In this group, a parent corporation owns at least 80 percent of the total combined voting power of all classes of stock entitled to vote or at least 80 percent of the total value of stock of 1 or more subsidiary corporations. This group also includes corporations below the 1st-tier subsidiary level which are 80-percent owned by the other corporations in the group. (2) Commonly controlled corporations: A commonly controlled subsidiary corporation would include a corporation, 80 percent of whose stock is owned by not more than 5 corporations.	(a) In general: Provides that if a controlled group exists, 3 basic alternatives are available to corporations which are members of the group: (1) The corporations in the group may forgo the use of multiple surtax exemptions; i.e., they each file separate income tax returns and allocate 1 $25,000 surtax exemptions among the members of the group. (2) Corporations in the group may elect to pay a 6-percent penalty tax on the 1st $25,000 of each corporation's taxable income, in which case each member of the group may claim a separate $25,000 surtax exemption. (3) A controlled group which also qualifies as an affiliated group may file a consolidated income tax return, in which case only 1 $25,000 surtax exemption is available. No change made in existing law with respect to intercorporate dividends among members of a controlled group. (i) Controlled group: (1) Parent-subsidiary group: Same as Treasury recommendations. (2) Commonly controlled corporations: No change made in existing law.

for corporations filing consolidated returns

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
Same as House provision.	Same as House provision.	Same as House version.

in case of certain controlled corporations, etc.

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
Same as House provision except for minor technical changes [SA No. 180, 182, 186, and 189].	Same as reported by Finance Committee.	Same as House version except for minor technical changes [SA No. 180, 182, 186, and 189—HR].

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
	(3) Brother-sister corporations: This group would include any group of 2 or more corporations if at least 80 percent of the value or voting power of the stock of each is owned by not more than 5 individuals. Each must own 5 percent or more of the value or voting power of the stock of 1 corporation and each of the 5 or fewer individuals must own substantially the same proportion of the voting power or value of the stock of each corporation. (ii) Attribution rules: An individual will be deemed to constructively own stock owned by— (1) his spouse, (2) his minor children and minor grandchildren (under 21 years), (3) his adult children and grandchildren and parents and grandparents but only if the individual owns more than 50 percent of the stock in the corporation the adult children have an interest in. If the individual is a minor child, he is deemed to own stock held by his parents or grandparents. Stock would be attributable to another member of the family only once. Stock held under an option by an individual would also be attributed to him.	(3) Brother-sister corporations: This group exists where a single individual, trust, or estate owns at least 80 percent of the total combined voting power of all classes of stock entitled to vote, or at least 80 percent of the total value of all classes of stock of each of 2 or more corporations. Stock of the corporation is considered not to include nonvoting preferred stock, treasury stock, and "excluded stock" owned by certain individuals and trusts. (ii) Corporations not included in controlled group: Component member of a controlled group does not include— (1) exempt organizations which do not have unrelated business income; (2) foreign corporations not engaged in trade or business in the United States; (3) certain franchised subsidiary corporations; and (4) in some cases, certain life insurance and mutual insurance companies. (iii) Attribution rules: (1) an individual is considered to own stock owned by his spouse except if— (A) the individual does not directly own stock in the corporation in which his spouse owns stock; (B) the individual is not a director or employee of such corporation and does not take part in the management of such corporation; (C) not more than 50 percent of the gross income of the corporation is derived from rents, royalties, dividends, interest, and annuities; and (D) the stock or the corporation owned by the spouse is not at any time during the taxable year subject to conditions which substantially restrict or limit the spouse's right to dispose of such stock if such right runs in favor of the individual or his children who have not attained age 21 years. (2) an individual is considered to own stock owned by his children who have not attained age 21. (3) an individual is considered to own the stock owned by his children who have attained age 21 and grandchildren only if such individual owns directly or indirectly more than 50 percent of the value or voting power of the stock in the corporation.

in case of certain controlled corporations, etc.—Continued

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
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Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
		(4) there is no attribution between brothers and sisters. (5) limited attribution rules are provided in cases involving stock held by trusts, estates, partnerships, and corporations in which the individual has an interest.
	(iii) Transition rule: The multiple surtax exemptions would be eliminated by gradually reducing the amount of extra surtax exemptions to zero in 1967, the 5th year of the transition. Similar transition rules would apply in the case of the accumulated earnings tax credit and the exemption from estimated tax.	(iv) Election: All component members of the group must join in the election to obtain a multiple surtax exemption and such election must be made within 3 years after the close of a taxable year. Once made, an election may be terminated by— (1) consent of the members; (2) refusal of a new member of the controlled group to consent; (3) filing of a consolidated return by any component member of the group; or (4) termination of the group. If an election is terminated, the group may not again elect multiple exemptions until the expiration of 5 years.
(b) Sec. 1551. If a corporation transfers all or part of its property (other than money) to a corporation which was created for the purpose of acquiring such property, or was not actively engaged in business at the time of the acquisitions, the transferee corporation is not permitted the $25,000 surtax exemption or the $100,000 accumulated earnings credit if after the transfer the transferor or its shareholders, or both, are in control of the transferee, unless the transferee establishes by the clear preponderance of the evidence that the securing of the surtax exemption or the accumulated earnings credit was not a major purpose of the transfer. This section applies only to direct transfers of property other than money and only transfers from one corporation to another corporation.		(v) Amendments to sec. 1551: (1) Amends existing sec. 1551 to also apply to indirect transfers of property other than money, as well as direct transfers. (2) Extends the application of sec. 1551 to transfers of property (other than money) by an individual to a corporation which he and not more than 4 other individuals control.
	Effective date: The multiple surtax exemption, accumulated earnings credit, and exemption from estimated tax proposals would apply to taxable years beginning after Dec. 31, 1963.	Effective date: This provision applies to taxable years ending after Dec. 31, 1963, and in the case of fiscal years beginning in 1963 and ending in 1964, proration is required. The amendments relating to transfers to controlled corporations apply to transfers made after June 12, 1963.

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
Effective date: Same as House provision.	Effective date: Same as House provision.	Effective date: Same as House version.

Sec. 301. Optional tax if adjusted

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
Under sec. 3 of the code, in general, there is imposed on the taxable income of each individual whose adjusted gross income is less than $5,000, and who has elected to pay the tax imposed by that section, the tax shown in the table set out in sec. 3. Sec. 4 of the code sets forth rules to be used in applying the optional tax tables and sec. 6014 of the code relates to the computation of the tax where the tax is not computed by the taxpayer.	----------	The bill makes certain changes to secs. 3 and 4 of the code but, in general, retains the substantive rules contained in those sections. Sec. 6014 is amended to provide that a taxpayer who elects under that section not to compute his tax will not be entitled to have his tax determined with regard to the minimum standard deduction. Other technical amendments are also made. Effective date: In general, the amendments are to apply to taxable years beginning after Dec. 31, 1963.

Sec. 302. Income tax

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
Provides a withholding tax rate of 18 percent.	Withholding tax rate of 18 percent would be reduced to 15.5 percent for payments on or after July 1, 1963, and further reduced to 13.5 percent as of July 1, 1964.	Withholding tax rate of 18 percent would be reduced to 15 percent for calendar year 1964 and to 14 percent for 1965 and subsequent years.

gross income is less than $5,000

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by conferees (Public Law)
Same as House provision. Effective date: Same as House provision.	Same as House provision. Effective date: Same as House provision.	Same as House version. Effective date: Same as House version.

collected at source

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the Conferees (Public Law)
Provides for withholding at a rate of 14 percent in 1964 (rather than at a rate of 15 percent for 1964 and 14 percent for 1965 and thereafter) [SA No. 204]. Provides that the new withholding rate of 14 percent is to apply with respect to amounts paid after the 7th day following the date of enactment of this act [SA No. 208].	Same as reported by Finance Committee.	Same as Finance Committee version [SA No. 204—HR]. Same as Finance Committee version [SA No. 208—HR].

