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[CHAPTER 767.]

AN ACT

August 27, 1935.
[H. R. 7998.]
[Public, No. 374.]

To exempt from taxation official compensation of certain foreign representatives and to provide for the deductibility from income of certain dividends on preferred stock owned by the United States or instrumentalities thereof.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 116 of the Revenue Act of 1934 relating to exclusions from gross income is amended by adding at the end thereof a new subsection reading as follows:

Revenue Act of 1934, amendment.
Vol. 48, p. 712.
Exclusions from gross income.

"(h) COMPENSATION OF EMPLOYEES OF FOREIGN GOVERNMENTS.—Wages, fees, or salary of an employee of a foreign government (including a consular or other officer, or a nondiplomatic representative) received as compensation for official services to such government—

Compensation of employees of foreign governments.

Conditions.

"(1) If such employee is not a citizen of the United States; and

"(2) If the services are of a character similar to those performed by employees of the Government of the United States in foreign countries; and

"(3) If the foreign government whose employee is claiming exemption grants an equivalent exemption to employees of the Government of the United States performing similar services in such foreign country.

Certification of names of foreign governments which grant equivalent exemption.

"The Secretary of State shall certify to the Secretary of the Treasury the names of the foreign countries which grant an equivalent exemption to the employees of the Government of the United States performing services in such foreign countries, and the character of the services performed by employees of the Government of the United States in foreign countries."

Retroactive application.

SEC. 2. The provisions of section 1 shall be retroactively applied in computing income under the provisions of the Revenue Act of 1934 and prior revenue Acts, or any of such Acts as amended, subject to the statutory period of limitations properly applicable to such Acts.

Vol. 48, p. 718.

SEC. 3. Title I of the Revenue Act of 1934, relating to income tax, is amended by adding after section 120 a new section reading as follows:

Deduction of dividends paid on certain preferred stock of certain corporations.

"SEC. 121. DEDUCTION OF DIVIDENDS PAID ON CERTAIN PREFERRED STOCK OF CERTAIN CORPORATIONS.—In computing the net income, for any taxable year beginning after December 31, 1934, of any national banking association, or of any bank or trust company organized under the laws of any State, Territory, possession of the United States, or the Canal Zone, or of any other banking corporation engaged in the business of industrial banking and under the supervision of a State banking department or of the Comptroller of the Currency, or of any incorporated domestic insurance company, there shall be allowed as a deduction from gross income, in addition to deductions otherwise provided for in this title, any dividend (not including any distribution in liquidation) paid, within such taxable year, to the United States or to any instrumentality thereof exempt from Federal income taxes, on the preferred stock of the corporation owned by the United States or such instrumentality."

Approved, August 27, 1935.