

Public Law 90-240

January 2, 1968
[H. R. 1141]

AN ACT

To continue the duty-free status of certain gifts by members of the Armed Forces serving in combat zones, and for other purposes.

Armed Forces.
Gifts by mem-
bers in combat
zones.
Duty-free entry.
80 Stat. 71.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) item 915.25 (relating to bona fide gifts, not exceeding \$50 in retail value, from members of the Armed Forces serving in combat zones) of the Tariff Schedules of the United States (19 U.S.C. 1202) is amended by striking out "On or before 12/31/67" and inserting in lieu thereof "On or before 12/31/69".

(b) The headnotes for part 1, subpart B of the Appendix to such Schedules are amended by adding at the end thereof the following headnote:

"2. Articles exempted under item 915.25 from the payment of duty shall be exempt also from the payment of any internal revenue tax imposed upon or by reason of importation."

Effective date.

SEC. 2. The amendments made by the first section of this Act shall apply with respect to articles entered, or withdrawn from warehouse, for consumption on or after January 1, 1968.

Carriers of
bonded merchan-
dise.
76 Stat. 1130.

SEC. 3. Section 551 of the Tariff Act of 1930, as amended (19 U.S.C. 1551), is amended by adding at the end thereof the following new sentence: "A private carrier, upon application, may, in the discretion of the Secretary, be designated under the preceding sentence as a carrier of bonded merchandise, subject to such regulations and, in the case of each applicant, to such special terms and conditions as the Secretary may prescribe to safeguard the revenues of the United States with respect to the transportation of bonded merchandise by such applicant."

Cigars.
Federal excise
tax, computation.
72 Stat. 1414;
79 Stat. 150.
26 USC 5701.

SEC. 4. (a) Section 5701(a) of the Internal Revenue Code of 1954 (relating to rate of tax on cigars) is amended by adding after the penultimate sentence the following new sentence: "For purposes of the preceding sentence, the amount of State or local tax excluded from the retail price shall be the actual tax imposed; except that, if the combined taxes result in a numerical figure ending in a fraction of a cent, the amount so excluded shall be rounded to the next highest full cent unless such rounding would result in a tax lower than the tax which would be imposed in the absence of State or local tax."

(b) The amendment made by subsection (a) shall apply to the removal of cigars on or after the first day of the first calendar quarter which begins more than 30 days after the date of the enactment of this Act.

Insurance com-
panies.
Taxable income.
68A Stat. 264;
76 Stat. 998.

SEC. 5. (a) Section 832(b)(1) of the Internal Revenue Code of 1954 (relating to insurance company gross income) is amended by striking out "and" at the end of subparagraph (C), by striking out the period at the end of subparagraph (D) and inserting in lieu thereof "; and", and by adding at the end thereof the following new subparagraph:

"(E) in the case of a company which writes mortgage guaranty insurance, the amount required by subsection (e) (5) to be subtracted from the mortgage guaranty account."

Deductions.
68A Stat. 265.

(b) Section 832(c) of such Code (relating to insurance company deductions) is amended by striking out "and" at the end of paragraph (11), by striking out the period at the end of paragraph (12) and inserting in lieu thereof "; and", and by adding at the end the following new paragraph:

"(13) in the case of a company which writes mortgage guaranty insurance, the deduction allowed by subsection (e)."

(c) Section 832 of such Code (relating to insurance company taxable income) is amended by adding at the end thereof the following new subsection:

68A Stat. 264;
80 Stat. 1562.
26 USC 832.

“(e) SPECIAL DEDUCTION AND INCOME ACCOUNT.—In the case of taxable years beginning after December 31, 1966, of a company which writes mortgage guaranty insurance—

“(1) ADDITIONAL DEDUCTION.—There shall be allowed as a deduction for the taxable year, if bonds are purchased as required by paragraph (2), the sum of—

“(A) an amount representing the amount required by State law or regulation to be set aside in a reserve for mortgage guaranty insurance losses resulting from adverse economic cycles; and

“(B) an amount representing the aggregate of amounts so set aside in such reserve for the 8 preceding taxable years to the extent such amounts were not deducted under this paragraph in such preceding taxable years,

except that the deduction allowable for the taxable year under this paragraph shall not exceed the taxable income for the taxable year computed without regard to this paragraph or to any carryback of a net operating loss. For purposes of this paragraph, the amount required by State law or regulation to be so set aside in any taxable year shall not exceed 50 percent of premiums earned on insurance contracts (as defined in subsection (b) (4)) with respect to mortgage guaranty insurance for such year. For purposes of this subsection, all amounts shall be taken into account on a first-in-time basis. The computation and deduction under this section of losses incurred (including losses resulting from adverse economic cycles) shall not be affected by the provisions of this subsection. For purposes of this subsection, the terms ‘preceding taxable years’ and ‘preceding taxable year’ shall not include taxable years which began before January 1, 1967.

“(2) PURCHASE OF BONDS.—The deduction under paragraph (1) shall be allowed only to the extent that tax and loss bonds are purchased in an amount equal to the tax benefit attributable to such deduction, as determined under regulations prescribed by the Secretary or his delegate, on or before the date that any taxes (determined without regard to this subsection) due for the taxable year for which the deduction is allowed are due to be paid, as if no election to make installment payments under section 6152 is made. If a deduction would be allowed but for the fact that tax and loss bonds were not timely purchased, such deduction shall be allowed to the extent such purchases are made within a reasonable time, as determined by the Secretary or his delegate, if all interest and penalties, computed as if this sentence did not apply, are paid.

68A Stat. 757.
26 USC 6152.

“(3) MORTGAGE GUARANTY ACCOUNT.—Each company which writes mortgage guaranty insurance shall, for purposes of this part, establish and maintain a mortgage guaranty account.

“(4) ADDITIONS TO ACCOUNT.—There shall be added to the mortgage guaranty account for each taxable year an amount equal to the amount allowed as a deduction for the taxable year under paragraph (1).

“(5) SUBTRACTIONS FROM ACCOUNT AND INCLUSION IN GROSS INCOME.—After applying paragraph (4), there shall be subtracted for the taxable year from the mortgage guaranty account and included in gross income—

"(A) the amount (if any) remaining which was added to the account for the tenth preceding taxable year, and

"(B) the excess (if any) of the aggregate amount in the mortgage guaranty account over the aggregate amount in the reserve referred to in paragraph (1) (A). For purposes of determining such excess, the aggregate amount in the mortgage guaranty account shall be determined after applying subparagraph (A), and the aggregate amount in the reserve referred to in paragraph (1) (A) shall be determined by disregarding any amounts remaining in such reserve added for taxable years beginning before January 1, 1967,

"(C) an amount (if any) equal to the net operating loss for the taxable year computed without regard to this subparagraph, and

"(D) any amount improperly subtracted from the account under subparagraph (A), (B), or (C) to the extent that tax and loss bonds were redeemed with respect to such amount.

If a company liquidates or otherwise terminates its mortgage guaranty insurance business and does not transfer or distribute such business in an acquisition of assets referred to in section 381(a), the entire amount remaining in such account shall be subtracted. Except in the case where a company transfers or distributes its mortgage guaranty insurance in an acquisition of assets referred to in section 381(a), if the company is not subject to the tax imposed by section 831 for any taxable year, the entire amount in the account at the close of the preceding taxable year shall be subtracted from the account in such preceding taxable year."

(d) Section 381(c) (22) of such Code (relating to carryovers in certain corporate acquisitions) is amended to read as follows:

"(22) SUCCESSOR INSURANCE COMPANY.—If the acquiring corporation is an insurance company taxable under subchapter L, there shall be taken into account (to the extent proper to carry out the purposes of this section and of subchapter L, and under such regulations as may be prescribed by the Secretary or his delegate) the items required to be taken into account for purposes of subchapter L in respect of the distributor or transferor corporation."

(e) The amendments made by subsections (a), (b), (c), and (d) shall apply to taxable years beginning after December 31, 1966, except that so much of section 832(e) (2) of the Internal Revenue Code of 1954 (as added by the amendment made by subsection (c)) as provides for payment of interest and penalties for failure to make a timely purchase of tax and loss bonds shall not apply with respect to any period during which such bonds are not available for purchase.

(f) The Second Liberty Bond Act is amended by adding at the end thereof the following new section:

"SEC. 26. The Secretary of the Treasury is authorized to issue, from time to time, tax and loss bonds, the proceeds of which shall be available to meet any public expenditures authorized by law, and to retire any outstanding obligations of the United States issued under this Act. Tax and loss bonds shall be nontransferable except as provided by the Secretary of the Treasury, shall bear no interest and shall be issued in such amounts, subject to the limitations imposed by section 21 of this Act, as are necessary to permit persons to comply with section 832(e) of the Internal Revenue Code of 1954. Tax and loss bonds shall

68A Stat. 124.

68A Stat. 264;
80 Stat. 1562.

Corporate acquisitions, carry-over.

73 Stat. 139.
26 USC 801-843.

Second Liberty Bond Act, amendment.
40 Stat. 288.

