

Public Law 86-667

AN ACT

July 14, 1960
[H. R. 8229]

To amend the Internal Revenue Code of 1954 to provide an exemption from income tax for supplemental unemployment benefit trusts.

Supplemental un-
employment bene-
fit trusts.

Tax exemptions.
68A Stat. 163.
26 USC 501.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 501(c) of the Internal Revenue Code of 1954 (relating to exemption from tax on corporations, certain organizations, etc.) is amended by adding after paragraph (16) the following new paragraph:

“(17) (A) A trust or trusts forming part of a plan providing for the payment of supplemental unemployment compensation benefits, if—

“(i) under the plan, it is impossible, at any time prior to the satisfaction of all liabilities with respect to employees under the plan, for any part of the corpus or income to be (within the taxable year or thereafter) used for, or diverted to, any purpose other than the providing of supplemental unemployment compensation benefits,

“(ii) such benefits are payable to employees under a classification which is set forth in the plan and which is found by the Secretary or his delegate not to be discriminatory in favor of employees who are officers, shareholders, persons whose principal duties consist of supervising the work of other employees, or highly compensated employees, and

“(iii) such benefits do not discriminate in favor of employees who are officers, shareholders, persons whose principal duties consist of supervising the work of other employees, or highly compensated employees. A plan shall not be considered discriminatory within the meaning of this clause merely because the benefits received under the plan bear a uniform relationship to the total compensation, or the basic or regular rate of compensation, of the employees covered by the plan.

“(B) In determining whether a plan meets the requirements of subparagraph (A), any benefits provided under any other plan shall not be taken into consideration, except that a plan shall not be considered discriminatory—

“(i) merely because the benefits under the plan which are first determined in a nondiscriminatory manner within the meaning of subparagraph (A) are then reduced by any sick, accident, or unemployment compensation benefits received under State or Federal law (or reduced by a portion of such benefits if determined in a nondiscriminatory manner), or

“(ii) merely because the plan provides only for employees who are not eligible to receive sick, accident, or unemployment compensation benefits under State or Federal law the same benefits (or a portion of such benefits if determined in a nondiscriminatory manner) which such employees would receive under such laws if such employees were eligible for such benefits, or

“(iii) merely because the plan provides only for employees who are not eligible under another plan (which meets the requirements of subparagraph (A)) of supplemental unemployment compensation benefits provided wholly by the employer the same benefits (or a portion of such benefits if determined in a nondiscriminatory manner) which such employees would receive under such other plan if such em-

ployees were eligible under such other plan, but only if the employees eligible under both plans would make a classification which would be nondiscriminatory within the meaning of subparagraph (A).

“(C) A plan shall be considered to meet the requirements of subparagraph (A) during the whole of any year of the plan if on one day in each quarter it satisfies such requirements.

“(D) The term ‘supplemental unemployment compensation benefits’ means only—

“(i) benefits which are paid to an employee because of his involuntary separation from the employment of the employer (whether or not such separation is temporary) resulting directly from a reduction in force, the discontinuance of a plant or operation, or other similar conditions, and

“(ii) sick and accident benefits subordinate to the benefits described in clause (i).

“(E) Exemption shall not be denied under subsection (a) to any organization entitled to such exemption as an association described in paragraph (9) of this subsection merely because such organization provides for the payment of supplemental unemployment benefits (as defined in subparagraph (D)(i)).”

SEC. 2. (a) Subsection (a) of section 503 of the Internal Revenue Code of 1954 (relating to denial of exemption to organizations engaged in prohibited transactions) is amended—

Denial of exemption.
26 USC 503.

(1) by revising paragraph (1) to read as follows:

“(1) GENERAL RULE.—

“(A) An organization described in section 501(c)(3) which is subject to the provisions of this section shall not be exempt from taxation under section 501(a) if it has engaged in a prohibited transaction after July 1, 1950.

“(B) An organization described in section 501(c)(17) which is subject to the provisions of this section shall not be exempt from taxation under section 501(a) if it has engaged in a prohibited transaction after December 31, 1959.

