

"(2) if any such advertising states separately the amount to be paid for such transportation or the amount of such taxes, shall state such total at least as prominently as the more prominently stated of the amount to be paid for such transportation or the amount of such taxes and shall describe such taxes substantially as: 'user taxes to pay for airport construction and airway safety and operations'."

SEC. 4. The amendments made by the third section of this Act shall apply to transportation beginning after June 30, 1970.

Effective date.

Approved January 12, 1971.

Public Law 91-681

AN ACT

To amend section 367 of the Internal Revenue Code of 1954.

January 12, 1971
[H. R. 19686]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 367 of the Internal Revenue Code of 1954 (relating to foreign corporations) is amended to read as follows:

Taxes.
Foreign
corporations.
68A Stat. 119.
26 USC 367.

"SEC. 367. FOREIGN CORPORATIONS.

"(a) GENERAL RULE.—In determining the extent to which gain shall be recognized in the case of any of the exchanges described in section 332, 351, 354, 355, 356, or 361, a foreign corporation shall not be considered as a corporation unless—

68A Stat. 102;
80 Stat. 1577.

"(1) before such exchange, or

"(2) in the case of an exchange described in subsection (b), either before or after such exchange, it has been established to the satisfaction of the Secretary or his delegate that such exchange is not in pursuance of a plan having as one of its principal purposes the avoidance of Federal income taxes.

"(b) APPLICATION OF SUBSECTION (a) (2).—Subsection (a) (2) shall apply in the case of a mere change in form in which there is an exchange by a foreign corporation of—

"(1) stock in one foreign corporation for,

"(2) stock in another foreign corporation,

if the corporations referred to in paragraphs (1) and (2) differ only in their form of organization, and if the ownership of the corporation referred to in paragraph (1) immediately before such exchange is identical to the ownership of the corporation referred to in paragraph (2) immediately after such exchange.

"(c) SECTION 355 DISTRIBUTIONS TREATED AS EXCHANGES.—For purposes of this section, any distribution described in section 355 (or so much of section 356 as relates to section 355) shall be treated as an exchange whether or not it is an exchange.

"(d) CONTRIBUTIONS OF CAPITAL TO CONTROLLED CORPORATIONS.—For purposes of this chapter, any transfer of property to a foreign corporation as a contribution to the capital of such corporation by one or more persons who, immediately after the transfer, own (within the meaning of section 318) stock possessing at least 80 percent of the total combined voting power of all classes of stock of such corporation entitled to vote shall be treated as an exchange of such property for stock of the foreign corporation equal in value to the fair market value of the property transferred unless, before such transfer, it has been established to the satisfaction of the Secretary or his delegate that such transfer is not in pursuance of a plan having as one of its principal purposes the avoidance of Federal income taxes."

68A Stat. 99;
78 Stat. 762.

Nontaxable
transfers.
68A Stat. 365.
26 USC 1492.

(b) Section 1492 of such Code (relating to nontaxable transfers) is amended—

(1) by striking out the period at the end of paragraph (2) and inserting in lieu thereof a semicolon and “or”; and

(2) by adding at the end thereof the following new paragraph:

“(3) To a transfer to which section 367(d) applies.”

Ante, p. 2065.

Effective date.

(c) The amendments made by this section shall apply to transfers made after December 31, 1967; except that sections 367(d) and 1492 of the Internal Revenue Code of 1954 (as amended by this section) shall apply only with respect to transfers made after December 31, 1970.

Approved January 12, 1971.

Public Law 91-682

AN ACT

January 12, 1971
[H. R. 15728]

To authorize the extension of certain naval vessel loans now in existence and new loans, and for other purposes.

Naval vessels,
Loans to foreign
countries, exten-
sion.
70A Stat. 452.

50 USC app.
1878q-1878z.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That notwithstanding section 7307 of title 10, United States Code, or any other law, the President may extend on such terms and under such conditions as he deems appropriate the loan of ships, previously authorized as indicated, as follows: (1) Greece, one submarine (Act of October 4, 1961 (75 Stat. 815)) and, (2) Pakistan, one submarine (Act of October 4, 1961 (75 Stat. 815)).

SEC. 2. Notwithstanding section 7307 of title 10, United States Code, or any other provision of law, the President may lend two destroyer escorts to the Republic of Vietnam and two destroyers and two submarines to the Government of Turkey in addition to any ships previously authorized to be loaned to these nations, with or without reimbursement and on such terms and under such conditions as the President may deem appropriate. All expenses involved in the activation, rehabilitation, and outfitting (including repairs, alterations, and logistic support) of ships transferred under this section shall be charged to funds programed for the recipient government as grant military assistance under the provisions of the Foreign Assistance Act of 1961, as amended, or successor legislation, or to funds provided by the recipient government. The authority of the President to lend naval vessels under this section shall terminate on December 31, 1971.

75 Stat. 424.
22 USC 2151
note.

SEC. 3. All new loans and loan extensions executed under this Act shall be for periods not exceeding five years, but the President may in his discretion extend such loans for an additional period of not more than five years. Any agreement for a new loan or for the extension of a loan executed under this Act shall be made subject to the condition that the agreement may be terminated by the President if he finds that the armed forces of the borrowing country have engaged, at any time after the date of such agreement, in acts of warfare against any country which is a party to a mutual defense treaty ratified by the United States. All loans and loan extensions shall be made on the condition that they may be terminated at an earlier date if necessitated by the defense requirements of the United States.