Y4
.F49
T 19/35
GOVERNMENT
Storage

1st Congress
1st Session

COMMITTEE PRINT

RECEIVED
MAY 27 1970
THE LIBRARY
KANSAS STATE UNIVERSITY

# TAX REFORM ACT OF 1969

---

## Table of Contents
## For Committee Amendment to H.R. 13270

---

COMMITTEE ON FINANCE
UNITED STATES SENATE

Russell B. Long, *Chairman*

KSU LIBRARIES
A11900 902983

NOVEMBER 24, 1969

Printed for the use of the Committee on Finance

---

U.S. GOVERNMENT PRINTING OFFICE
37-317 WASHINGTON : 1969

## COMMITTEE ON FINANCE

RUSSELL B. LONG, Louisiana, *Chairman*

CLINTON P. ANDERSON, New Mexico
ALBERT GORE, Tennessee
HERMAN E. TALMADGE, Georgia
EUGENE J. McCARTHY, Minnesota
VANCE HARTKE, Indiana
J. W. FULBRIGHT, Arkansas
ABRAHAM RIBICOFF, Connecticut
FRED R. HARRIS, Oklahoma
HARRY F. BYRD, Jr., Virginia

JOHN J. WILLIAMS, Delaware
WALLACE F. BENNETT, Utah
CARL T. CURTIS, Nebraska
JACK MILLER, Iowa
LEN B. JORDAN, Idaho
PAUL J. FANNIN, Arizona
CLIFFORD P. HANSEN, Wyoming

TOM VAIL, *Chief Counsel*
EVELYN R. THOMPSON, *Assistant Chief Clerk*

## TITLE I—TAX EXEMPT ORGANIZATIONS

### Subtitle A—Private Foundations


| | Page |
|---|---|
| Sec. 101. Private foundations | 5 |
| Change of status | 6 |
| 40 year limitation on tax-exempt life of foundations | 8 |
| Disclosure and publicity requirements | 13 |
| Definition of private foundation | 19 |
| Audit-fee tax | 23 |
| Prohibitions on self-dealing | 24 |
| Distributions of income | 33 |
| Private operating foundation definition | 44 |
| Stock ownership limitation | 46 |
| Limitations on use of assets | 55 |
| Limitations as to activities of foundations | 59 |
| Definition of disqualified person | 64 |
| Nonexempt trusts | 69 |
| Foreign organizations | 72 |
| Assessable penalties | 75 |
| Effective dates | 105 |
| Savings provisions | 106 |


### Subtitle B—Other Tax Exempt Organizations


| | |
|---|---|
| Sec. 121. Tax on unrelated business income | 115 |
| Extension of unrelated business income tax to all exempt organizations | 115 |
| Taxation of investment income of social clubs and similar organizations | 118 |
| Rents and debt-financed property | 121 |
| Limitation on deductions of nonexempt membership organizations | 127 |
| Fraternal societies | 128 |
| Feeder organizations | 131 |
| Income from advertising, etc | 132 |
| The "Clay Brown" provision or debt-financed property | 133 |


## TITLE II—INDIVIDUAL DEDUCTIONS

### Subtitle A—Charitable Contributions


| | |
|---|---|
| Sec. 201. Charitable contributions | 148 |
| Fifty-percent charitable contribution deduction | 150 |
| Repeal of the unlimited charitable deduction | 153, 169 |
| Charitable contributions of appreciated property | 163 |
| Charitable remainder trusts | 165, 182 |
| Charitable income trust with noncharitable remainder | 165 |
| Gifts of the use of property | 166 |
| Charitable contributions by, and stock holdings of, estates and trusts | 171 |
| Repeal of 2-year charitable trust rule | 176 |
| Limitations on nonexempt trusts | 178 |
| Effective dates | 186 |

## TITLE II—INDIVIDUAL DEDUCTIONS—Con.

### Subtitle B—Farm Losses, Etc.

Page
Sec. 211. Farm losses ..... 189
Sec. 212. Holding period of livestock ..... 195
Sec. 213. Deductions attributable to activities not engaged in for profit ..... 197
Sec. 214. Gain from disposition of farmland ..... 199
Sec. 215. Crop insurance proceeds ..... 202

### Subtitle C—Moving Expenses

Sec. 221. Moving expenses ..... 203

## TITLE III—MINIMUM TAX; ADJUSTMENTS PRIMARILY AFFECTING INDIVIDUALS

### Subtitle A—Minimum Tax

Sec. 301. Minimum tax on tax preferences ..... 212

### Subtitle B—Income Averaging

Sec. 311. Income averaging ..... 227

### Subtitle C—Restricted Property

Sec. 321. Restricted property ..... 228

### Subtitle D—Accumulation Trusts, Multiple Trusts, Etc.

Sec. 331. Treatment of excess distributions by trusts ..... 238
Sec. 332. Trust income for benefit of a spouse ..... 259

## TITLE IV—ADJUSTMENTS PRIMARILY AFFECTING CORPORATIONS

### Subtitle A—Multiple Corporations

Sec. 401. Multiple corporations ..... 260

### Subtitle B—Debt-Financed Corporate Acquisitions and Related Problems

Sec. 411. Interest on indebtedness incurred by corporation to acquire stock or assets of another corporation ..... 273
Sec. 412. Installment method ..... 284
Sec. 413. Bonds and other evidences of indebtedness ..... 285
Sec. 414. Limitation on deduction of bond premium on repurchase ..... 294
Sec. 415. Treatment of certain corporate interests as stock or indebtedness ..... 296

