shall, for purposes of such paragraphs, be treated as a single corporation.

(b)(1) Gain from any sale or exchange described in subsection (a) shall be deemed, for purposes of such Code, to be gain from the sale of property held primarily for sale to customers in the ordinary course of trade or business to the extent of 5 percent of the selling price.

(2) For the purpose of computing gain under paragraph (1), expenditures incurred in connection with the sale or exchange of any lot or parcel shall neither be allowed as a deduction in computing taxable income, nor treated as reducing the amount realized on such sale or exchange; but so much of such expenditures as does not exceed the portion of gain deemed under paragraph (1) to be gain from the sale of property held primarily for sale to customers in the ordinary course of trade or business shall be so allowed as a deduction, and the remainder, if any, shall be treated as reducing the amount realized on such sale or exchange.

(c) The provisions of subsections (a) and (b) shall apply to taxable years beginning after December 31, 1957, and before January 1, 1984. Effective date.

SEC. 2. (a) Section 1237 of the Internal Revenue Code of 1954 is amended by: 68A Stat. 330; 70 Stat. 118. 26 USC 1237.

(1) in subsection (a), striking out the parenthetical expression: "(including corporations only if no shareholder directly or indirectly holds real property for sale to customers in the ordinary course of trade or business and only in the case of property described in the last sentence of subsection (b)(3))" and inserting in lieu thereof the words "other than a corporation";

(2) in subsection (b), striking out the last sentence.

(b) The amendments made by subsection (a) shall be effective for taxable years beginning after the date of enactment of this Act. Effective date.

Approved January 12, 1971.

Public Law 91-687

AN ACT

To amend section 165(g) of the Internal Revenue Code of 1954 which provides for treatment of losses on worthless securities.

January 12, 1971 [H. R. 19369]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 165 of the Internal Revenue Code of 1954 (relating to losses) is amended— Taxes. Worthless securities, losses. 68A Stat. 49. 26 USC 165.

(a) by striking out in subsection (g)(3)(A) "at least 95 percent of each class of its stock" and inserting in lieu thereof "stock possessing at least 80 percent of the voting power of all classes of its stock and at least 80 percent of each class of its nonvoting stock", and

(b) by adding at the end of subsection (g)(3) the following: "As used in subparagraph (A), the term 'stock' does not include nonvoting stock which is limited and preferred as to dividends."

SEC. 2. The amendments made by this Act shall apply with respect to taxable years beginning on or after January 1, 1970.

Approved January 12, 1971.

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