

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.

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)).

50 USC app.
1878q-1878z.

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.

SEC. 4. No loan may be made or extended under this Act unless the Secretary of Defense, after consultation with the Joint Chiefs of Staff, determines that such loan or extension is in the best interest of the United States. The Secretary of Defense shall keep the Congress currently advised of all loans made or extended under this Act.

SEC. 5. The President may promulgate such rules and regulations as he deems necessary to carry out the provisions of this Act.

Approved January 12, 1971.

Consultation.

Congressional
notification.

Rules and
regulations.

Public Law 91-683

AN ACT

To amend section 1372 of the Internal Revenue Code of 1954, relating to passive investment income.

January 12, 1971
[H. R. 19627]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) subparagraph (C) of section 1372(e) (5) of the Internal Revenue Code of 1954 (relating to passive investment income of small business corporations) is amended by inserting at the end thereof the following new sentence: "Gross receipts derived from sales or exchanges of stock or securities for purposes of this paragraph shall not include amounts received by an electing small business corporation which are treated under section 331 (relating to corporate liquidations) as payments in exchange for stock where the electing small business corporation owned more than 50 percent of each class of the stock of the liquidating corporation."

Taxes.
Corporations,
passive invest-
ment income.
80 Stat. 114.
26 USC 1372.

(b) The amendment made by subsection (a) shall apply to taxable years of electing small business corporations ending after the date of the enactment of this Act. Such amendment shall also apply with respect to any taxable year ending before October 7, 1970, but only if—

Effective date.

(1) on such date the making of a refund or the allowance of a credit to the electing small business corporation is not prevented by any law or rule of law, and

Conditions.

(2) within one year after the date of enactment of this Act and in such manner as the Secretary of the Treasury or his delegate prescribes by regulations—

(A) the corporation elects to have such amendment so apply, and

(B) all persons (or their personal representatives) who were shareholders of such corporation at any time during any taxable year beginning with the first taxable year to which this amendment applies and ending on or before the date of the enactment of this Act consent to such election and to the application of the amendment made by subsection (a).

(c) If the assessment of any deficiency in income tax resulting from the filing of such election for a taxable year ending before the date of such filing is prevented before the expiration of one year after the date of such filing by any law or rule of law, such deficiency (to the extent attributable to such election) may be assessed at any time prior to the expiration of such one-year period notwithstanding any law or rule of law which would otherwise prevent such assessment.

Deficiency
assessment.

(d) If the election of a corporation under subsection (a) of section 1372 of the Internal Revenue Code of 1954 would have been terminated because of the application of subsection (e) (5) of such section (before the amendment made by subsection (a) of this section) but for the election by such corporation under paragraph (2) of subsection (b) (and the consent of shareholders under such paragraph), such election under section 1372(a) of such code shall not be treated as terminated

72 Stat. 1650.