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U.S. GOVERNMENT
INFORMATION
GPO

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the Commission on Renovation of the Executive Mansion is hereby empowered, with the approval of the President, to determine the details of and to execute a suitable plan for the preservation or other appropriate disposition of all the materials removed from the Executive Mansion in connection with the renovation thereof and consistent with their symbolical value and without commercial exploitation: *Provided*, That report shall be made to the Congress of action taken under this authority on January 3, 1950, and every six months thereafter until the final report is submitted: *Provided further*, That the Commission is hereby authorized and empowered to use for this purpose any of the funds appropriated for the renovation and modernization of the Executive Mansion under Public Law 119, Eighty-first Congress, first session, approved June 23, 1949.

Commission on Renovation of the Executive Mansion. Preservation, etc., of materials.

Report to Congress.

Use of funds.

Ante, p. 235.

Approved October 25, 1949.

[CHAPTER 720]

AN ACT

To amend certain provisions of the Internal Revenue Code.

October 25, 1949
[H. R. 5268]
[Public Law 378]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

Internal Revenue Code, amendments.

SECTION 1. FARMERS' RETURNS AS DECLARATIONS OF ESTIMATED TAX.

Section 60 (a) of the Internal Revenue Code (relating to declaration of estimated tax by farmers) is hereby amended by striking out the period at the end thereof and inserting in lieu thereof the following: "; and if such an individual files a return on or before January 31 of the succeeding taxable year, and pays in full the amount computed on the return as payable, such return shall have the same effect as that prescribed in section 58 (d) (3) in the case of a return filed on or before January 15."

57 Stat. 143.
26 U. S. C. § 60 (a).

58 Stat. 243.
26 U. S. C. § 58 (d) (3).

SEC. 2. FOREIGN TAX CREDIT.

(a) Section 131 (c) of the Internal Revenue Code (relating to adjustments on payment of accrued taxes) is hereby amended by adding at the end thereof the following new sentences: "In such redetermination by the Commissioner of the amount of tax due from the taxpayer for the year or years affected by a refund, the amount of the taxes refunded for which credit has been allowed under this section shall be reduced by the amount of any tax described in subsection (a) imposed by the foreign country or possession of the United States with respect to such refund; but no credit under this section, and no deduction under section 23, shall be allowed for any taxable year with respect to such tax imposed on the refund. No interest shall be assessed or collected on any amount of tax due upon any redetermination by the Commissioner, resulting from a refund to the taxpayer, for any period prior to the receipt of such refund, except to the extent interest was paid by the foreign country or possession of the United States on such refund for such period."

53 Stat. 57.
26 U. S. C. § 131 (c).

53 Stat. 12.
26 U. S. C. § 23; Supp. II, § 23.
Post, p. 892.

(b) The amendment made by subsection (a) shall be applicable with respect to taxable years beginning after December 31, 1938. If the allowance of a credit or refund of any overpayment of tax resulting from the application of the amendment made by subsection (a) is prevented on the date of the enactment of this Act, or within one year from such date, by the operation of any law or rule of law (other than

53 Stat. 462.
26 U. S. C. § 3761.

section 3761 of the Internal Revenue Code, relating to compromises), credit or refund of such overpayment may, nevertheless, be allowed or made if claim therefor is filed within one year from the date of the enactment of this Act.

SEC. 3. CHARITABLE CONTRIBUTIONS BY CORPORATIONS ON ACCRUAL BASIS.

53 Stat. 15.
26 U. S. C. § 23 (q); Supp. II, § 23 (q).

(a) Section 23 (q) of the Internal Revenue Code (relating to charitable and other contributions) is hereby amended by adding at the end thereof the following:

"In the case of a corporation reporting its net income on the accrual basis, at the election of the taxpayer any contribution or gift payment of which is made after the close of the taxable year and on or before the 15th day of the third month following the close of such year shall, for the purposes of this subsection, be considered as paid during such taxable year if, during such year, the board of directors authorized such contribution or gift. Such election shall be made only at the time of the filing of the return for the taxable year, and shall be signified in such manner as the Commissioner, with the approval of the Secretary, shall by regulations prescribe."

