

62 Stat. 117.
26 USC 812.

812 (e) (1) (D) of the Internal Revenue Code of 1939 (relating to bequests of an interest to a surviving spouse conditional on survival for a limited period) is amended by adding at the end thereof the following:

"For the purposes of subparagraph (B), an event or contingency shall not be considered an event or contingency upon the occurrence of which an interest passing to the surviving spouse will terminate or fail if—

"(iii) within six months after the date of the decedent's death, such event or contingency becomes impossible of occurrence; and

"(iv) the decedent was adjudged incompetent before April 2, 1948, and was not restored to competency before his death."

Effective date.

SEC. 2. The amendment made by this Act shall apply with respect to decedents dying after April 2, 1948.

SEC. 3. No interest shall be allowed or paid on any overpayment resulting from the amendment made by this Act.

Approved February 11, 1958.

Public Law 85-319

AN ACT

February 11, 1958
[H. R. 7762]

To amend section 223 of the Revenue Act of 1950 so that it will apply to taxable years ending in 1954 to which the Internal Revenue Code of 1939 applies.

64 Stat. 947.
26 USC app. 502
note.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 223 of the Revenue Act of 1950 (relating to use of corporation property by a shareholder) is amended by striking out "and before January 1, 1954," and inserting in lieu thereof "to which the Internal Revenue Code of 1939 applies."

SEC. 2. No interest shall be allowed or paid on any overpayment resulting from the amendment made by the first section of this Act.

Approved February 11, 1958.

Public Law 85-320

AN ACT

February 11, 1958
[H. R. 9035]

To amend the Internal Revenue Code of 1954 with respect to the basis of stock acquired by the exercise of restricted stock options after the death of the employee.

Taxes.
Stock options.
68A Stat. 143.
26 USC 421.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 421 (d) (6) of the Internal Revenue Code of 1954 (relating to restricted stock options exercised by estate) is amended by adding at the end thereof the following new subparagraph:

"(C) BASIS OF SHARES ACQUIRED.—In the case of a share of stock acquired by the exercise of an option to which subparagraph (A) applies—

"(i) the basis of such share shall include so much of the basis of the option as is attributable to such share; except that the basis of such share shall be reduced by the excess (if any) of the amount, which would have been includible in gross income under subsection (b) if the employee had exercised the option and held such share

at the time of his death, over the amount which is includible in gross income under subsection (b); and

“(ii) the last sentence of subsection (b) shall apply only to the extent that the amount includible in gross income under such subsection exceeds so much of the basis of the option as is attributable to such share.”

SEC. 2. Subsection (d) of section 1014 of the Internal Revenue Code of 1954 (relating to basis of restricted stock options) is hereby repealed.

Repeal.
68A Stat. 298.
26 USC 1014(d).

SEC. 3. The amendments made by this Act shall apply with respect to taxable years ending after December 31, 1956, but only in the case of employees dying after such date.

Effective date.

Approved February 11, 1958.

Public Law 85-321

AN ACT

Relating to the administration of certain collected taxes.

February 11, 1958
[H. R. 8855]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That chapter 77 of the Internal Revenue Code of 1954 (relating to miscellaneous administrative provisions) is amended by adding at the end thereof the following new section:

Collected taxes.
Administration.
68A Stat. 395.
26 USC ch. 77.

“SEC. 7512. SEPARATE ACCOUNTING FOR CERTAIN COLLECTED TAXES, ETC.

“(a) GENERAL RULE.—Whenever any person who is required to collect, account for, and pay over any tax imposed by subtitle C or by chapter 33—

68A Stat. 415,
497.
26 USC 3101 et
seq., 4231-4293.

“(1) at the time and in the manner prescribed by law or regulations (A) fails to collect, truthfully account for, or pay over such tax, or (B) fails to make deposits, payments, or returns of such tax, and

“(2) is notified, by notice delivered in hand to such person, of any such failure,

then all the requirements of subsection (b) shall be complied with. In the case of a corporation, partnership, or trust, notice delivered in hand to an officer, partner, or trustee, shall, for purposes of this section, be deemed to be notice delivered in hand to such corporation, partnership, or trust and to all officers, partners, trustees, and employees thereof.

“(b) REQUIREMENTS.—Any person who is required to collect, account for, and pay over any tax imposed by subtitle C or by chapter 33, if notice has been delivered to such person in accordance with subsection (a), shall collect the taxes imposed by subtitle C or chapter 33 which become collectible after delivery of such notice, shall (not later than the end of the second banking day after any amount of such taxes is collected) deposit such amount in a separate account in a bank (as defined in section 581), and shall keep the amount of such taxes in such account until payment over to the United States. Any such account shall be designated as a special fund in trust for the United States, payable to the United States by such person as trustee.

68A Stat. 202.
26 USC 581.

“(c) RELIEF FROM FURTHER COMPLIANCE WITH SUBSECTION (b).—Whenever the Secretary or his delegate is satisfied, with respect to any notification made under subsection (a), that all requirements of law and regulations with respect to the taxes imposed by subtitle C or chapter 33, as the case may be, will henceforth be complied with,