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
Retirement income: In general, the maximum income on which a credit may be based is $1,524. The amount of income upon which the credit is based is to be reduced for any tax-exempt social security, railroad retirement, or other similar income received by the individual and also for part or all of earned income in excess of $1,200 per year ($900 if the taxpayer is under age 62; no reduction if he is age 72 or over) received by the individual. The retirement income credit provision provides that an individual to be eligible for the retirement income credit must have had 10 years of prior earning experience, in each year of which he earned in excess of $600. For this requirement, a widow or a widower may use the earnings experience of the deceased spouse; however, that credit contains no supplemental payment with respect to a spouse where that individual does not have the requisite prior 10 years' earning experience.	Would substitute a $300 tax credit for taxpayers age 65 or over for the present $600 additional exemption and the present retirement income credit.	Makes no change in existing law.

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
In general, provides that where the husband and wife have both attained the age of 65 before the close of the year and file a joint return, the maximum income on which the credit may be based is to be increased above the present ceiling of $1,524 by $762, or one-half of the present maximum. Where only 1 spouse has the requisite 10 years' experience his base for the retirement income credit would be increased by $762 less the amount of any social security, railroad retirement, or other tax-exempt pension income received by his spouse and also by her earned income in excess of $1,200 (on a 50-percent basis with respect to income between $1,200 and $1,700) assuming she has not reached the age of 72. If both husband and wife have the requisite 10 years' prior earning experience and if the sum of the retirement income, other tax-exempt pension income and excess earned income of one of them is less than $762, the maximum of $1,524 with respect to the other spouse is increased by the difference between such sum and $762. Effective date: The increase in the retirement income credit applies to taxable years beginning after Dec. 31, 1963 [SA No. 8].	Same as reported by Finance Committee.	Finance Committee version with an amendment which provides that a husband and wife who make a joint return for the taxable year and both of whom have attained age 65 before the close of the taxable year may elect, in general, to combine their retirement income, in which case the amount of combined retirement income of both spouses is not to exceed $2,286 less (as to both spouses) amounts received as pensions and annuities (including social security and railroad retirement benefits, and, if the individual has not attained the age of 72, the adjustments for earned income received in the taxable year [SA No. 8—HR with an amendment].

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
General rule: In general, a net operating loss may be carried back to each of 3 prior years and then to the extent of any loss still not offset against income, the balance may be carried forward to the 5 succeeding years, thus providing for an 8-year spreading period. Exceptions to the general rule: (1) Trade Expansion Act of 1962. Losses certified as arising with respect to this act are provided a 5-year carryback and a 5-year carryforward. (2) Regulated transportation companies. Losses in these cases are provided a 3-year carryback and a 7-year carryforward.	----------	Makes no change in existing law.

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
No deduction or credit has been allowed for political contributions of any type.	----------	Makes no change in existing law.

property by governments of foreign countries

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
General: Allows a taxpayer to carry forward for 10 years (with no carryback) expropriation losses arising in taxable years ending after Dec. 31, 1958, if such expropriation losses represent at least 50 percent of the total net operating loss for a year. Expropriation losses are those arising from expropriation by foreign governments or their subdivisions. Election: The taxpayer must elect this 10-year carryforward on or before the time specified by regulations to be prescribed. In the case of past years—namely, the years 1959 through 1963—taxpayers will have until Dec. 31, 1965, to make the election. In those cases, the statute of limitations will be open for deficiencies or refunds with respect to any years affected by the change and ending before 1964. A new election will also be provided with respect to the foreign taxes for that period. Types of losses: Losses involved are trade or business, or production of income, losses which are sustained by reason of the expropriation, intervention, seizure, or similar taking of property by the government of any foreign country, any political subdivision thereof, or agency or instrumentality of the foregoing. Treatment: The regular net operating loss for a year will be carried back and used to the extent of the income in the 3 prior years. The remaining regular net operating loss will be carried forward to the next year and used first. An expropriation loss for a year will be used in that year only after the regular net operating loss is fully applied in the first carryforward year. Effective date: Applies with respect to foreign expropriation losses arising in taxable years ending after Dec. 31, 1958 [SA No. 43].	Same as reported by Finance Committee, but modified to provide that for purposes of this provision, a debt which becomes worthless shall be treated as a loss, to the extent of any deduction allowed under section 166(a) relating to bad debts.	Same as Senate version [SA No. 43—HR with an amendment].

political contributions

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
In the case of individuals, allows a tax deduction for political contributions not to exceed $50 in the case of a separate return or $100 in the case of a joint return. These are aggregate limitations covering all political contributions each year. To be deductible, the contribution or gift must be to a "political candidate" or "political committee." Effective date: Applies to contributions or gifts made after date of enactment [SA No. 53].	Same as reported by Finance Committee.	Same as House version; i.e., makes no change in existing law [SA No. 53—SR].

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
Intercorporate dividends among parent-subsidiary related corporations are eligible for an 85-percent dividends-received deduction.	Intercorporate dividends among parent-subsidiary related corporations would be eligible for a 100-percent dividends-received deduction.	Makes no change in existing law.

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
General rule: A 100-percent dividends-received deduction is allowed when qualifying dividends are paid by a domestic corporation. Dividends eligible: To be eligible for the 100-percent deduction (1) the receiving and distributing corporations must be members of the same affiliated group at the time of distribution; (2) the dividends must be distributed out of earnings and profits of certain qualifying years ending after Dec. 31, 1963; (3) the distributing and receiving corporations must be members of the group which has elected to qualify for the 100-percent deduction. Affiliated group: This term is defined in the same manner as an affiliated group for purposes of the requirement for filing a consolidated return with certain exceptions as noted below. Election: The election must be made by the parent corporation and consented to by each of the subsidiary corporations. In addition (1) the election is effective for the taxable year of the subsidiary which includes the last day of the year of the parent with respect to which the election was initially made; (2) the election applies automatically for each succeeding year unless the election is specifically terminated; (3) special rules are provided with respect to fiscal years beginning in 1963 and ending in 1964; (4) the election may be terminated if each member of the group consents to the termination or it may be terminated if a new member is added and such member does not consent to the election. Limitations: If the election is made, the following treatment applies: (1) Only 1 surtax exemption may be received by the group; (2) all members of the group must make the same election with respect to foreign taxes; (3) only one $100,000 minimum accumulated earnings credit is available to the group; (4) only one $100,000 exclusion from the estimated tax liability will be available to the entire group, (5) only one $25,000 limitation on the small business deduction of life insurance companies is available to the group; (6) with respect to the maximum amount of exploration expenditures in connection with mineral deposits which may be written off or treated as deferred expenses, the group will be eligible to write off only one $100,000 in any one year with a total of $400,000 over any number of years.	Same as reported by Finance Committee.	Same as Finance Committee version [SA No. 54—HR].

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives

Sec. 216. Interest on indebtedness incurred or

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
No deduction is allowed for interest on indebtedness incurred or continued to purchase or carry obligations the interest on which is exempt from Federal income taxes. It has been held that interest paid on indebtedness represented by deposits in banks engaged in the general banking business is not subject to this provision.	----------	Makes no change in existing law--

Sec. 217. Repeal of requirement of

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
The Revenue Act of 1962 provided that where a person takes a business trip and that trip is combined with recreational or personal activities, the cost of the trip in certain cases must be allocated between the business and the personal activity, and only the expenses allocated to the business portion are deductible for income tax purposes.	----------	Makes no change in existing law---

for members of electing affiliated groups—Continued

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
Life insurance companies: Dividends from or to life insurance companies and mutual casualty insurance companies will be eligible for the 100-percent dividends-received deduction if the entire affiliated group of which the insurance company is a member consents to this tax treatment and, in the case of dividends from an insurance company, certain additional requirements are met. Effective date: Applies with respect to dividends received in taxable years ending after Dec. 31, 1963 [SA No. 54].		

continued to purchase or carry tax-exempt bonds

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
Certain financial institutions which are subject to the banking laws of the State in which they are incorporated are not to be denied interest deductions under section 265(2) on face-amount certificates (as defined in the Investment Company Act of 1940) or on amounts received for the purchase of these certificates. Interest on these face-amount certificates is to be so treated only to the extent that the average amount of investments of the institution in tax-exempt obligations does not comprise more than 25 percent of the average of the total assets of the institution. Total assets means gross assets (taken at cost) less all of the liabilities other than the liability on the face-amount certificates. Effective date: Applies with respect to taxable years ending after date of enactment of the bill [SA No. 57].	Same as reported by Finance Committee.	Finance Committee version modified to provide for a 15-percent limitation rather than 25 percent [SA No. 57—HR with an amendment].

allocation of certain traveling expenses

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
Repeals the provision enacted by the Revenue Act of 1962 which requires the allocation of travel expenses in the case of certain trips combining business and personal activities. Effective date: Repeals the travel allocation rule retroactive to the effective date of such provision, i.e., for periods after Dec. 31, 1962 [SA No. 58].	Same as reported by Finance Committee.	Finance Committee version but modified so as to repeal existing law only with respect to domestic travel [SA No. 58—HR with an amendment].

Sec. 218. Acquisition of stock in exchange for stock of

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
A subsidiary corporation can acquire in a tax-free reorganization the assets of another corporation in exchange for its parent company's stock. However, a subsidiary corporation cannot acquire in a tax-free reorganization the stock of another corporation in exchange for the stock of its parent corporation. In this latter case, present law requires that the subsidiary corporation transfer its own stock in exchange for the stock of the other corporation, rather than the stock of its parent.	----------	Makes no change in existing law---

Sec. 219. Retroactive qualification of certain

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
A pension trust qualifies for an income tax exemption only if it meets certain requirements relating to coverage of employees and nondiscrimination of contributions or benefits. If a pension trust is properly qualified, it is tax-exempt from Federal taxation with respect to its income and contributions paid to it by an employer on behalf of its employees are deductible for Federal income tax purposes.	Recommended that general authority be given to the Treasury Department to qualify certain multi-employer pension plans retroactively to the date of their creation where certain tests are met.	Makes no change in existing law---

corporation which is in control of acquiring corporation

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
Allows a transaction in which a subsidiary corporation acquires the stock of another corporation (and after that is in control of the corporation) in exchange solely for the voting stock of its parent corporation to qualify as a tax-free reorganization. Also permits the subsidiary corporation acquiring the stock of another corporation in the "(B) reorganization" to transfer all or part of this stock to another corporation which it controls. Effective date: Applies with respect to transactions after Dec. 31, 1963 [SA No. 59].	Same as reported by Finance Committee.	Same as Finance Committee version [SA No. 59—HR].

union-negotiated multiemployer pension plans

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
Empowers the Secretary of the Treasury to designate certain union-negotiated pension plans as "qualified" for tax purposes for the period beginning on the date on which contributions are first made to or for a trust forming part of the plan, rather than on the date it actually becomes a "qualified plan." To be eligible for retroactive qualification, it must be established to the satisfaction of the Secretary of the Treasury that 3 conditions have been met: (1) That the trust was created under a collective-bargaining agreement with 2 or more employers who are not related; (2) that the disbursements made from the trust prior to actual qualification substantially met the tests under which the pension plan subsequently qualifies; and (3) that prior to the time the trust constituted a qualified trust, the contributions made to that trust were not used in a manner which would jeopardize the interests of the beneficiaries. Effective date: This provision applies to taxable years beginning after Dec. 31, 1953, and ending after Aug. 16, 1954, but only with respect to contributions made after Dec. 31, 1954 [SA No. 60].	Same as reported by Finance Committee.	Same as Finance Committee version [SA No. 60—HR].

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
A domestic corporation may extend old-age and survivors insurance coverage to U.S. citizens employed by its foreign subsidiaries, in which it has at least a 20-percent voting stock interest (or by a foreign subsidiary of such a foreign subsidiary if the first has at least a 50-percent voting stock interest in the second), but a domestic corporation cannot cover the U.S. citizens who are employees of its foreign subsidiary under its qualified pension, profit-sharing, stock bonus, annuity, or bond purchase plan without also covering noncitizens. In addition, the foreign subsidiary corporation cannot establish a similar pension, etc., plan and obtain qualification from the Internal Revenue Service unless it includes in that plan the foreign nationals on its payroll on a nondiscriminatory basis.	----------	Makes no change in existing law---

for employees of certain subsidiary employers

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
General rule: Provides that U.S. citizens who are employees of certain subsidiaries of a domestic corporation may under certain circumstances be included for coverage under a qualified pension, profitsharing, etc., plan of the domestic corporation. Qualifications: To qualify for coverage, the U.S. citizen employee of the foreign or domestic subsidiary of the domestic parent corporation must not be covered under any other person's funded plan of deferred compensation. If he is an employee of a foreign subsidiary, the domestic parent must have entered into an agreement with the Treasury Department to cover the U.S. citizen employees of the subsidiary for social security purposes, and coverage under the plan of such parent must be provided for U.S. citizen employees of all its foreign subsidiaries covered under such social security agreement. If he is an employee of a domestic subsidiary, the plan of the parent must provide coverage for U.S. citizen employees of all of its domestic subsidaries. Definitions: Foreign subsidiary: The parent corporation must have at least a 20-percent voting stock interest in the foreign subsidiary. Also covered are subsidiaries of such a foreign subsidiary where the first foreign subsidiary has more than a 50-percent voting stock interest in the second. Domestic subsidiary: To qualify, 95 percent or more of the domestic subsidiary's gross income for the taxable year and the 2 prior years must be derived from sources without the United States and 90 percent or more of its gross income for the same period must be derived from the active conduct of a trade or business. In addition, its voting stock must be held to the extent of 80 percent or more by the domestic parent corporation. Deduction: The domestic parent corporation will not receive a deduction for its contribution to the plan. Employee: For purposes of the plan, the individual involved will be treated as if he were an employee of the domestic parent corporation for purposes of applying the provisions of the Internal Revenue Code relating to annuities, employee's death benefits, and estate and gift taxes. Effective date: The general effective date is to be taxable years ending after Dec. 31, 1963 [SA No. 61].	Same as reported by Finance Committee.	Finance Committee version with a technical and clerical amendment [SA [No. 61—HR with amendments].

Sec. 222. Installment sales by

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
A taxpayer using installment sale reporting can defer income for tax purposes until payments are received under the contract (rather than treating the entire amount as income as of the time the sale is made). Under existing regulations issued by the Treasury Department, installment sale treatment is afforded to about 80 percent of revolving credit sales.	----------	Makes no change in existing law--

Sec. 223. Timing of deductions and credits in

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
Prior to the case of the *United States* v. *Consolidated Edison Company of New York, Inc.*, 366 U.S. 380 (1961), it was generally held that the payment of a contested tax liability resulted in the tax being considered as deductible in the year paid even though the tax was denied and contested. The *Consolidated Edison* case held that a contested tax even when paid does not accrue as a deduction in the year paid for income tax purposes until the contest is settled.	----------	Makes no change in existing law--

dealers in personal property

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
Provides that revolving credit plans may be eligible for installment sales treatment for tax purposes by adding a definition for the terms "installment plan" and "total contract price" to the code. Installment plan: Under this definition, installment sale treatment would be extended to income received under any plan which provides for the payment by the purchaser for personal property sold to him in a series of periodic installments of an agreed part or installment of the debt due the seller. This would also extend installment sale treatment to sales which are paid for in full on the 1st billing for the month of purchase, and sales for a month which in total amount to less than the monthly payment agreed to be paid by the purchaser under the revolving credit contract. Total contract price: This term would include finance and service charges with respect to revolving credit sales in the amount subject to installment sale treatment. Effective date: Applies with respect to sales made in taxable years beginning after Dec. 31, 1963 [SA No. 96].	Same as reported by Finance Committee.	Same as Finance Committee version modified to define the term "installment plan" to include a revolving credit-type plan which provides that the purchaser of personal property at retail may pay for such property in a series of periodic payments of an agreed portion of the amounts due the dealer under the plan, except that such term does not include any such plan with respect to a purchaser who uses his account primarily as an ordinary charge account. The provision which included finance and service charges in the installment sales is deleted. [SA No. 96—HR with an amendment].

certain cases where asserted liabilities are contested

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
Adopted H.R. 4040 as reported by the Committee on Ways and Means. Provides that if a taxpayer contests any asserted liability, such as a tax assessment, but makes a payment in satisfaction of this liability and the contest with respect to the liability exists after the payment, then the item involved is to be allowed as a deduction or credit in the year of payment. Where a payment is not made until after the contest is settled, a taxpayer on an accrual basis is not prevented from accruing the deduction or credit in an earlier year in which the contest is settled.	Same as reported by Finance Committee.	Finance Committee version modified so as not to apply in respect of any credit against tax nor in respect of the deduction for income, war profits, and excess profits taxes imposed by the authority of any foreign country or possession of the United States [SA No. 97—HR with an amendment].