53 Stat. 35.
26 U. S. C. § 102 (d) (1) (B).
53 Stat. 95.
26 U.S.C. § 336 (a) (2).
53 Stat. 108.
26 U.S.C. § 505 (a) (2).

(b) Section 102 (d) (1) (B) of the Internal Revenue Code (relating to section 102 net income), section 336 (a) (2) of such code (relating to net income of foreign personal holding companies), and section 505 (a) (2) of such code (relating to net income of domestic personal holding companies) are each amended by adding at the end thereof the following new sentence: "For the purposes of the preceding sentence, payment of any contribution or gift shall be considered as made within the taxable year if and only if it is considered for the purposes of section 23 (q) as made within such year.".

Supra.

(c) The amendments made by this section shall be applicable with respect to taxable years beginning after December 31, 1942. If the election provided for in such amendments is made for any taxable year beginning before January 1, 1949—

(1) the election for such year may be made (in lieu of at the time of the filing of the return for such year) at any time within one year after the date of the enactment of this Act; but

(2) such election shall not be allowed unless the taxpayer, in accordance with regulations prescribed by the Commissioner with the approval of the Secretary, consents in writing to the assessment (within such period as may be agreed upon) of any deficiency, to the extent resulting from such election, for any other taxable year of the taxpayer, even though on the date of the filing of such consent such assessment is otherwise prevented by the operation of any law or rule of law.

SEC. 4. TRANSFERS OF STOCK BETWEEN CORPORATION AND NOMINEE.

53 Stat. 196.
26 U. S. C., Supp. II, § 1802 (b).

(a) Section 1802 (b) of the Internal Revenue Code (relating to stamp taxes on sales and transfers of stock) is hereby amended by striking out the period at the end of clause (2) and inserting in lieu thereof a semicolon, and by inserting after clause (2) the following new clause:

"(3) From a corporation to a registered nominee of such corporation, or from one such nominee to another such nominee, if in either case the shares or certificates continue to be held by such nominee for the same purpose for which they would be held if retained by such corporation; or from such nominee to such corporation."

(b) In the case of the death before the date of the enactment of this Act of a nominee of a corporation (whether or not such nominee

was registered), the tax under section 1802 (b) of the Internal Revenue Code shall not be imposed upon any delivery or transfer of stock from the executor or administrator of such nominee to such corporation if such delivery or transfer is made on or before the date of the enactment of this Act or within one year after such date.

53 Stat. 196.
26 U. S. C., Supp. II, § 1802 (b).

SEC. 5. EMPLOYEE ANNUITY CONTRACTS.

(a) Section 165 of the Internal Revenue Code (relating to employees trusts) is hereby amended by adding at the end thereof the following new subsection:

53 Stat. 67.
26 U. S. C. § 165.

"(d) CERTAIN EMPLOYEES' ANNUITIES.—Notwithstanding subsection (c) or any other provision of this chapter, a contribution to a trust by an employer shall not be included in the income of the employee in the year in which the contribution is made if—

"(1) such contribution is to be applied by the trustee for the purchase of annuity contracts for the benefit of such employee;

"(2) such contribution is made to the trustee pursuant to a written agreement entered into prior to October 21, 1942, between the employer and the trustee, or between the employer and the employee; and

"(3) under the terms of the trust agreement the employee is not entitled during his lifetime, except with the consent of the trustee, to any payments under annuity contracts purchased by the trustee other than annuity payments.

The amount so contributed by the employer shall not constitute consideration paid by the employee for such annuity contract in determining the amount of annuity payments required to be included in his gross income under section 22 (b) (2); except that if the tax imposed by this chapter for any taxable year beginning before January 1, 1949, has been paid by the employee with respect to such contribution for such year, and not credited or refunded, the amount so contributed for such year shall constitute consideration paid by the employee for such annuity contract. This subsection shall have no application with respect to amounts contributed to a trust after June 1, 1949, if the trust on such date was exempt under subsection (a). For the purposes of this subsection, amounts paid by an employer for the purchase of annuity contracts which are transferred to the trustee shall be deemed to be contributions made to a trust or trustee and contributions applied by the trustee for the purchase of annuity contracts; the term 'annuity contracts purchased by the trustee' shall include annuity contracts so purchased by the employer and transferred to the trustee; and the term 'employee' shall include only a person who was in the employ of the employer, and was covered by the agreement referred to in paragraph (2), prior to October 21, 1942."

53 Stat. 10.
26 U. S. C. § 22 (b) (2).

"Annuity contracts purchased by the trustee."

"Employee."

(b) The amendment made by subsection (a) shall be applicable to taxable years beginning after December 31, 1938.

SEC. 6. RELINQUISHMENT OF POWERS IN CASE OF RECIPROCAL TRUSTS.

(a) Section 1000 of the Internal Revenue Code (relating to imposition of gift tax) is hereby amended by adding at the end thereof the following new subsection:

53 Stat. 144.
26 U. S. C. § 1000; Supp. II, § 1000.

"(g) CERTAIN RECIPROCAL TRUSTS.—In the case of property in a trust created prior to January 1, 1940, if and to the extent that such property may be deemed to have been transferred to such trust by a person other than the nominal grantor of such property (by reason of the fact that such person has made a reciprocal transfer of property in trust), then a relinquishment by such person on or before December 31, 1950, of any power over such property or over the income therefrom shall not be deemed a transfer of property for the purposes of

this chapter. In the event of such relinquishment, the reciprocal transfer made by the person relinquishing such power shall be deemed, for the purposes of this chapter, to have been a completed gift at the time such reciprocal transfer was made. This subsection shall apply only if, at the time such person made the aforesaid reciprocal transfer of property, a law was in effect imposing a tax upon the transfer of property by gift and a gift tax was paid with respect to such reciprocal transfer, and not credited or refunded."

47 Stat. 245.
26 U. S. C. § 1000 note.

(b) Section 501 of the Revenue Act of 1932 (imposing a gift tax) is hereby amended by adding at the end thereof the following new subsection:

"(d) CERTAIN RECIPROCAL TRUSTS.—In the case of property transferred in trust prior to January 1, 1940, if and to the extent that such property may be deemed to have been so transferred by a person other than the nominal grantor of such property (by reason of the fact that such person has made a reciprocal transfer of property in trust), then a relinquishment by such person of any power over such property or over the income therefrom shall not be deemed a transfer of property for the purposes of this title. In the event of such relinquishment on or before December 31, 1950, the reciprocal transfer made by the person relinquishing such power shall be deemed, for the purposes of this title, to have been a completed gift at the time such reciprocal transfer was made. This subsection shall apply only if, at the time such person made the aforesaid reciprocal transfer of property, a law was in effect imposing a tax upon the transfer of property by gift and a gift tax was paid with respect to such reciprocal transfer, and not credited or refunded."

Ante, p. 893.

(c) In the case of a decedent who relinquished on or before December 31, 1950, a power described in section 1000 (g) of the Internal Revenue Code, such relinquishment shall, for the purposes of section 811 (d) of such code, be deemed not to have been made in contemplation of the death of such decedent if such relinquishment, by virtue of the enactment of this section, is not deemed a transfer of property for the purposes of the gift tax. The provisions of this subsection shall be applicable with respect to estates of decedents dying after February 10, 1939.

53 Stat. 121.
26 U. S. C. § 811 (d); Supp. II, § 811 (d).

SEC. 7. TRANSFERS TAKING EFFECT AT DEATH.

53 Stat. 121.
26 U. S. C. § 811 (c).

(a) Section 811 (c) of the Internal Revenue Code (relating to transfers in contemplation of or taking effect at death) is hereby amended to read as follows:

"(c) TRANSFERS IN CONTEMPLATION OF, OR TAKING EFFECT AT, DEATH.—

"(1) GENERAL RULE.—To the extent of any interest therein of which the decedent has at any time made a transfer (except in case of a bona fide sale for an adequate and full consideration in money or money's worth), by trust or otherwise—

"(A) in contemplation of his death. Any transfer of a material part of his property in the nature of a final disposition or distribution thereof, made by the decedent within two years prior to his death without such consideration, shall, unless shown to the contrary, be deemed to have been made in contemplation of death within the meaning of this subchapter; or

"(B) under which he has retained for his life or for any period not ascertainable without reference to his death or for any period which does not in fact end before his death (i) the possession or enjoyment of, or the right to the income from,

the property, or (ii) the right, either alone or in conjunction with any person, to designate the persons who shall possess or enjoy the property or the income therefrom; or

"(C) intended to take effect in possession or enjoyment at or after his death.

"(2) TRANSFERS TAKING EFFECT AT DEATH—TRANSFERS PRIOR TO OCTOBER 8, 1949.—An interest in property of which the decedent made a transfer, on or before October 7, 1949, intended to take effect in possession or enjoyment at or after his death shall not be included in his gross estate under paragraph (1) (C) of this subsection unless the decedent has retained a reversionary interest in the property, arising by the express terms of the instrument of transfer and not by operation of law, and the value of such reversionary interest immediately before the death of the decedent exceeds 5 per centum of the value of such property. For the purposes of this paragraph, the term 'reversionary interest' includes a possibility that property transferred by the decedent (A) may return to him or his estate, or (B) may be subject to a power of disposition by him, but such term does not include a possibility that the income alone from such property may return to him or become subject to a power of disposition by him. The value of a reversionary interest immediately before the death of the decedent shall be determined (without regard to the fact of the decedent's death) by usual methods of valuation, including the use of tables of mortality and actuarial principles, pursuant to regulations prescribed by the Commissioner with the approval of the Secretary. In determining the value of a possibility that property may be subject to a power of disposition by the decedent, such possibility shall be valued as if it were a possibility that such property may return to the decedent or his estate.

"(3) TRANSFERS TAKING EFFECT AT DEATH—TRANSFERS AFTER OCTOBER 7, 1949.—An interest in property transferred by the decedent after October 7, 1949, shall be included in his gross estate under paragraph (1) (C) of this subsection (whether or not the decedent retained any right or interest in the property transferred) if and only if—

"(A) possession or enjoyment of the property can, through ownership of such interest, be obtained only by surviving the decedent; or

"(B) under alternative contingencies provided by the terms of the transfer, possession or enjoyment of the property can, through ownership of such interest, be obtained only by surviving the earlier to occur of (i) the decedent's death or (ii) some other event; and such other event did not in fact occur during the decedent's life.

Notwithstanding the foregoing sentence, an interest so transferred shall not be included in the decedent's gross estate under paragraph (1) (C) of this subsection if possession or enjoyment of the property could have been obtained by any beneficiary during the decedent's life through the exercise of a power of appointment (as defined in section 811 (f) (2)) which in fact was exercisable immediately prior to the decedent's death."

53 Stat. 122.
26 U. S. C. § 811 (f) (2).

(b) The amendment made by subsection (a) shall be applicable with respect to estates of decedents dying after February 10, 1939. The provisions of section 811 (c) of the Internal Revenue Code, as amended by subsection (a), shall (except as otherwise specifically provided in such section or in the following sentence) apply to transfers made on, before, or after February 26, 1926. The provisions of section 811 (c)

Ante, p. 894.

Ante, p. 894.

(1) (B) of such code shall not, in the case of a decedent dying prior to January 1, 1950, apply to—

(1) a transfer made prior to March 4, 1931; or

(2) a transfer made after March 3, 1931, and prior to June 7, 1932, unless the property transferred would have been includible in the decedent's gross estate by reason of the amendatory language of the joint resolution of March 3, 1931 (46 Stat. 1516).

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

(c) If refund or credit of any overpayment resulting from the application of subsections (a) and (b) is prevented on the date of the enactment of this Act, or within one year from such date, by the operation of any law or rule of law (other than section 3760 of the Internal Revenue Code, relating to closing agreements, and other than section 3761 of such code, relating to compromises), refund or credit of such overpayment may, nevertheless, be made or allowed if claim therefor is filed within one year from the date of the enactment of this Act. This subsection shall not apply with respect to a transfer of property in case the decedent retained for his life or for any period not ascertainable without reference to his death or for any period which did not in fact end before his death (1) the possession or enjoyment of, or the right to the income from, the property, or (2) the right, either alone or in conjunction with any person, to designate the persons who should possess or enjoy the property or the income therefrom.

53 Stat. 462.
26 U. S. C. § 3760.
53 Stat. 462.
26 U. S. C. § 3761.

SEC. 8. TAX FREE RELEASE OF CERTAIN LIFE ESTATES.

In the case of a transfer of property made prior to June 7, 1932, under which the grantor retained (1) the possession or enjoyment of, or the right to the income from, the property, or (2) the right, either alone or in conjunction with any person, to designate the persons who shall possess or enjoy the property or the income therefrom, then an assignment by the grantor of such possession, enjoyment, or right to income, or a relinquishment by him of such right of designation, shall, if made in 1949 or 1950, not be deemed a transfer of property for the purposes of chapter 4 of the Internal Revenue Code, and shall, if made prior to 1951, not be deemed to have been made in contemplation of death within the meaning of chapter 3 of such code. The foregoing provisions shall not apply—

53 Stat. 144.
26 U. S. C. §§ 1000–1031; Supp. II, § 1000 *et seq.*
Ante, pp. 280, 893.
53 Stat. 118.
26 U. S. C. §§ 800–938; Supp. II, § 811 *et seq.*
Ante, pp. 280, 894.

