

Public Law 87-109

AN ACT

July 26, 1961
[H. R. 929]

To amend the Internal Revenue Code of 1954 to permit the prepaid dues income of certain membership organizations to be included in gross income for the taxable years to which the dues relate.

Income taxes,
Membership or-
ganizations.
68A Stat. 152.
26 USC 451 et
seq.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) subpart B of part II of subchapter E of chapter 1 of the Internal Revenue Code of 1954 (relating to taxable years for which items of gross income are included) is amended by adding at the end thereof the following new section:

"SEC. 456. PREPAID DUES INCOME OF CERTAIN MEMBERSHIP ORGANIZATIONS.

"(a) **YEAR IN WHICH INCLUDED.**—Prepaid dues income to which this section applies shall be included in gross income for the taxable years during which the liability described in subsection (e) (2) exists.

"(b) **WHERE TAXPAYER'S LIABILITY CEASES.**—In the case of any prepaid dues income to which this section applies—

"(1) If the liability described in subsection (e) (2) ends, then so much of such income as was not includible in gross income under subsection (a) for preceding taxable years shall be included in gross income for the taxable year in which the liability ends.

"(2) If the taxpayer ceases to exist, then so much of such income as was not includible in gross income under subsection (a) for preceding taxable years shall be included in gross income for the taxable year in which such cessation of existence occurs.

"(c) **PREPAID DUES INCOME TO WHICH THIS SECTION APPLIES.**—

"(1) **ELECTION OF BENEFITS.**—This section shall apply to prepaid dues income if and only if the taxpayer makes an election under this section with respect to the trade or business in connection with which such income is received. The election shall be made in such manner as the Secretary or his delegate may by regulations prescribe. No election may be made with respect to a trade or business if in computing taxable income the cash receipts and disbursements method of accounting is used with respect to such trade or business.

"(2) **SCOPE OF ELECTION.**—An election made under this section shall apply to all prepaid dues income received in connection with the trade or business with respect to which the taxpayer has made the election; except that the taxpayer may, to the extent permitted under regulations prescribed by the Secretary or his delegate, include in gross income for the taxable year of receipt the entire amount of any prepaid dues income if the liability from which it arose is to end within 12 months after the date of receipt. Except as provided in subsection (d), an election made under this section shall not apply to any prepaid dues income received before the first taxable year for which the election is made.

"(3) **WHEN ELECTION MAY BE MADE.**—

"(A) **WITH CONSENT.**—A taxpayer may, with the consent of the Secretary or his delegate, make an election under this section at any time.

"(B) **WITHOUT CONSENT.**—A taxpayer may, without the consent of the Secretary or his delegate, make an election under this section for its first taxable year (i) which begins after December 31, 1960, and (ii) in which it receives pre-

paid dues income in the trade or business. Such election shall be made not later than the time prescribed by law for filing the return for the taxable year (including extensions thereof) with respect to which such election is made.

“(4) PERIOD TO WHICH ELECTION APPLIES.—An election under this section shall be effective for the taxable year with respect to which it is first made and for all subsequent taxable years, unless the taxpayer secures the consent of the Secretary or his delegate to the revocation of such election. For purposes of this title, the computation of taxable income under an election made under this section shall be treated as a method of accounting.

“(d) TRANSITIONAL RULE.—

“(1) AMOUNT INCLUDIBLE IN GROSS INCOME FOR ELECTION YEARS.—If a taxpayer makes an election under this section with respect to prepaid dues income, such taxpayer shall include in gross income, for each taxable year to which such election applies, not only that portion of prepaid dues income received in such year otherwise includible in gross income for such year under this section, but shall also include in gross income for such year an additional amount equal to the amount of prepaid dues income received in the 3 taxable years preceding the first taxable year to which such election applies which would have been included in gross income in the taxable year had the election been effective 3 years earlier.