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives

Sec. 228. Insurance

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
(a) Mutualization: In cases where a stock life insurance company is mutualized, i.e., converted into a mutual life insurance company (under an agreement entered into before Jan. 1, 1958), with a liquidating distribution being made to the shareholders and the remainder of the surplus and reserves being held for the benefit of the policy holders, a special deduction was provided for these liquidating payments to the shareholders made in 1958–61.	----------	(a) Mutualization: Makes no change in existing law.

cases where asserted liabilities are contested—Continued

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
Effective date: General rule: Except as provided below, applies to payments made in taxable years beginning after Dec. 31, 1953, and ending after Aug. 16, 1954. Also applies to payments in taxable years to which the 1939 Code applies. Election: With respect to taxable years beginning before Jan. 1, 1964, a taxpayer may elect within 1 year after the date of enactment of this bill to claim the deduction or credit in the year in which the contest is settled rather than in the year in which the payment is made. If the election is made, it may not be changed after the expiration of the 1-year period, and such rule must be followed with respect to all payments made in a year beginning before Jan. 1, 1964. The election may not be made with respect to barred years. If made with respect to a year which is not barred, the period for assessment of any deficiency arising from this election is to be kept open at least until 2 years after date of enactment of the bill. Deduction: Where for a past year no deduction or credit was allowed for a payment in a year before the contest with respect to it was settled and the refund or credit which would result from the deduction in the earlier year is barred, then the deduction is to be allowed in the year in which the contest is settled [SA No. 97].		

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companies

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
(a) Mutualization: Provides that the special liquidating distribution deduction treatment of present law for the years 1958–61 under a mutualization agreement entered into before 1958 is also to apply to distributions in 1962. Effective date: Applies to taxable years beginning after Dec. 31, 1961 [SA No. 162].	(a) Same as reported by Finance Committee.	(a) Mutualization: Same as Finance Committee version [SA No. 162—H R].

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
(b) Accrual of bond discount: Stock, fire, and casualty insurance companies and corporations generally are not required to accrue discount (either that arising at the time of issue or market) on bonds purchased at a discount by them. These corporations ordinarily treat market discount on both taxable and nontaxable bonds as capital gains (or loss) when the bond is sold or disposed of by them and treat original issue discount on taxable bonds as ordinary income when it is realized. Small mutual companies and life insurance companies must treat this discount currently as ordinary income.	----------	(b) Accrual of bond discount: Makes no change in existing law.
(c) Contributions to qualified pension plans: Allows a deduction to an employer for contributions to an employees' trust or annuity plan and compensation under a deferred payment plan except that in the case of stock casualty insurance companies the lack of an appropriate cross reference leaves the results unclear.	----------	(c) Contributions to qualified pension plans: Makes no change in existing law.

Sec. 229. Regulated

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
(a) Time for mailing notices: With respect to certain special tax features accorded regulated investment companies, the shareholder must be given notice with respect to such features within 30 days after the close of the regulated investment company's taxable year.	----------	Makes no change in existing law.

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
(b) Accrual of bond discount: Provides that market discount received by any insurance company will be taxed as a capital gain. In the case of original issue discount on taxable bonds, this discount will be reported by small mutual companies as ordinary income when it is realized upon disposition. Life insurance companies, however, will continue to accrue discount arising at time of issue currently on both taxable and tax-exempt bonds. Effective date: Applies to taxable years beginning after Dec. 31, 1962 [SA No. 162].	(b) Same as reported by Finance Committee.	(b) Accrual of bond discount: Same as Finance Committee version [SA No. 162—HR].
(c) Contributions to qualified pension plans: Amends existing law to make it clear that a deduction will be allowable to casualty insurance companies for their contributions to qualified pension plans, etc. Effective date: Applies to taxable years beginning after Dec. 31, 1953, and ending after Aug. 16, 1954 [SA No. 162].	(c) Same as reported by Finance Committee.	(c) Contributions to qualified pension plans: Same as Finance Committee version [SA No. 162—HR].

investment companies

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
(a) Time for mailing notices: Provides that regulated investment companies be given 45 days rather than 30 days after the end of the year to issue notice to its shareholders with respect to the special tax features listed below. Adopted H.R. 6995 as reported by the Committee on Ways and Means. (1) Dividends which are designated as capital gain dividends (sec. 852(b)(3)(C)); (2) The amount of capital gain reported by the company and on which it pays a 25-percent tax in lieu of distributing such net long-term capital gains to its shareholders (sec. 852(b)(3)(D)(i)); (3) The amount of any income, war profits, and excess profits taxes paid by the company to a foreign country which is treated as distributed to its shareholders (sec. 853(c)); (4) In cases where less than 75 percent of the company's gross income represents dividend income (sec. 854(b)(2)), the amount the shareholder receives as a dividend and which he must treat as a dividend for certain purposes; (5) The dividends which are considered as paid out in an earlier year (sec. 855(c)). Effective date: Applies to taxable years of regulated investment companies ending on or after date of enactment [SA No. 163].	(a) Time for mailing notices: Same as reported by Finance Committee.	(a) Time for mailing notices: Same as Finance Committee version [SA No. 163—HR].

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
(b) Redemption by unit investment trusts: Mutual funds are treated for tax purposes as regulated investment companies. Unit investment trusts are associated with a mutual fund, and these unit investment trusts are also classified as regulated investment companies. In certain cases where 1 investor liquidates his interest in 1 of the unit investment trusts, the trust sells the stock, and the proceeds are distributed to 1 investor, the distribution it is said is a "preferential dividend" and thus, does not result in a dividends paid deduction to the trust.	----------	Makes no change in existing law---

Foreign tax credit with respect

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
See discussion under sec. 226--------	See discussion under sec. 226------	See discussion under sec. 226------

Amounts received from employer on sale of residence

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
See discussion under sec. 213--------	See discussion under sec. 213------	See discussion under sec. 213------

Sec. 233. Small

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
In the case of certain small business corporations which are not members of an affiliated group, the earnings of that corporation may be taxed to the shareholders in the same manner as partnership earnings are taxed to the partners. Shareholders are taxed each year on the dividend income received plus any additional earnings of the corporation which are retained and undistributed. Retained earnings distributed in a later year will be treated as a dividend distribution to the shareholders to the extent of the earnings and profits of that later year. If, in that later year, the corporation ceases to be an "electing small business corporation," then all distributions are treated as being dividends to the full extent of both current and accumulated earnings and profits. Thus shareholders may pay tax on the full capital gains in the year the corporation sells its property and any distribution of the gain to them in a later year will be treated as an ordinary dividend to the extent of the current earnings and profits of the later year.	----------	Makes no change in existing law---

investment companies—Continued

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
(b) Redemption by unit investments trusts: Provides that in the case of a redemption by a unit investment trust of the investor's stock (in whole or in part), the redemption will not be considered as a "preferential dividend." Effective date: Applies to taxable years of regulated investment companies ending after Dec. 31, 1963. This amendment is not intended to have any effect on prior law [SA No. 163].	(b) Redemption by unit investment trusts: Same as reported by Finance Committee.	(b) Redemption by unit investment trusts: Same as Finance Committee version [SA No. 163—HR].

to certain foreign mineral income

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
See discussion under sec. 226 [SA No. 164].	See discussion under sec. 226------	See discussion under sec. 226 [SA No. 164—SR].

of employee in connection with transfer to new place of work

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
See discussion under sec. 213 [SA No. 165].	See discussion under sec. 213------	See discussion under sec. 213 [SA No. 165—SR].

business corporations

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
(a) Ownership of certain stock: Adopted H.R. 8798 as reported by the Committee on Ways and Means. Provides in general that a corporate member of an affiliated group may elect subch. S treatment if the only other members of the group are inactive subsidiary corporations [SA No. 177].	(a) Ownership of certain stock: Same as reported by Finance Committee.	(a) Ownership of certain stock: Same as Finance Committee version [SA No. 177–HR].
(b) Certain distributions of money: Provides that in the case of an electing small business corporation, a distribution of money to the shareholders on or before the 15th day of the 3d month following the close of a taxable year, may, at the election of the corporation, be treated as a distribution of money made on the last day of the taxable year in question. The election is available whether or not the corporation involved is an electing small business corporation in the 2d year. Effective date: Applies to taxable years beginning after Dec. 31, 1957 [SA No. 177].	(b) Certain distributions of money: Same as reported by Finance Committee.	(b) Certain distributions of money: Same as Finance Committee version [SA No. 177—HR].

Sec. 236. Validity of tax liens against mortgagees.

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
An assessed tax if not paid within 10 days after notice and demand constitutes a lien upon all of the property of the taxpayer, both real and personal. Such a lien is valid as against a purchaser, mortgagee, or judgment creditor only if notice of the tax lien has been filed in certain designated places. Ordinarily, liens against automobiles and trucks are not filed or recorded in designated places such as the county recorder's office, and, accordingly, the certificates of title do not show any Government tax liens.	----------	Makes no change in existing law---

PART

Sec. 237. Earned income of citizens of the United

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
In the case of a U.S. citizen who is a bona fide resident of a foreign country for more than 3 years, provides an exclusion from gross income of up to $35,000 of earned income. Where a bona fide resident for less than 3 years, an exclusion of $20,000 is provided. In the case of a U.S. citizen who is present in a foreign country for 17 out of 18 consecutive months, provides an exclusion of $20,000.	----------	Makes no change in existing law---

Head

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
An individual is considered a head of a household if such person is not married at the close of the taxable year and maintains a household if— (a) in the case of a son, stepson, etc., such person lives in the house, even though not a dependent; (b) in the case of a married son, etc., such person lives in the house, and is also a dependent; (c) in the case of a person other than a son, etc., if such person lives in the house and is also a dependent. (d) in the case of a mother or father, such person is a dependent even though such person does not live in the taxpayer's house, provided he maintains a household for them.	----------	Makes no change in existing law---

pledgees, and purchasers of motor vehicles

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
Provides that the lien of the Federal Government will not be effective against a purchaser, mortgage lender, or pledgee of a motor vehicle unless the purchaser, mortgage lender, or pledgee has actual notice or knowledge of the existence of the Government's lien. Effective date: Applies only with respect to mortgages, pledges, and purchases made after date of enactment [SA No. 193].	Same as reported by Finance Committee.	Finance Committee version modified so that the lien is not to be valid with respect to a motor vehicle as against a purchaser only if at the time of the purchase the purchaser is without notice or knowledge of the existence of such lien and before the purchaser obtains such notice or knowledge, he acquires possession of the motor vehicle and does not thereafter relinquish possession of the motor vehicle to the seller or his agent. It was agreed also that the tax lien will abate with respect to the motor vehicle in question and will not be valid against any subsequent purchaser (or other successor in interest) of the vehicle [SA No. 193—HR with an amendment].

III

States from sources without the United States

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
Makes no change in existing law----	Provides that in the case of U.S. citizens who are present in the foreign country for 17 out of 18 consecutive months, or who are bona fide residents of a foreign country for not more than 3 years, the limitation on the exclusion from gross income is to be $4,000 (instead of $20,000); and in the case of a U.S. citizen who is a bona fide resident of a foreign country for more than 3 years the exclusion is to be $6,000 (instead of $35,000). Effective date: Applies only with respect to taxable years beginning after Dec. 31, 1963 [SA No. 194].	Reduces to $25,000 from $35,000 the present exclusion allowed U.S. citizens who are bona fide residents of a foreign country for more than 3 years and makes this provision applicable for taxable years beginning after Dec. 31, 1964. Makes no other change in existing law [SA No. 194—HR with an amendment].

of households

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
Makes no change in existing law----	Provides head of household treatment for any individual who maintains a household for any person who is a dependent whether or not he lives with the taxpayer. Effective date: Applies to taxable years beginning after Dec. 31, 1963 [SA No. 195].	Same as House version, i.e., makes no change in existing law [SA No. 195—SR].

Sec. 238. Losses arising from

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
Losses of personal residences and other nonbusiness property occasioned by expropriation, intervention in, or confiscation by a foreign government are not deductible.	----------	Makes no change in existing law---

Sec. 239. Credit or refund

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
A credit or refund is allowed for FICA tax paid by an employee who is subsequently covered under a retroactive agreement with a State of which he is an employee, but no similar rule applies to permit refund for an individual who paid self-employment tax.	----------	Makes no change in existing law---

Sec. 240. Extension of time for payment of estate tax on

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
Time for paying estate tax on value of reversionary or remainder interest in property (in the case of hardship) may be extended for a reasonable period not in excess of 2 years.	----------	Makes no change in existing law---

confiscation of property by Cuba

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
Makes no change in existing law----	Permits a deduction for losses occasioned by the seizure, by Cuba, of personal residences (and other nonbusiness property) by treating such losses as losses arising from a casualty [SA No. 196].	Senate version modified so as to limit the application of this new provision to losses of tangible property and with other technical changes [SA No. 196—HR with an amendment].

of self-employment tax

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
Makes no change in existing law----	Permits persons who paid self-employment tax and who are later covered for the same period by a retroactive social security agreement entered into by a State to obtain a refund of the self-employment tax in the same manner as FICA tax. This amendment is similar to H.R. 5468, ordered reported by the Committee on Ways and Means [SA No. 197].	Senate version modified so as to apply both to agreements and modifications of agreements under Sec. 218 of the Social Security Act. In addition, provides that if the allowance of a credit or refund of an overpayment or attributable to such an agreement or modification is otherwise prevented by the operation of any law or rule of law other than sec. 7122 of the code (relating to compromises) such credit or refund may be allowed or made if claim therefor is filed on or before whichever of the following is the later: (A) the last day of the second year after the calendar year in which such agreement or modification is agreed to by the State and the Secretary of Health, Education, and Welfare, or (B) Dec. 31, 1965 [SA No. 197—HR with an amendment].

value of reversionary or remainder interest in property

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
Makes no change in existing law----	Provides 3 years (rather than 2) after a precedent interest terminates for the payment of estate tax if earlier payment results in undue hardship. Effective date: In general, applies only if time for payment of tax under Chapter 11 of 1954 Code and Chapter 3 of the 1939 Code has not expired on date of enactment of this bill [SA No. 198].	Same as Senate version [SA No. 198—HR with an amendment].

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
Insurance proceeds received as a result of destruction or damage to crops are required to be reported in the year in which such proceeds are received.	----------	Makes no change in existing law---

Transportation of disabled

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
No deduction is allowed for commuting expenses.	----------	Makes no change in existing law---

Additional personal

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
An extra personal exemption of $600 is allowed for a taxpayer (or his spouse) who is blind, but is not allowed for a taxpayer (or his spouse) who is otherwise disabled.	----------	Makes no change in existing law---

insurance proceeds

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
Makes no change in existing law----	Provides that insurance proceeds received as a result of destruction or damage to crops may be reported for income tax purposes in the year following the year of destruction or damage if the taxpayer satisfies the Secretary of the Treasury that the income from the crop would not have been reported until the later year [SA No. 199].	Same as House version, i. e. makes no change in existing law [SA No. 199—SR].

individual to and from work

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
Makes no change in existing law----	Provides a deduction of up to $600 for transportation expenses of going to and from work for a taxpayer who is blind or who has lost the use of a leg, both legs, both arms, or is otherwise disabled, if he cannot use public transportation. Effective date: Applies only with respect to taxable years ending after the date of the enactment of this Act [SA No. 200].	Same as House version; i.e., makes no change in existing law [SA No. 200—SR].

exemptions for disability

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
Makes no change in existing law----	Provides an extra $600 exemption for a disabled taxpayer or a disabled spouse. For this purpose a disabled individual is one who has a permanent loss (or permanent loss of use) of one or more of the extremities or is otherwise under a physical or mental disability which can be expected to result in death or to be of long-continued and indefinite duration and which renders him unable to engage in any substantial gainful activity. Effective date: Substantive changes apply to taxable years ending after the date of enactment of this Act and the withholding provisions apply with respect to payment of wages made after such date [SA No. 201].	Same as House version; i.e., makes no change in existing law [SA No. 201—SR].