Ante, p. 99.

be issued in such amounts and on such terms and conditions as required by section 832(e) of such Code and as the Secretary of the Treasury shall prescribe. With respect to any taxable year in which amounts are subtracted from the mortgage guaranty account referred to in section 832(e) (3) of such Code, an amount of tax and loss bonds which was purchased under section 832(e) (2) of such Code with respect to the amount so subtracted shall be redeemed, and to the extent necessary shall be applied to pay any taxes due as a result of the inclusion under section 82(b) (1) (E) of such Code of amounts in gross income. In addition, tax and loss bonds may be redeemed as prescribed by the Secretary of the Treasury."

Ante, p. 777.

(g) (1) In the case of taxable years beginning before 1967, a company shall treat additions to a reserve, required by State law or regulations for mortgage guaranty insurance losses resulting from adverse economic cycles, as unearned premiums for purposes of section 832(b) (4) of the Internal Revenue Code of 1954, but the amount so treated as unearned premiums in a taxable year shall not exceed 50 percent of premiums earned on insurance contracts (as defined in section 832(b) (4) of such Code), determined without regard to amounts added to the reserve, with respect to mortgage guaranty insurance for such year. The amount of unearned premiums at the close of 1966 shall be determined without regard to the preceding sentence for the purpose of applying section 832(b) (4) of such Code to 1967. Additions to such a reserve shall not be treated as unearned premiums for any taxable year beginning after 1966.

68A Stat. 264.
26 USC 832.

(2) If a mortgage guaranty insurance company made additions to a reserve which were so treated as unearned premiums described in paragraph (1), such company, in taxable years beginning after 1966, shall include in gross income (in addition to the items specified in section 832(b) (1) of such Code) the sum of the following amounts until there is included in gross income an amount equal to the aggregate additions to the reserve described in paragraph (1) for taxable years beginning before 1967:

(A) an amount (if any) equal to the excess of losses incurred (as defined in section 832(b) (5) of such Code) for the taxable year over 35 percent of premiums earned on insurance contracts during the taxable year (as defined in section 832(b) (4) of such Code), determined without regard to amounts added to the reserve referred to in paragraph (1), with respect to mortgage guaranty insurance,

(B) the amount (if any) remaining which was added to the reserve for the tenth preceding taxable year, and

(C) the excess (if any) of—

(i) the aggregate of amounts so treated as unearned premiums for all taxable years beginning before 1967 less the total of the amounts included in gross income under this paragraph for prior taxable years and the amounts included in gross income under subparagraphs (A) and (B) for the taxable year, over

(ii) the aggregate of the additions made for taxable years beginning before 1967 which remain in the reserve at the close of the taxable year.

Amounts shall be taken into account on a first-in-time basis. For purposes of section 832(e) of such Code and this paragraph, if part of the reserve is reduced under State law or regulation, such reduction shall first apply to the extent of amounts added to the reserve for

taxable years beginning before 1967, and only then to amounts added thereafter.

(3) The provisions of this subsection shall apply to taxable years beginning after December 31, 1956.

Approved January 2, 1968.

Public Law 90-241

AN ACT

For the relief of Marshall County, Indiana.

January 2, 1968
[H. R. 11542]

Marshall County,
Ind.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Marshall County, Indiana, is relieved of liability to the United States in the amount of \$1,801.25, representing the amount of Federal civil defense matching funds advanced to Marshall County, Indiana, in July 1961 toward the cost of radio equipment purchased by it for civil defense purposes prior to the required approval of the project under which such equipment was purchased and prior to the date of availability of the applicable Federal appropriation. In the audit and settlement of the accounts of any certifying or disbursing officer of the United States, credit shall be given for amounts for which liability is relieved by this Act.

SEC. 2. The Secretary of the Treasury is hereby authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to Marshall County, Indiana, an amount equal to the aggregate of the amounts paid by it, or withheld from sums otherwise due it, on account of the liability to the United States referred to in the first section of this Act. No part of the amount appropriated in this section shall be paid or delivered to or received by any agent or attorney on account of services rendered in connection with this claim, and the same shall be unlawful, any contract to the contrary notwithstanding. Any person violating the provisions of this Act shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding \$1,000.

Approved January 2, 1968.

Public Law 90-242

AN ACT

To amend the Marine Resources and Engineering Development Act of 1966, as amended, to extend the period of time within which the Commission on Marine Science, Engineering, and Resources is to submit its final report and to provide for a fixed expiration date for the National Council on Marine Resources and Engineering Development.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Marine Resources and Engineering Development Act of 1966 is amended as follows:

Subparagraph (h) of section 5 is amended by striking out "eighteen" and inserting "twenty-four" in lieu thereof.

SEC. 2. Subparagraph (f) of section 3 is amended by striking out "one hundred and twenty days after the submission of the final report of the Commission pursuant to section 5(h)." and inserting in lieu thereof "on June 30, 1969."

Approved January 2, 1968.

January 2, 1968
[H. R. 13273]

80 Stat. 207.
33 USC 1104.

33 USC 1102.