

shall receive as an ordinary creditor an amount equal to the value of his interest in the dissolved partnership with interest, or, at his option or at the option of his legal representative, in lieu of interest, the profits attributable to the use of his right in the property of the dissolved partnership; provided that the creditors, or the representative of the retired or deceased creditors of the dissolved partnership as against the separate partner, shall have priority on any claim arising under this section, as provided by section 41 (8) of this Act.

SEC. 43. ACCRUAL OF RIGHT TO ACCOUNT.—The right to an account of his interest shall accrue to any partner, or his legal representative, as against the winding up partners or the surviving partners or the person or partnership continuing the business, at the date of dissolution, in the absence of any agreement to the contrary.

Approved September 27, 1962.

Public Law 87-710

AN ACT

September 27, 1962
[H. R. 12526]

To amend section 172 of the Internal Revenue Code of 1954 to provide a seven-year net operating loss carryover for certain regulated transportation corporations.

Taxes.
Operating loss
carryovers.
72 Stat. 1678.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) subsection (b) of section 172 of the Internal Revenue Code of 1954 (relating to net operating loss deduction) is amended to read as follows:

“(b) **NET OPERATING LOSS CARRYBACKS AND CARRYOVERS.**—

“(1) **YEARS TO WHICH LOSS MAY BE CARRIED.**—A net operating loss for any taxable year—

“(A) ending after December 31, 1957, shall be a net operating loss carryback to each of the 3 taxable years preceding the taxable year of the loss, and

“(B) ending after December 31, 1955, shall (except as provided in subparagraph (C)) be a net operating loss carryover to each of the 5 taxable years following the taxable year of such loss, or

“(C) ending after December 31, 1955, in the case of a taxpayer which is a regulated transportation corporation (as defined in subsection (j) (1)), shall (except as provided in subsection (j)) be a net operating loss carryover to each of the 7 taxable years following the taxable year of such loss.

“(2) **AMOUNT OF CARRYBACKS AND CARRYOVERS.**—Except as provided in subsections (i) and (j), the entire amount of the net operating loss for any taxable year (hereinafter in this section referred to as the ‘loss year’) shall be carried to the earliest of the taxable years to which (by reason of paragraph (1)) such loss may be carried. The portion of such loss which shall be carried to each of the other taxable years shall be the excess, if any, of the amount of such loss over the sum of the taxable income for each of the prior taxable years to which such loss may be carried. For purposes of the preceding sentence, the taxable income for any such prior taxable years shall be computed—

“(A) with the modifications specified in subsection (d) other than paragraphs (1), (4), and (6) thereof; and

“(B) by determining the amount of the net operating loss deduction without regard to the net operating loss for the loss year or for any taxable year thereafter, and the taxable income so computed shall not be considered to be less than zero.”

“Loss year.”

(b) Section 172 of such Code is amended by redesignating subsection (j) as subsection (k) and by inserting after subsection (i) the following new subsection:

72 Stat. 1678.

"(j) CARRYOVER OF NET OPERATING LOSS FOR CERTAIN REGULATED TRANSPORTATION CORPORATIONS.—

"(1) DEFINITION.—For purposes of subsection (b) (1) (C), the term 'regulated transportation corporation' means a corporation—

Supra.
"Regulated
transportation
corporation."

"(A) 80 percent or more of the gross income of which (computed without regard to dividends and capital gains and losses) for the taxable year is derived from the furnishing or sale of transportation described in subparagraph (A), (C) (i), (E), or (F) of section 1503(c) (1) and taken into account for purposes of section 1503(c) (2),

68 A Stat. 368.

"(B) which is described in section 1503(c) (3), or

"(C) which is a member of a regulated transportation system.

"(2) REGULATED TRANSPORTATION SYSTEM.—For purposes of this subsection, a corporation shall be treated as a member of a regulated transportation system for a taxable year if—

"(A) it is a member of an affiliated group of corporations making a consolidated return for such taxable year, and

"(B) 80 percent or more of the aggregate gross income of the members of such affiliated group (computed without regard to dividends and capital gains and losses) for such taxable year is derived from sources described in paragraph (1) (A).

For purposes of subparagraph (B), income derived by a corporation described in section 1503(c) (3) from leases described in subparagraph (A) thereof shall be considered as derived from sources described in paragraph (1) (A).

"(3) LIMITATION.—For purposes of subsection (b) (1) (C)—

"(A) a net operating loss may not be a net operating loss carryover to the 6th taxable year following the loss year unless the taxpayer is a regulated transportation corporation for such 6th taxable year; and

"(B) a net operating loss may not be a net operating loss carryover to the 7th taxable year following the loss year unless the taxpayer is a regulated transportation corporation for the 6th taxable year following the loss year and for such 7th taxable year.

"(4) TAXABLE YEARS BEGINNING IN 1955 AND ENDING IN 1956.—

In the case of a net operating loss for a taxable year beginning in 1955 and ending in 1956, the amount of such loss which may be carried—

"(A) to the 6th taxable year following the loss year shall be the amount which bears the same ratio to the amount which (but for this paragraph) would be carried to such 6th taxable year as the number of days in the loss year after December 31, 1955, bears to the total number of days in the loss year, and

"(B) to the 7th taxable year following the loss year shall be the amount (if any) by which (i) the amount carried to the 6th taxable year (determined under subparagraph (A)), exceeds (ii) the taxable income (computed as provided in subsection (b) (2)) for such 6th taxable year."

SEC. 2. The amendments made by the first section of this Act shall apply only with respect to net operating losses for taxable years ending after December 31, 1955.

Approved September 27, 1962.