Time for filing claim for refund

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
Claims for refund filed after July 1–September 30 of each year, with respect to gasoline used during the 1-year period ending on June 30, under sec. 6420 cannot be honored by the Secretary.	----------	Makes no change in existing law---

Facilities to control

Present law	Treasury recommendations	H.R. 8363 as passed by the House of Representatives
In general, present law allows a credit equal to 7 percent of certain types of investment (3 percent in case of most public utilities) which may be offset against tax liability.	----------	Makes no change in existing law----

of taxes paid for gasoline used on farms

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
Makes no change in existing law------	Permits the Secretary to honor a claim for refund of taxes paid for gasoline used on farms which is filed after the statutory period for filing the refund claim (June 30–September 30) if the claimant had good cause for failure to file a timely claim [SA No. 202].	Same as House version; i.e., makes no change in existing law [SA No. 202—SR].

water or air pollution

H.R. 8363 as ordered reported by Senate Committee on Finance	H.R. 8363 as passed by the Senate	H.R. 8363 as agreed to by the conferees (Public Law)
Makes no change in existing law-----	Allows a double investment credit for facilities or equipment to control water or air pollution. For water pollution control, this provision includes equipment which removes, alters, or disposes of wastes from any type of manufacturing or mining process, and includes necessary sewers, pumping, power, and other equipment. For air pollution control, this provision includes equipment to control atmospheric pollution or contamination by removing, altering, or disposing of atmospheric pollutants and contaminants from any type of manufacturing or mining process. Effective date: Applies to taxable years beginning after Dec. 31, 1963 [SA No. 203].	Same as House version, i.e., makes no change in existing law [SA No. 203—SR].

PART IV

OTHER RECOMMENDATIONS MADE BY THE TREASURY DEPARTMENT WHICH ARE NOT INCLUDED IN H.R. 8363 AS FINALLY ENACTED

1. **Tax treatment of older persons:** Would substitute a $300 tax credit for those taxpayers over age 65 for the present $600 additional exemption from income and the present retirement income credit. The new act, however, in section 112, allows a new minimum standard deduction of $300 for each taxpayer plus $100 for every exemption allowed him—maximum of $1,000. (See p. 14 of this document.)

2. **Travel expenses:** Would provide specific rules for the deduction of transportation expenses when outside the "duty area" on business and also for the deduction of meals and lodging while away from the "duty area" more than 16 hours. Other modifications would also be made. (See sec. 218 of this act (at p. 88 of this document) which repeals the requirement of allocation of certain traveling expenses for travel in the United States.)

3. **Research and development expenses:** Would provide that, subject to certain limitations, expenditures made for machinery and equipment used solely in research and development be deducted as incurred instead of being capitalized and then deducted gradually by depreciation.

4. **Gains accrued on capital assets at time of gift or death:** Recommended that the gain on the appreciation in the value of assets transferred at death be subjected to income tax (at long-term capital gains rates). Under the proposal, the tax on appreciation in value would also be imposed on transfers by gift made during lifetime.

5. **Sale of life estates:** Would provide that where a person holding a life estate acquired by gift, bequest, or inheritance sells that estate, the amount received would be treated as anticipated income and would be taxed as ordinary income without decrease for any basis he may have in the property.

6. **Split-dollar insurance:** See page 38 of this document for Treasury recommendation on this subject matter on which no action was taken by the Congress in this act.

7. **Deferred payments contingent on future income:** See page 50 of this document for Treasury recommendation on this subject matter on which no action was taken by the Congress in this act.

8. **Carryover of excess deductions in the case of oil and gas royalties:** See page 62 of this document for Treasury recommendation on this subject matter on which no action was taken by the Congress in this act.

9. **Sale of mineral interests:** See page 64 of this document for Treasury recommendation on this subject matter on which no action was taken by the Congress in this act.

10. **5-percent limitation on itemized deductions:** Would provide that itemized deductions from adjusted gross income would be allowed only to the extent that they exceed 5 percent of adjusted gross income. The 5 percent floor would be applied to the total of all itemized deductions, not to each type of deduction separately.

PART V

OTHER AMENDMENTS WHICH WERE CONSIDERED BUT REJECTED BY THE SENATE COMMITTEE ON FINANCE (AS ANNOUNCED IN PRESS RELEASES) IN CONNECTION WITH ITS CONSIDERATION OF H.R. 8363 (SECTION NUMBERS REFERRED TO ARE SECTION NUMBERS OF THE HOUSE VERSION OF THE BILL)

A. Sections of the bill (as passed by the House)

Section 1. ***Declaration by Congress.***—Would have substituted in lieu of this provision a provision which, in general, would have indicated that it was the sense of Congress, barring unforeseen emergencies, that congressional appropriations and spending during the transition period should not exceed the amounts appropriated and spent in the fiscal year 1964.

Section 111. ***Reduction of tax on individuals.***—

(1) Would have provided a substitute rate schedule coupled with provisions other than provisions relating to the rate schedule. The substitute rate schedule would have ranged from approximately 10 to 50 percent.

Section 112. ***Minimum standard deduction.***—An amendment would have increased the minimum standard deduction from $200 to $400 and with the increase in the deduction would have reduced the corporate rate reduction.

Section 121. ***Reduction of tax on corporations.***—

(1) Would have reduced the corporate rate in 1964 to 51 percent and in 1965 and subsequent years to 50 percent. This amendment would have been coupled with the repeal of certain excise taxes.

(2) Would have increased the surtax exemption to $50,000 from $25,000.

Section 201. ***Dividends received by individuals.***—

(1) Would have deleted this provision and restored existing law.

(2) Would have continued the present allowance of a 4-percent credit for dividends received by individuals but with a maximum credit of $1,000 (a 4-percent credit on $25,000 of dividend income).

Section 202. ***Investment credit.***—

(1) *Motion picture and television films and tapes* (**SA 378*).—Would have made the investment credit available in the case of motion picture and television films and tapes produced in the United States.

(2) *Treatment by regulatory agencies in the case of a consolidated group* (*SA 337*).—Would have prohibited Federal regulatory agencies without the consent of the taxpayer from using income, deductions, and credits which arise from or are directly related to nonregulated activities of a consolidated group to reduce the taxpayer's Federal income tax in establishing rates.

(3) *Treatment by Federal regulatory agencies of liberalized depreciation.*—Would have provided that Federal regulatory agencies in establishing rates for consumers are not to take into account any reduction in costs brought about by the excess of the deductions available under the fast writeoff methods over the straight-line method of depreciation.

(4) *Adjustment to basis.*—Would have deleted the provision of section 202(a) relating to the downward adjustment in basis.

Section 203. ***Group term life insurance.***—

(1) Would have provided a substitute for the determination of premium costs on the basis of a single average premium rather than on the basis of the taxable premium rates in the bill which vary by 5-year brackets with age.

(2) Would have limited the exclusion for group term life insurance to plans which were nondiscriminatory.

(3) Would have deleted this provision from the bill.

Section 205. ***Wage continuation payments.***—

(1) Would have deleted this provision from the bill.

(2) Would restore the provision of present law but provide the exemption of only 75 percent of sick pay up to $100 a week rather than 100 percent of this amount.

(3) Would have made the sick pay exclusion available where the individual is absent from work more than 14 days.

Section 206. ***Gain on sale or exchange of residence.***—

(1) Would amend section so as to apply to taxpayers age 62 or over who sell their personal residence (rather than age 65).

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* The letters "SA" refer to Senate Amendment.

Section 214. ***Employee stock option and purchase plans.***—

(1) Considered extending the option period from 5 to 10 years.

(2) Considered a provision repealing the stock option provisions for options granted after January 14, 1964.

(3) Considered a provision retaining capital gains treatment for stock options but providing for the taxation of this gain at the time of exercise of the option.

(5) Considered a 2-year holding period for the stock instead of a 3-year holding period.

(6) Would have denied any special qualified stock option treatment for the future; however, employee stock purchase plans would have been continued as provided under the bill.

Section 216. ***Personal holding companies.***—

(1) Would have made the general effective date for the new personal holding company provision taxable years beginning after December 31, 1964, rather than December 31, 1963.

(2) Would have provided that in the case of those taxpayers who did their own wildcatting, production derived therefrom for purposes of determining the amount of active income in applying the 60 percent personal holding company test is not to be reduced for depletion, taxes, and interest.

Section 217. ***Treatment of property in the case of oil and gas wells.***—

(1) SA 368: Would have provided a graduated percentage depletion allowance. The allowance would be 27½ percent on gross income not in excess of $1 million, 21 percent on this income from $1 million to $5 million, and 15 percent on this income in excess of $5 million.

(2) SA 341: Would have reduced all percentage depletion allowance in excess of 20 percent to that figure. Thus, the allowance for oil and gas would be reduced from 27½ percent to 20 percent, that for uranium and sulfur would be reduced from 23 percent to 20 percent and that for certain other mineral deposits specified in the code from U.S. sources would be reduced from 23 percent to 20 percent.

(3) Would have reduced the net income limitation for various minerals from 50 percent to 33⅓ percent. Under present law, the percentage depletion allowance is either a specified percentage of gross income from the property or 50 percent of net income from the property, if this is less.

(4)(*a*) Would have provided a carryover of intangible drilling and related expenses to the extent they exceed the income from the property. In the year to which these amounts are carried they would be considered as reducing the income subject to the 50-percent net income limitation. (*b*) Would have provided that on the sale of a mineral property a portion of any gain realized might be treated as ordinary income. The amount which would be considered as ordinary income at time of sale would be the intangible drilling and related expenditures, as well as any depletion taken to the extent of the taxpayer's basis in the property.

(5) Would have provided that in the case of foreign oil where the taxing and leasing authorities are the governmental unit, that the amounts specified as taxes in this case should be treated for tax purposes in the same manner as royalty payments; i.e., they be excluded in computing income rather than allowed as a credit against tax.

(6) Would have made the House provision relating to the aggregation of property effective for taxable years ending after December 31, 1964.

Section 221. ***Averaging.***—

(1) Would have deleted this provision from the House bill.

Section 223. ***Reduction of surtax exemption in case of certain controlled corporations.***—

(1) Would have provided that in the case of a parent and a series of subsidiaries meeting the 80-percent common ownership test of the House bill that the number of surtax exemptions for the group be limited to one.

(2) Would have provided that in the case of a parent and a series of subsidiaries meeting the 80-percent common ownership test of the House bill that the number of surtax exemptions for the group be limited to not more than five. The 6-percent penalty provision of the House bill would continue to apply with respect to the first five exemptions.

(3) Would have provided that section 1551 of the code which under the House version of the bill applies to transfers by corporations directly or "indirectly" of all or part of its property other than money to a transferee corporation be modified by striking out the reference to "indirectly." The House provision by adding the word "indirectly" denies multiple surtax exemptions where a corporation is split up and money is transferred to the new corporation which in turn is used to purchase property from the first corporation.

B. Amendments not directly related to any particular section

1. ***Simplified tax method*** ***(SA 228).***—Taxpayers would have been permitted to elect to avoid for 5-year periods the graduated tax rates if they forgo special credits, exclusions, and deductions. The rates under the amendment would be 40 percent on the first $50,000 of simplified taxable income and 50 percent of such income in excess of $50,000 with appropriate adjustments for joint returns and heads of household. A motion to make such method compulsory for incomes of $60,000 or over was rejected. An amendment to include capital gains as ordinary income when this election is made was

also defeated. A motion to make the election irrevocable was defeated. A nonseparability clause was added. With such a clause, if any portion of the amendment was declared unconstitutional, the entire amendment would be void. For those taxpayers making the election, gain on stock options would be taxed as ordinary income at the time of exercise.

2. ***Political contributions*** (***SA 272***).—Would have provided a tax credit which when taken would not exceed $20 in the case of a separate return or $40 in the case of a joint return. This amendment was to apply to contributions to further the candidacy of one or more individuals in a general, primary, or special election.

3. ***Exploration expenditures*** (***SA 204***).—Would have removed the existing limitation on deductions of $100,000 in any one year and $400,000 in all years for exploration expenditures with respect to all minerals except oil and gas.

4. ***Exploration expenditures.***—Would have increased to $600,000 from $400,000 the aggregate allowable deduction.

5. ***Travel and entertainment expenses*** (***SA 229***).—Would have repealed the limitation on the deduction of gifts and the provision relating to travel expenses where the travel combines business and pleasure. Would also substitute a test of "reasonableness" for the present tests relating to activities and facilities. Modifications would also be made in the substantiation requirements.

6. ***Real property taxes paid by lessee*** (***SA 338***).—Would have permitted a lessee under a lease for 20 years or more to deduct real property taxes paid by him if the lease requires him to pay these taxes and if his residence is situated on the leased land.

7. ***Unlimited charitable contributions deduction*** (***SA 370***).—Would have repealed the provision of existing law permitting unlimited charitable contributions deduction.

8. ***Depletion of physical strength, etc., of professional athletes*** (***SA 332***).—Would have allowed professional athletes to deduct, in computing their income, an amount representing the depletion of their strength, stamina and skills used in professional sports. The deduction would be one over the "career span" for the particular form of athletics involved multiplied by the athlete's income for the year in question.

9. ***Ordinary income offset by capital losses*** (***SA 359***).—Would have increased from $1,000 to $2,000 in 1964, to $3,000 in 1965, to $4,000 in 1966, and $5,000 in 1967 and subsequent years the amount of ordinary income which may be offset by capital losses.

10. ***Capital gains treatment upon liquidation of small business*** (***H.R. 7503***).—Would have provided that the recapture provisions of present law which result in ordinary income upon the sale of an asset by reason of depreciation previously taken are not to apply in the case of small businesses and firms.

11. ***Air and water pollution abatement*** (***SA 336***).—Would have provided that the cost of expenditures for treatment works to control water and air pollution could be written off as the taxpayer saw fit within the 5-year period after acquisition of the works rather than capitalizing these expenditures as provided under present law.

12. ***Intangible drilling and development costs.***—Would have denied the immediate writeoff for intangible drilling and development costs for gas and oil.

13. ***Tax credit for expenses of higher education*** (***SA 329***).—Would have provided a tax credit of up to $325 for expenses for tuition, fees, books and supplies for higher education.

14. ***Deduction for entertainment expenses.***—Would have deleted the requirement in present law which requires that there be a substantial business discussion before or after entertainment for the expense to be considered a deductible entertainment expense.

15. ***H.R. 7516, relating to the taxation of cooperatives.***—Would have treated as taxable income to tax-exempt cooperatives income derived from business done with the government whether or not this income was allocated to the accounts of other patrons.

16. ***H.R. 5468 relating to the credit or refund of self-employment tax in certain cases.***—This bill which has been ordered favorably reported by the Committee on Ways and Means would have allowed a credit or refund in certain cases where individuals had been covered retroactively for social security purposes and at the same time were already covered as a result of self-employment income.

17. ***Depreciation guidelines*** (***SA 319***).—Would have directed the Secretary of the Treasury to prescribe useful lives for property no longer than those prescribed by revenue ruling 62–21 and would have deleted the reserve ratio test.

18. ***Intercorporate dividends received deduction.***—Would have increased from 85 percent to 90 percent the portion of intercorporate dividends for which a deduction would be allowed in those cases where there is 95 percent common ownership (rather than 80 percent).

19. ***Increase in personal exemptions.***—Would have increased from $600 to $1,000 the personal exemption.

20. ***Exclusion for income earned abroad.***—Would have reduced from the present $35,000 or $20,000 to $6,000 the exclusion for income earned abroad by those who are bona fide residents of foreign countries or who are in foreign countries 17 out of 18 months.

21. ***Interest equalization tax.***—Would have adopted the text of H.R. 8000 as reported by the Committee on Ways and Means except that the effective date of the tax would be January 1, 1964, instead of July 18, 1963.

22. ***Head of household treatment (SA 377).***—Would have made head-of-household treatment available to all persons over age 35 who are not already receiving such treatment or were not already receiving full income splitting.

23. ***Flood losses.***—Would have provided a tax deduction for amounts paid with respect to flood loss insurance.

C. Excise taxes

1. ***Musical instruments (SA 276).***—Would have provided an exemption from the 10-percent excise tax for musical instruments used by students in an orchestra, band, etc., sponsored by an educational organization.

2. ***Retailers' excise taxes on toilet preparations.***—Would have repealed the retailers' excise taxes on toilet preparations (cosmetics and similar items).

3. ***Manufacturers' excise tax on pens and mechanical pencils.***—Would have repealed the 10-percent excise tax on pens and mechanical pencils.