Ante, p. 534.

“(C) An organization described in section 401(a) which is subject to the provisions of this section shall not be exempt from taxation under section 501(a) if it has engaged in a prohibited transaction after March 1, 1954.”, and

(2) by striking out “section 501(c)(3)” in paragraph (2) and inserting in lieu thereof “section 501(c)(3) or (17)”.

(b) Subsection (b) of such section 503 is amended by striking out “section 501(c)(3)” and inserting in lieu thereof “section 501(c)(3) or (17)”.

26 USC 503.

(c) Subsection (d) of such section 503 is amended by striking out “section 501(c)(3)” and inserting in lieu thereof “section 501(c)(3) or (17)”.

(d) Subsection (h) of such section 503 is amended—

(1) by striking out “section 401(a)” in the heading and inserting in lieu thereof “section 401(a) and section 501(c)(17)”, and

(2) by striking out “section 401(a)” in such subsection and inserting in lieu thereof “section 401(a) or section 501(c)(17)”.

SEC. 3. (a) Subsection (a)(2) of section 511 of the Internal Revenue Code of 1954 (relating to imposition of tax on unrelated business income of charitable, etc., organizations) is amended—

26 USC 511.

(1) by striking out “and (6)” in the heading of subparagraph (A) and inserting in lieu thereof “(6), and (17)”, and

(2) by striking out “or (6)” in the first sentence of subparagraph (A) and inserting in lieu thereof “(6), or (17)”.

(b) Subsection (b) of such section 511 is amended by striking out "section 501(c)(3)" in paragraph (2) and inserting in lieu thereof "section 501(c)(3) or (17)".

26 USC 513.

SEC. 4. Section 513(b)(2) of the Internal Revenue Code of 1954 (relating to the definition of unrelated trade or business) is amended by striking out "section 401(a)" and inserting in lieu thereof "section 401(a), or section 501(c)(17)".

26 USC 514.

SEC. 5. Section 514(c) of the Internal Revenue Code of 1954 (relating to business leases) is amended by adding at the end thereof the following new paragraph:

Ante, p. 534.

"(8) TRUSTS DESCRIBED IN SECTION 501(C)(17).—

"(A) In the case of a trust described in section 501(c)(17), or in the case of a corporation described in section 501(c)(2), all of the stock of which was acquired before January 1, 1960, by a trust described in section 501(c)(17), any indebtedness incurred by such trust or such corporation before January 1, 1960, in connection with real property which is leased before January 1, 1960, and any indebtedness incurred by such trust or such corporation on or after such date necessary to carry out the terms of such lease, shall not be considered as an indebtedness with respect to such trust or such corporation for purposes of this subsection.

"(B) In the application of paragraph (1), if a trust described in section 501(c)(17) forming part of a supplemental unemployment compensation benefit plan lends any money to another trust described in section 501(c)(17) forming part of the same plan, such loan shall not be treated as an indebtedness of the borrowing trust, except to the extent that the loaning trust—

"(i) incurs any indebtedness in order to make such loan,

"(ii) incurred indebtedness before the making of such loan which would not have been incurred but for the making of such loan, or

"(iii) incurred indebtedness after the making of such loan which would not have been incurred but for the making of such loan and which was reasonably foreseeable at the time of making such loan."

Effective date.

SEC. 6. (a) Except as provided in subsection (b), the amendments made by this Act shall apply to taxable years beginning after December 31, 1959.

(b) In the case of loans, the amendments made by section 2 of this Act shall apply only to loans made, renewed, or continued after December 31, 1959.

Approved July 14, 1960.

Public Law 86-668

AN ACT

To amend the Uniform Narcotic Drug Act for the District of Columbia.

July 14, 1960
[H. R. 12584]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsection (a) of section 10 of the Uniform Narcotic Drug Act (52 Stat. 785) is amended by striking out " (5) not more than one-sixth of a grain of dihydrocodeinone or any of its salts".

Approved July 14, 1960.