SEC. 4. No loan may be made or extended under this Act unless the Secretary of Defense, after consultation with the Joint Chiefs of Staff, determines that such loan or extension is in the best interest of the United States. The Secretary of Defense shall keep the Congress currently advised of all loans made or extended under this Act. Consultation. Congressional notification.

SEC. 5. The President may promulgate such rules and regulations as he deems necessary to carry out the provisions of this Act. Rules and regulations.

Approved January 12, 1971.

Public Law 91-683

AN ACT

To amend section 1372 of the Internal Revenue Code of 1954, relating to passive investment income.

January 12, 1971
[H. R. 19627]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) subparagraph (C) of section 1372(e)(5) of the Internal Revenue Code of 1954 (relating to passive investment income of small business corporations) is amended by inserting at the end thereof the following new sentence: "Gross receipts derived from sales or exchanges of stock or securities for purposes of this paragraph shall not include amounts received by an electing small business corporation which are treated under section 331 (relating to corporate liquidations) as payments in exchange for stock where the electing small business corporation owned more than 50 percent of each class of the stock of the liquidating corporation." Taxes. Corporations, passive investment income. 80 Stat. 114. 26 USC 1372.

(b) The amendment made by subsection (a) shall apply to taxable years of electing small business corporations ending after the date of the enactment of this Act. Such amendment shall also apply with respect to any taxable year ending before October 7, 1970, but only if— Effective date. Conditions.

(1) on such date the making of a refund or the allowance of a credit to the electing small business corporation is not prevented by any law or rule of law, and

(2) within one year after the date of enactment of this Act and in such manner as the Secretary of the Treasury or his delegate prescribes by regulations—

(A) the corporation elects to have such amendment so apply, and

(B) all persons (or their personal representatives) who were shareholders of such corporation at any time during any taxable year beginning with the first taxable year to which this amendment applies and ending on or before the date of the enactment of this Act consent to such election and to the application of the amendment made by subsection (a).

(c) If the assessment of any deficiency in income tax resulting from the filing of such election for a taxable year ending before the date of such filing is prevented before the expiration of one year after the date of such filing by any law or rule of law, such deficiency (to the extent attributable to such election) may be assessed at any time prior to the expiration of such one-year period notwithstanding any law or rule of law which would otherwise prevent such assessment. Deficiency assessment.

(d) If the election of a corporation under subsection (a) of section 1372 of the Internal Revenue Code of 1954 would have been terminated because of the application of subsection (e)(5) of such section (before the amendment made by subsection (a) of this section) but for the election by such corporation under paragraph (2) of subsection (b) (and the consent of shareholders under such paragraph), such election under section 1372(a) of such code shall not be treated as terminated 72 Stat. 1650.

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for any year beginning before the date of the enactment of this Act as a result of—

(1) such corporation filing its income tax return on a form 1120 (instead of a form 1120S), or

(2) a new shareholder not consenting to such election of such corporation in accordance with the requirements of subsection (e)(1) of such section 1372.

72 Stat. 1651.
26 USC 1372.

Approved January 12, 1971.

Public Law 91-684

January 12, 1971
[H. R. 18549]

AN ACT

To amend sections 902(b) and 902(c) of the Internal Revenue Code of 1954 to reduce the 50-percent requirement to 10 percent between first and second levels and to include third-level foreign corporations in the tax credit structure if the 10-percent test is met.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 902(b) of the Internal Revenue Code of 1954 is amended to read as follows:

Taxes.
Foreign corporations, foreign tax credit.
76 Stat. 1000.
26 USC 902.

"(b) FOREIGN SUBSIDIARY OF FIRST AND SECOND FOREIGN CORPORATION.—

"(1) If the foreign corporation described in subsection (a) (hereinafter in this subsection referred to as the 'first foreign corporation') owns 10 percent or more of the voting stock of a second foreign corporation from which it receives dividends in any taxable year, it shall be deemed to have paid the same proportion of any income, war profits, or excess profits taxes paid or deemed to be paid by such second foreign corporation to any foreign country or to any possession of the United States on or with respect to the accumulated profits of the corporation from which such dividends were paid which—

"(A) for purposes of applying subsection (a)(1), the amount of such dividends bears to the amount of the accumulated profits (as defined in subsection (c)(1)(A)) of such second foreign corporation from which such dividends were paid in excess of such income, war profits, and excess profits taxes, or

"(B) for purposes of applying subsection (a)(2), the amount of such dividends bears to the amount of the accumulated profits (as defined in subsection (c)(1)(B)) of such second foreign corporation from which such dividends were paid.

"(2) If such first foreign corporation owns 10 percent or more of the voting stock of a second foreign corporation which, in turn, owns 10 percent or more of the voting stock of a third foreign corporation from which the second foreign corporation receives dividends in any taxable year, the second foreign corporation shall be deemed to have paid the same proportion of any income, war profits, or excess profits taxes paid by such third foreign corporation to any foreign country or to any possession of the United States on or with respect to the accumulated profits of the corporation from which such dividends were paid which—

"(A) for purposes of applying subsection (a)(1), the amount of such dividends bears to the amount of the accumulated profits (as defined in subsection (c)(1)(A)) of such third foreign corporation from which such dividends were paid in excess of such income, war profits, and excess profits taxes, or