4. ***Tax on television tuners (SA 274) (Context of S. 1151).***—Would have treated television tuners as taxable articles in the period from November 1, 1950, to August 31, 1955, so that tubes purchased tax free for use in the tuner would not become taxable.

5. ***Retail excise tax on luggage.***—Would have repealed the 10-percent retail excise tax on luggage, ladies' handbags and wallets, etc.

6. ***Retail excise tax on jewelry and related items.***—Would have provided an exemption from the 10-percent excise tax on jewelry, furs, watches, silver-plated flatware, and similar items with respect to the first $100 of retail price.

7. ***Manufacturers' excise tax on musical instruments.***—Would have repealed the 10-percent tax on all musical instruments except pianos and organs.

8. ***Automotive excise tax.***—Would have provided an exemption for camper coaches and slide-in cabins from the 10-percent automotive manufacturers' excise tax.

9. ***Admissions tax, legitimate theater.***—Would have exempted from the 10-percent admissions tax performances in the legitimate, living theater.

PART VI

Amendments offered on the Senate floor, but which were rejected or withdrawn by the Senate

(Page numbers referred to are Congressional Record page numbers)

1. **Group-term life insurance—exclusion:** Senator Gore. Vote: 69 to 16. Summary: Would have decreased from $70,000 of coverage to $30,000 the maximum exclusion. Page 1684.

2. **Tax credit for higher education:** SA 329. Senator Ribicoff. Vote: 48 to 45. Summary: Would have provided a tax credit for college costs to be based on the first $1,500 of tuition, fees, books, and supplies per student at an institution of higher education. The amount of the credit would be 75 percent of the first $200, 25 percent of the next $300, and 10 percent of the next $1,000. The maximum credit would be $325. Estimated cost for the first year would be $750 million. It is estimated that in 1970, the loss would be $1,300 million. Page 1697.

3. **Deduction for higher education:** SA 401. Senator Prouty. Vote: 47 to 47. Summary: Would allow a special tax deduction for higher education geared to the number of months in school with a maximum of $1,200 or $1,500, depending upon whether or not the taxpayer held a degree. Page 1758.

4. **Personal exemptions:** SA 208. Senator Gore. Voice vote. Summary: Would have substituted a provision increasing the personal exemption to $1,000 from the present $600 in lieu of the individual and corporate rate reductions. Page 1775. Substitute amendment to increase personal exemption from $600 to $800 and to adjust corporate income tax rates.

5. **Minimum standard deduction:** Senator Douglas. SA 411. Vote: 71 to 21. Summary: Would have increased the minimum standard deduction of $300 for each taxpayer and $100 for each dependent under the House bill by an additional $100 for the taxpayer and for each dependent. Would correspondingly reduce the reduction of corporate rates by 1 percent in 1964 and 1965. Pages 1791 and 1933.

6. **Dividend credit:** Senator Dirksen. Vote: 47 to 44. Summary: Would have retained the 4-percent dividend credit as under exising law but would have limited the amount of the credit that could be claimed in any one year to $300. Page 1793.

7. **Additional exemption for dependent who is blind:** SA 277. Senator Hartke. Vote: Rejected on a division. Summary: Would have provided an additional $600 exemption for a blind taxpayer. Page 1809.

8. **Premiums for flood insurance:** SA 406. Senator Carlson. Withdrawn. Summary: Would have clarified the deductibility of premiums paid for policies of flood insurance including such premiums paid by subscribers to a reciprocal interinsurance exchange. Page 1810.

9. **Regulatory agencies:** SA 387. Senator Proxmire. Divided into two parts. Senator Long's motion to table amendment defeated by vote of 42 to 52. First part would have eliminated section of the bill which provides that the 3-percent investment credit must be spread over the life of the asset and that the regulatory agencies cannot require the utility to reduce its rates to take into account all of the 3-percent investment credit in the first year in which the utility makes the purchase. Vote: 43 to 48. Second part of the amendment would have eliminated the provision restricting agencies regulating segments of the transportation industry in permitting passthrough of investment credit. Vote: 42 to 46. Page 1955.

10. **Regulatory agencies:** Senator Gore. Vote: 42 to 50. Would have provided that the restriction in the bill as to regulatory agencies permitting passthrough of investment credit would be applied uniformly as to all such agencies rather than establishing a distinction as between those regulating noncompetitive public utilities and those regulating segments of the transportation industry. Pages 2115 and 2118.

11. **Adjustment of basis under investment credit:** SA 386. Senator Proxmire. Vote: 20 to 58. Would have deleted that part of the bill which repeals basis adjustment under the investment credit. Page 2130.

12. **Percentage depletion rates for oil and gas wells:** SA 400. Senator Williams. Vote: 33 to 61. Summary: Would have provided a progressive 3-step reduction in certain percentage depletion rates. When fully effective in 1966, all those percentage depletion rates which are now above 20 percent would be reduced to 20 percent; would include oil and gas presently enjoying 27½ percent, sulfur, uranium, and certain other minerals which are extracted from deposits within the United States which are entitled to a 23-percent depletion rate. Page 2057.

13. **Percentage depletion for oil and gas wells:** SA 368. Senator Douglas. Vote: 35 to 57. Summary: Would have reduced the depletion allowance on oil and gas from the present 27½ percent to 15 percent in those cases where the taxpayers' gross income, abroad and at home, from oil and gas in any one year exceeds $5 million. Allowance would have been reduced to 21 percent where the taxpayers' income from oil and gas exceeded $1 million but did not exceed $5 million; would have left the existing 27½ percent allowance for those whose income from oil and gas does not exceed $1 million gross income per year. Page 2095.

14. **Capital loss carryover for individuals:** SA 359. Senators Morton and Dirksen. Summary: Would increase from $1,000 to $5,000 over graduated period of 4 years the allowed annual carryover of offsetting capital losses against ordinary income. Page 2251.

15. **Termination of tax reduction:** SA 407. Senator McClellan. Summary: Would provide that tax cuts in the bill remain in force only so long as total budget expenditures were not in excess of $100 billion. Page 2262.

16. **Deduction to lessee of residential land of certain real property tax paid by him:** SA 338. Senator Fong. Withdrawn. Summary: Would have permitted a lessee who has a home on land leased to him for a term of 20 years or more to deduct real property taxes paid by him if the lease agreement requires him to pay such taxes. Page 2125.

17. **Interest on indebtedness incurred or continued to purchase or carry tax-exempt bonds:** SA 398. Senator Williams. Vote: 40 to 41. Summary: Would have deleted section 217 relating to interest on indebtedness incurred or continued to purchase or carry tax-exempt bonds. Page 2126.

18. **Repeal of retailer's excise tax on jewelry, furs, toilet preparations, and luggage:** SA 380. Senator Dirksen. Vote: 45 to 48. Summary: Would repeal the retailer's excise tax on jewelry, etc., but with respect to jewelry and furs, to the extent such price exceeds $100. Page 1940.

19. **Repeal of manufacturers' excise tax on mechanical pencils and pens:** Senators Dirksen and Hickenlooper. Vote: 36 to 44. Summary: Would have exempted mechanical pencils and pens from the 10-percent manufacturers' excise tax. Page 2005.

20. **Musical instruments:** SA 276. Senator Hartke. Withdrawn. Would have excluded from the 10-percent excise tax musical instruments purchased for use for educational purposes for use in school bands and orchestras. Page 2008.

21. **Exemption from 10-percent excise tax tickets to live dramatic or musical performances:** SA 395. Senator Javits. Vote: 33 to 59. Summary: Would have excluded from the 10-percent excise tax tickets for the live theater. Page 2088.

22. **Retailers' excise tax on purses and handbags:** SA 417. Senator Keating. Vote: 35 to 55. Summary: Would have excluded from the 10-percent retail excise tax any purse or handbag that does not exceed $50 in price. Page 2122.

23. **Cabaret tax:** SA 412. Senator Proxmire. Vote: 30 to 66. Summary: Would reduce from 10 percent to 3 percent, the cabaret tax. Page 2252.

24. **Rebuilt automotive parts:** SA 385. Senators Dirksen, Carlson, and Bennett. Voice vote. Would provide that the manufacturers' excise tax on parts and accessories would not be applicable to rebuilt parts or accessories. Page 2249.

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