“(2) DEDUCTIONS OF AMOUNTS INCLUDED IN INCOME MORE THAN ONCE.—A taxpayer who makes an election with respect to prepaid dues income, and who includes in gross income for any taxable year to which the election applies an additional amount computed under paragraph (1), shall be permitted to deduct, for such taxable year and for each of the 4 succeeding taxable years, an amount equal to one-fifth of such additional amount, but only to the extent that such additional amount was also included in the taxpayer's gross income during any of the 3 taxable years preceding the first taxable year to which such election applies.

“(e) DEFINITIONS.—For purposes of this section—

“(1) PREPAID DUES INCOME.—The term ‘prepaid dues income’ means any amount (includible in gross income) which is received by a membership organization in connection with, and is directly attributable to, a liability to render services or make available membership privileges over a period of time which extends beyond the close of the taxable year in which such amount is received.

“(2) LIABILITY.—The term ‘liability’ means a liability to render services or make available membership privileges over a period of time which does not exceed 36 months, which liability shall be deemed to exist ratably over the period of time that such services are required to be rendered, or that such membership privileges are required to be made available.

“(3) MEMBERSHIP ORGANIZATION.—The term ‘membership organization’ means a corporation, association, federation, or other organization—

“(A) organized without capital stock of any kind, and

“(B) no part of the net earnings of which is distributable to any member.

“(4) RECEIPT OF PREPAID DUES INCOME.—Prepaid dues income shall be treated as received during the taxable year for which it is includible in gross income under section 451 (without regard to this section).”

(b) The table of sections for such subpart B is amended by adding at the end thereof the following:

"Sec. 456. Prepaid dues income of certain membership organizations."

Applicability.

SEC. 2. The amendments made by this Act shall apply with respect to taxable years beginning after December 31, 1960.

Approved July 26, 1961.

Public Law 87-110

AN ACT

July 26, 1961
[H. R. 4591]

To continue until the close of June 30, 1962, the suspension of duties on metal scrap, and for other purposes.

**Metal scrap.
Duty suspension.**

74 Stat. 361. 19
USC 1001, par. 301
note.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the first sentence of section 2 of the Act of September 30, 1950 (Public Law 869, Eighty-first Congress), is hereby amended by striking out "June 30, 1961" and inserting in lieu thereof "June 30, 1962": *Provided*, That this Act shall not apply to lead scrap, lead alloy scrap, antimonial lead scrap, scrap battery lead or plates, zinc scrap, or zinc alloy scrap, or to any form of tungsten scrap, tungsten carbide scrap, or tungsten alloy scrap; or to articles of lead, lead alloy, antimonial lead, zinc, or zinc alloy, or to articles of tungsten, tungsten carbide, or tungsten alloy, imported for remanufacture by melting.

26 USC 4541.

SEC. 2. The first section of this Act shall not apply to any article provided for in section 4541 of the Internal Revenue Code of 1954.

46 Stat. 672.

SEC. 3. (a) Section 201 of the Tariff Act of 1930, as amended (19 U.S.C., sec. 1201), is amended by adding at the end thereof the following new paragraph:

Horsemeat.

"PAR. 1826. Horsemeat, fresh, chilled, or frozen, whether or not decharacterized (except horsemeat packed in immediate containers weighing with their contents less than ten pounds each)."

(b) The amendments made by this section shall apply to articles entered, or withdrawn from warehouse, for consumption, on or after the date of enactment of this Act, and to articles covered by entries or withdrawals which have not been liquidated or the liquidation of which has not become final on such date of enactment.

Approved July 26, 1961.

Public Law 87-111

AN ACT

July 26, 1961
[H. R. 5548]

To authorize the Secretary of the Interior to acquire approximately nine acres of land for addition to Cumberland Gap National Historical Park, and for other purposes.

**Cumberland Gap
National Historical
Park, Ky.
Additional lands.**

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Interior may acquire for addition to Cumberland Gap National Historical Park the following described land and interests in land, located in Bell County, Kentucky: *Provided*, That appropriated funds may not be used to pay more than one-half the cost of such acquisition.

Beginning at a concrete marker on the west boundary of Cumberland Gap National Historical Park and being on the south margin of Avondale Avenue in the city of Middlesboro, Kentucky, and also on the south bank of Davis Branch; thence along the park boundary the following courses and distances: