

Public Law 94-81
94th Congress

An Act

To exclude from gross income gains from the condemnation of certain forest lands held in trust for the Klamath Indian Tribe.

Aug. 9, 1975

[H.R. 83]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for purposes of the Internal Revenue Code of 1954, gain resulting from the condemnation, pursuant to Public Law 93-102, of the Klamath Indian forest lands held by the trustee for the Klamath Indian Tribe—

- (1) shall be excluded from the gross income of the trust, and
- (2) on the distribution from the trust of the proceeds of such condemnation, shall be excluded from the gross income of each person receiving such distribution.

Indians.
Klamath Tribe,
gains from
condemnation of
certain forest
lands.
Tax exclusion.
25 USC 564j
note.
25 USC 564w-2.

SEC. 2. TRANSFERS OF SECTION 1245 PROPERTY OR SECTION 1250 PROPERTY TO TAX-EXEMPT ORGANIZATION WHICH USES SUCH PROPERTY IN AN UNRELATED TRADE OR BUSINESS.

(a) **AMENDMENTS OF SECTION 1245.—**

- (1) The second sentence of section 1245(b)(3) (relating to gain from dispositions of certain depreciable property) is amended by striking out "This" and inserting in lieu thereof "Except as provided in paragraph (7), this".

26 USC 1245.

- (2) Section 1245(b) is amended by adding at the end thereof the following new paragraph:

"(7) **TRANSFERS TO TAX-EXEMPT ORGANIZATION WHERE PROPERTY WILL BE USED IN UNRELATED BUSINESS.—**

"(A) **IN GENERAL.**—The second sentence of paragraph (3) shall not apply to a disposition of section 1245 property to an organization described in section 511(a)(2) or 511(b)(2) if, immediately after such disposition, such organization uses such property in an unrelated trade or business (as defined in section 513).

26 USC 511.

26 USC 513.

"(B) **LATER CHANGE IN USE.**—If any property with respect to the disposition of which gain is not recognized by reason of subparagraph (A) ceases to be used in an unrelated trade or business of the organization acquiring such property, such organization acquiring such property, such organization shall be treated for purposes of this section as having disposed of such property on the date of such cessation."

(b) **AMENDMENTS TO SECTION 1250.—**

- (1) The second sentence of section 1250(d)(3) (relating to gain from dispositions of certain depreciable realty) is amended by striking out "This" and inserting in lieu thereof "Except as provided in paragraph (9), this".

26 USC 1250.

- (2) Section 1250(d) is amended by adding at the end thereof the following new paragraph:

"(9) **TRANSFERS TO TAX-EXEMPT ORGANIZATION WHERE PROPERTY WILL BE USED IN UNRELATED BUSINESS.—**

"(A) **IN GENERAL.**—The second sentence of paragraph (3) shall not apply to a disposition of section 1250 property to an organization described in section 511(a)(2) or 511(b)(2) if, immediately after such disposition, such organization uses

such property in an unrelated trade or business (as defined in section 513).

“(B) **LATER CHANGE IN USE.**—If any property with respect to the disposition of which gain is not recognized by reason of subparagraph (A) ceases to be used in an unrelated trade or business of the organization acquiring such property, such organization shall be treated for purposes of this section as having disposed of such property on the date of such cessation.”.

26 USC 1250
note.

(c) **EFFECTIVE DATE.**—

(1) **IN GENERAL.**—Except as provided in paragraph (2) the amendments made by this section shall apply to dispositions after December 31, 1969, in taxable years ending after such date.

(2) **ELECTION FOR PAST TRANSACTIONS.**—In the case of any disposition occurring before the date of the enactment of this Act, the amendments made by this section shall apply only if the organization acquiring the property elects (in the manner provided by regulations prescribed by the Secretary of the Treasury or his delegate) within 1 year after the date of the enactment of this Act to have such amendments apply with respect to such property.

SEC. 3. DEFINITION OF PRIVATE FOUNDATION.

26 USC 509.

(a) Subparagraph (B) of section 509(a) (2) of the Internal Revenue Code of 1954 (relating to permitted extent of private support) is amended to read as follows:

“(B) normally receives not more than one-third of its support in each taxable year from the sum of—

“(i) gross investment income (as defined in subsection (e)) and

26 USC 512.
26 USC 511.

“(ii) the excess (if any) of the amount of the unrelated business taxable income (as defined in section 512) over the amount of the tax imposed by section 511;”.

Effective date.
26 USC 509 note.

(b) The amendment made by this section shall apply to unrelated business taxable income derived from trades and businesses which are acquired by the organization after June 30, 1975.

Approved August 9, 1975.

LEGISLATIVE HISTORY:

HOUSE REPORT No. 94-250 (Comm. on Ways and Means).

SENATE REPORT No. 94-272 (Comm. on Finance).

CONGRESSIONAL RECORD, Vol. 121 (1975):

June 26, considered and passed House.

July 11, considered and passed Senate, amended.

July 25, House concurred in Senate amendment with an amendment.

Aug. 1, Senate concurred in House amendment to Senate amendment.