(A) if the transfer was made after March 3, 1931, and prior to June 7, 1932, and if the property transferred would have been includible in the grantor's gross estate upon his death by reason of the amendatory language of the joint resolution of March 3, 1931 (45 Stat. 1516); or

(B) if the property transferred would have been includible in the grantor's gross estate under section 811 (d) of the Internal Revenue Code had he died on October 7, 1949.

53 Stat. 121.
26 U. S. C. § 811 (d); Supp. II, § 811 (d).
Ante, p. 280.

SEC. 9. Paragraph 1798 of the Tariff Act of 1930, as amended, is hereby amended by striking out the figure "$100" in the third proviso and inserting in lieu thereof the figure "$200".

46 Stat. 683.
19 U. S. C., Supp. II, § 1201, par. 1798.

SEC. 10. EXEMPTION FROM THE ADDITIONAL ESTATE TAX FOR CERTAIN MEMBERS OF ARMED FORCES.

(a) Subchapter B of chapter 3 of the Internal Revenue Code (relating to additional estate tax) is amended by adding at the end thereof the following new section:

53 Stat. 141.
26 U. S. C. §§ 935–938; Supp. II, § 936.

"SEC. 939. CERTAIN MEMBERS OF ARMED FORCES.

"The tax imposed by section 935 shall not apply to the transfer of the net estate of a citizen or resident of the United States dying on or after

53 Stat. 141.
26 U. S. C. § 935.

December 7, 1941, and before January 1, 1947, while in active service as a member of the military or naval forces of the United States or of any of the other United Nations if such decedent—

"(1) was killed in action; or

"(2) died as a result of wounds or other injuries, or of disease, suffered while in line of duty by reason of a hazard to which he was subjected as an incident of military or naval service."

(b) If the refund of any overpayment resulting from the application of this section is prevented on the date of the enactment of this Act, or within one year from such date, by the operation of any law or rule of law (other than section 3761 of the Internal Revenue Code, relating to compromises), refund of such overpayment may, nevertheless, be made if claim therefor is filed within one year from the date of the enactment of this Act. No interest shall be paid on any overpayment resulting from the application of this section.

53 Stat. 462.
26 U. S. C. § 3761.

Approved October 25, 1949.

[CHAPTER 721]

AN ACT

October 25, 1949
[S. 489]
[Public Law 379]

To authorize the refund to the Florida Keys Aqueduct Commission of the sum advanced for certain water facilities, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) upon such terms and conditions not inconsistent with this Act as may be satisfactory to the Secretary of the Navy and to the Board of Directors of the Reconstruction Finance Corporation and to the Florida Keys Aqueduct Commission, the Secretary of the Navy is authorized to cancel the agreement entered into by the Department of the Navy on March 18, 1941, pursuant to authority contained in title III of the First Supplemental National Defense Appropriation Act, 1941 (54 Stat. 608), with the Florida Keys Aqueduct Commission, a public agency of the State of Florida (hereinafter referred to as "the commission"), for the construction, operation, and maintenance of a water-supply system and a water-distribution system to serve Federal Government and other consumers in the Florida Keys.

Florida Keys Aqueduct Commission.

Cancellation of agreement.

(b) Such cancellation shall be conditioned upon—

Conditions of cancellation.

(1) the surrender to the Department of the Navy of all right, title, and interest, if any, of the commission in and to the water-supply system constructed or in the course of construction in accordance with such agreement and to the receipt of water under the existing provisions of such agreement;

(2) the payment by the Department of the Navy to the commission of the sum of $1,096,392.91, which sum is the amount heretofore paid by the commission to or for the account of the Department of the Navy pursuant to such agreement; and

(3) the furnishing by the commission of satisfactory assurances that such sum will be employed by the commission to retire bonds heretofore issued by the commission under the terms of a trust indenture, dated September 1, 1941, between the commission and the First National Bank of Miami, Florida.

(c) There is hereby authorized to be appropriated to the Department of the Navy, out of any moneys in the Treasury not otherwise appropriated, not more than $1,096,392.91 for disbursement pursuant to subsection (b) (2) of this section.

Appropriation authorized.

SEC. 2. Upon cancellation of such agreement of March 18, 1941, the Secretary of the Navy shall enter into an agreement which may thereafter be amended from time to time by the parties thereto, whereby the Department of the Navy will supply water from such water-supply

New agreement.