## TITLE IV—ADJUSTMENTS PRIMARILY AFFECTING CORPORATIONS—Con.

### Subtitle C—Stock Dividends

Page

Sec. 421. Stock dividends ..... 297

### Subtitle D—Financial Institutions

Sec. 431. Reserve for losses on loans ..... 304
Sec. 432. Mutual savings banks, etc ..... 311
Sec. 433. Treatment of bonds, etc., held by financial institutions ..... 321
Sec. 434. Limitation on deduction for dividends received by mutual savings banks, etc ..... 323
Sec. 435. Foreign deposits in U.S. banks ..... 324

### Subtitle E—Depreciation Allowed Regulated Industries; Earnings and Profits Adjustment for Depreciation

Sec. 441. Public utility property ..... 325
Sec. 442. Effect on earnings and profits ..... 333

## TITLE V—ADJUSTMENTS AFFECTING INDIVIDUALS AND CORPORATIONS

### Subtitle A—Natural Resources

Sec. 501. Percentage depletion rate on oil and gas ..... 335
Sec. 502. Limitations on percentage depletion deduction ..... 335
Sec. 503. Minerals obtained from saline lakes ..... 339
Sec. 504. Treatment processes in the case of oil shale ..... 339
Sec. 505. Mineral production payments ..... 340
Sec. 506. Exploration expenditures ..... 344
Sec. 507. Continental shelf areas ..... 349

### Subtitle B—Capital Gains and Losses

Sec. 511. Increase in alternative capital gains tax ..... 351
Sec. 512. Capital losses of corporations ..... 358
Sec. 513. Capital losses of individuals ..... 366
Sec. 514. Letters, memorandums, etc ..... 369
Sec. 515. Total distributions from qualified pension, etc., plans ..... 370
Sec. 516. Other changes in capital gains treatment ..... 377

### Subtitle C—Real Estate Depreciation

Sec. 521. Depreciation of real estate ..... 384
Exeeption for residential rental housing ..... 385
Property constructed or acquired before July 25,1969 ..... 387
Used section 1250 property ..... 387
Low-income rental housing ..... 389
Recapture of additional depreciation ..... 391
Certain tax-free rollovers (see sec. 913) ..... 535

## TITLE V—ADJUSTMENTS AFFECTING INDIVIDUALS AND CORPORATIONS—Con.

### Subtitle D—Subchapter S Corporations

Page

Sec. 531. Qualified pension, etc., plans of small business corporations ..... 398

## TITLE VI—STATE AND LOCAL OBLIGATIONS

Sec. 601. Arbitrage bonds ..... 402
Sec. 602. Reporting of interest ..... 405

## TITLE VII—EXTENSION OF TAX SURCHARGE AND EXCISE TAXES; TERMINATION OF INVESTMENT CREDIT

Sec. 701. Extension of tax surcharge ..... 407
Sec. 702. Continuation of excise taxes on communication services and on automobiles ..... 410
Sec. 703. Termination of investment credit ..... 412
Sec. 704. Amortization of pollution control facilities ..... 432
Sec. 705. Amortization of railroads rolling stock and right-of-way improvements ..... 440
Sec. 706. Expenditures in connection with certain railroad rolling stock ..... 453

## TITLE VIII—ADJUSTMENT OF TAX BURDEN FOR INDIVIDUALS

Sec. 801. Low income allowance; increase in standard deduction ..... 454
Sec. 802. Tax rates ..... 460
Sec. 803. Collection of income tax at source on wages ..... 481

## TITLE IX—MISCELLANEOUS PROVISIONS

### Subtitle A—Miscellaneous Income Tax Provisions

Sec. 901. Professional service corporations, pension plans ..... 509
Sec. 902. Exclusion of additional living expenses ..... 512
Sec. 903. Deductibility of treble damage payments, fines and penalties, etc ..... 514
Sec. 904. Accrued vacation pay ..... 517
Sec. 905. Banks for cooperatives ..... 518
Sec. 906. Deduction of recoveries of antitrust damages, etc ..... 519
Sec. 907. Corporations using appreciated property to redeem their own stock ..... 523
Sec. 908. Reasonable accumulations by corporations ..... 524
Sec. 909. Insurance companies ..... 526
Sec. 910. Certain unit investment trusts ..... 531
Sec. 911. Income earned abroad ..... 534
Sec. 912. Foreign corporations not availed of to reduce taxes ..... 534
Sec. 913. Sales of certain low-income housing projects ..... 535
Sec. 914. Per-unit retain allocations ..... 545

## TITLE IX—MISCELLANEOUS PROVISIONS—Con.

### Subtitle B—Miscellaneous Excise Tax Provisions


| | Page |
|---|---|
| Sec. 931. Concrete mixers | 546 |
| Sec. 932. Constructive sale price | 547 |


### Subtitle C—Miscellaneous Administrative Provisions


| | |
|---|---|
| Sec. 941. Filing requirements | 549 |
| Sec. 942. Computation of tax by Internal Revenue Service | 551 |
| Sec. 943. Failure to make timely payment or deposit of tax | 552 |
| Sec. 944. Reporting of medical payments | 557 |


### Subtitle D—United States Tax Court


| | |
|---|---|
| Sec. 951. Status of Tax Court | 568 |
| Sec. 952. Appointment; term of office | 568 |
| Sec. 953. Salary | 568 |
| Sec. 954. Retirement | 569 |
| Sec. 955. Survivors | 573 |
| Sec. 956. Powers | 574 |
| Sec. 957. Tax disputes involving $1,000 or less | 575 |
| Sec. 958. Commissioners | 578 |
| Sec. 959. Notice of appeal | 578 |
| Sec. 960. Conforming amendments | 579 |
| Sec. 961. Continuation of status | 582 |
| Sec. 962. Effective dates | 583 |


○