

Public Law 629

CHAPTER 464

June 29, 1956
[H. R. 6143]

AN ACT

To amend the Internal Revenue Codes of 1939 and 1954, and for other purposes.

Taxes.
Patent rights.
65 Stat. 504.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 117 of the Internal Revenue Code of 1939 (relating to capital gains and losses) is hereby amended by adding at the end thereof a new subsection as follows:

“(q) **TRANSFER OF PATENT RIGHTS.**—

“(1) **GENERAL RULE.**—A transfer (other than by gift, inheritance, or devise) of property consisting of all substantial rights to a patent, or an undivided interest therein which includes a part of all such rights, by any holder shall be considered the sale or exchange of a capital asset held for more than 6 months, regardless of whether or not payments in consideration of such transfer are—

“(A) payable periodically over a period generally coterminous with the transferee's use of the patent, or

“(B) contingent on the productivity, use, or disposition of the property transferred.

“(2) **‘HOLDER’ DEFINED.**—For purposes of this subsection, the term ‘holder’ means—

“(A) any individual whose efforts created such property, or

“(B) any other individual who has acquired his interest in such property in exchange for consideration in money or money's worth paid to such creator prior to actual reduction to practice of the invention covered by the patent, if such individual is neither—

“(i) the employer of such creator, nor

“(ii) related to such creator (within the meaning of paragraph (3)).

“(3) **EXCEPTIONS.**—This subsection shall not apply to any transfer described in paragraph (1)—

“(A) by a nonresident alien individual, or

“(B) between an individual and any related person.

For purposes of this paragraph, the term ‘related person’ means a person, other than a brother or sister (whether of the whole or half blood), with respect to whom a loss resulting from the transfer would be disallowed under section 24 (b).

“(4) **APPLICABILITY.**—This subsection shall apply with respect to any amount received, or payment made, pursuant to a transfer described in paragraph (1) in any taxable year beginning after May 31, 1950, regardless of the taxable year in which such transfer occurred.”

SEC. 2. CERTAIN CLAIMS AGAINST UNITED STATES.

(a) Section 106 of the Internal Revenue Code of 1939 (relating to claims against the United States involving acquisition of property) is hereby amended to read as follows:

“SEC. 106. CERTAIN CLAIMS AGAINST UNITED STATES.

“In the case of any amount (other than interest) received by a taxpayer from the United States with respect to a claim against the United States—

“(a) involving the acquisition of property and remaining unpaid for more than 15 years, or

“(b) arising under a contract for the construction of installations or facilities for any branch of the armed services of the

53 Stat. 36.

United States and remaining unpaid for more than 5 years from the date such claim first accrued and paid prior to January 1, 1950,

the portion of the tax imposed by section 12 attributable to such amount (other than interest) shall not exceed 30 percent thereof. In applying section 291 (a) (relating to additions to the tax for failure to file a return) in any case to which paragraph (b) of this section applies, the term 'reasonable cause' shall include the filing of a timely incomplete return under circumstances which led the taxpayer to believe that no tax was due on amounts received under a settlement with the United States."

(b) The amendment made by this section shall apply with respect to taxable years ending after December 31, 1948, notwithstanding the operation of any law or rule of law (other than section 3760 of the Internal Revenue Code of 1939 or section 7121 of the Internal Revenue Code of 1954, relating to closing agreements, and other than section 3761 of the Internal Revenue Code of 1939 or section 7122 of the Internal Revenue Code of 1954, relating to compromises). Notwithstanding the preceding sentence, no claim for credit or refund of any overpayment resulting from the amendment made by this section shall be allowed or made after the period of limitation applicable to such overpayment, except that such period shall not expire before the expiration of one year after the date of the enactment of this Act.

Effective date.

Restriction.

SEC. 3. CERTAIN DISTRIBUTIONS IN KIND.

(a) Section 115 of the Internal Revenue Code of 1939 (relating to distributions by corporations) is hereby amended by adding at the end thereof the following new subsection:

53 Stat. 46.

"(n) CERTAIN DISTRIBUTIONS IN KIND.—

"(1) Notwithstanding any other provision of this section, a distribution of property by a corporation to its stockholders, with respect to its stock, shall be (except as provided in paragraph (2)) considered to be a distribution which is not a dividend (whether or not otherwise a dividend) to the extent that the fair market value of such property exceeds the earnings and profits of such corporation accumulated after February 28, 1913, and the earnings and profits of the taxable year (computed as of the close of the taxable year without diminution by reason of any distributions, except those described in subparagraphs (A), (B), and (C) of paragraph (3), made during the taxable year) without regard to the amount of the earnings and profits at the time the distribution was made. The preceding sentence shall not prevent the application of subsection (d) to any such distribution.

"(2) If any portion of a distribution of property by a corporation to its shareholders, with respect to its stock, is a dividend solely by reason of the last sentence of subsection (a), then—

"(A) paragraph (1) shall not apply to such distribution, but

"(B) such distribution shall be considered to be a distribution which is not a dividend (whether or not otherwise a dividend) to the extent that the fair market value of such property exceeds the Subchapter A net income referred to in the last sentence of subsection (a), adjusted as provided in such sentence.

In applying this paragraph, distributions described in subparagraphs (A), (B), and (C) of paragraph (3) shall be taken into account before other distributions.

“(3) This subsection shall apply to any distribution of property other than—

“(A) money,

“(B) inventory assets, as defined in section 312 (b) (2) of the Internal Revenue Code of 1954, or

“(C) distributions described in section 312 (j) of the Internal Revenue Code of 1954.”

Effective date.

(b) The amendment made by this section to section 115 of the Internal Revenue Code of 1939 shall be effective as if it were a part of such section on the date of enactment of the Internal Revenue Code of 1939, except that it shall not apply to any taxable year of a shareholder which was a corporation and which filed a return for such year reporting dividends in accordance with publicly announced litigation policies of the Secretary or his delegate which had not been revoked at the time such return was filed. No interest shall be allowed or paid in respect of any overpayment of tax resulting from the amendment made by this section.

SEC. 4. TRADEMARK AND TRADE NAME EXPENDITURES.

68 Stat. 1096.
26 USC 176.

(a) Part VI of subchapter B of chapter 1 of the Internal Revenue Code of 1954 is hereby amended by inserting after section 176 thereof the following new section:

“SEC. 177. TRADEMARK AND TRADE NAME EXPENDITURES.

“(a) ELECTION TO AMORTIZE.—Any trademark or trade name expenditure paid or incurred during a taxable year beginning after December 31, 1955, may, at the election of the taxpayer (made in accordance with regulations prescribed by the Secretary or his delegate), be treated as a deferred expense. In computing taxable income, all expenditures paid or incurred during the taxable year which are so treated shall be allowed as a deduction ratably over such period of not less than 60 months (beginning with the first month in such taxable year) as may be selected by the taxpayer in making such election. The expenditures so treated are expenditures properly chargeable to capital account for purposes of section 1016 (a) (1) (relating to adjustments to basis of property).

“(b) TRADEMARK AND TRADE NAME EXPENDITURES DEFINED.—For purposes of subsection (a), the term ‘trademark or trade name expenditure’ means any expenditure which—

“(1) is directly connected with the acquisition, protection, expansion, registration (Federal, State, or foreign), or defense of a trademark or trade name;

“(2) is chargeable to capital account; and

“(3) is not part of the consideration paid for a trademark, trade name, or business.

“(c) TIME FOR AND SCOPE OF ELECTION.—The election provided by subsection (a) shall be made within the time prescribed by law (including extensions thereof) for filing the return for the taxable year during which the expenditure is paid or incurred. The period selected by the taxpayer under subsection (a) with respect to the expenditures paid or incurred during the taxable year which are treated as deferred expenses shall be adhered to in computing his taxable income for the taxable year for which the election is made and all subsequent years.

“(d) CROSS REFERENCE.—

“For adjustments to basis of property for amounts allowed as deductions for expenditures treated as deferred expenses under this section, see section 1016 (a) (16).”

(b) The table of sections of part VI of subchapter B of chapter 1

of the Internal Revenue Code of 1954 is hereby amended by inserting at the end thereof

68A Stat. 45.

"Sec. 177. Trademark and trade name expenditures."

(c) Subsection (a) of section 1016 of the Internal Revenue Code of 1954 (relating to adjustments to basis) is hereby amended by striking out the period at the end of paragraph (15) and inserting in lieu thereof a semicolon, and by adding at the end of such subsection the following new paragraph:

68A Stat. 300,
26 USC 1016.

"(16) for amounts allowed as deductions for expenditures treated as deferred expenses under section 177 (relating to trademark and trade name expenditures) and resulting in a reduction of the taxpayer's taxes under this subtitle, but not less than the amounts allowable under such section for the taxable year and prior years."

SEC. 5. LIVESTOCK SOLD ON ACCOUNT OF DROUGHT.

(a) Section 1033 of the Internal Revenue Code of 1954 (relating to involuntary conversions) is hereby amended by redesignating subsection (f) thereof as subsection (g) and by inserting after subsection (e) of such section the following new subsection:

68A Stat. 306,
26 USC 1033.

"(f) LIVESTOCK SOLD ON ACCOUNT OF DROUGHT.—For purposes of this subtitle, the sale or exchange of livestock (other than poultry) held by a taxpayer for draft, breeding, or dairy purposes in excess of the number the taxpayer would sell if he followed his usual business practices shall be treated as an involuntary conversion to which this section applies if such livestock are sold or exchanged by the taxpayer solely on account of drought."

(b) The amendment made by this section shall apply with respect to taxable years ending after December 31, 1955, but only in the case of sales and exchanges of livestock after December 31, 1955.

Effective date.

Approved June 29, 1956.

Public Law 630

CHAPTER 465

AN ACT

Adopting and authorizing the improvement of Rockland Harbor, Maine.

June 29, 1956
[S. 1749]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the modification of the project for improvement of Rockland Harbor, Maine, is hereby adopted and authorized substantially in accordance with the recommendations of the Chief of Engineers contained in Senate Document Numbered 82, Eighty-fourth Congress, first session, at an estimated cost of \$710,000, and subject to the conditions set forth therein, the work to be prosecuted under the direction of the Secretary of the Army and the supervision of the Chief of Engineers.

Rockland Har-
bor, Maine.

SEC. 2. There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this Act.

Appropriation.

Approved June 29, 1956.

Public Law 631

CHAPTER 473

AN ACT

To amend the Export Control Act of 1949 to continue for an additional period of two years the authority provided thereunder for the regulation of exports.

June 29, 1956
[H. R. 9052]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 12 of