

## CHAPTER III

## DEPARTMENT OF TRANSPORTATION

## FEDERAL RAILROAD ADMINISTRATION

## INTERIM OPERATING ASSISTANCE

For necessary expenses for "Interim operating assistance" under the Regional Rail Reorganization Act of 1973, \$10,200,000, to remain available until expended.

## CHAPTER IV

## DEPARTMENT OF AGRICULTURE

## COMMODITY EXCHANGE AUTHORITY

*Ante*, p. 1389.

For necessary expenses to carry into effect the provisions of the Commodity Exchange Act, as amended (7 U.S.C. 1 et seq.) and Public Law 93-463, enacted October 23, 1974, including not to exceed \$200,000 for employment under 5 U.S.C. 3109, \$2,473,000.

## CHAPTER V

## DEPARTMENT OF COMMERCE

## ECONOMIC DEVELOPMENT ADMINISTRATION

## JOB OPPORTUNITIES PROGRAM

*Ante*, p. 1845.

For Job Opportunities Program assistance as authorized by title III of the Emergency Jobs and Unemployment Assistance Act of 1974, \$125,000,000, to be derived by transfer from funds appropriated in this Act to the Department of Labor under the heading "Temporary Employment Assistance", to remain available until December 31, 1975: *Provided*, That this appropriation shall become available only upon enactment into law of H.R. 16596 or similar legislation by the Ninety-third Congress.

Approved January 3, 1975.

Public Law 93-625

January 3, 1975  
[H. R. 421]

## AN ACT

To amend the Tariff Schedules of the United States to permit the importation of upholstery regulators, upholsterer's regulating needles, and upholsterer's pins free of duty.

Upholstery reg-  
ulators, needles,  
and pins.  
Duty-free im-  
portation.  
Taxes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

## SECTION 1. AMENDMENT OF TARIFF SCHEDULES.

(a) IN GENERAL.—Schedule 6, part 3, subpart E of the Tariff Schedules of the United States (19 U.S.C. 1202) is amended—

(1) by striking out "upholstery regulators, and", and by inserting "and upholstery regulators, upholsterer's regulating needles, and upholsterer's pins," after "other hand needles," in the item description preceding item 651.01.

- (2) by striking out “and upholstery regulators” in item 651.04; and  
 (3) by inserting after item 651.05 the following new item:

“	651.06	Upholstery regulators, upholsterer's regulating needles, and upholsterer's pins.....	Free	Free	”.
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(b) **EFFECTIVE DATE.**—The amendments made by subsection (a) apply with respect to articles entered, or withdrawn from warehouse, for consumption on or after the date of enactment of this Act. 19 USC 1202 note.

(c) **STATUS OF NEW ITEM.**—The duty free treatment applied to upholstery regulators, upholsterer's regulating needles, and upholsterer's pins under item 651.06 of the Tariff Schedules of the United States (as added by subsection (a)) shall be treated as not having the status of a statutory provision enacted by the Congress, but as having been proclaimed by the President as being required or appropriate to carry out foreign trade agreements to which the United States is a party. 19 USC 1202 note.

## SEC. 2. AMENDMENT OF INTERNAL REVENUE CODE.

Except as otherwise expressly provided, whenever in this Act an amendment is expressed in terms of an amendment to a section or other provision, the reference is to a section or other provision of the Internal Revenue Code of 1954. 26 USC 1 *et seq.*

## SEC. 3. EXTENSION BY ONE YEAR OF PERIOD DURING WHICH POLLUTION CONTROL FACILITIES, RAILROAD ROLLING STOCK, REHABILITATION HOUSING, AND COAL MINE SAFETY EQUIPMENT MAY QUALIFY FOR 5-YEAR AMORTIZATION.

(a) **POLLUTION CONTROL FACILITIES.**—Section 169(d)(4)(B) (defining new identifiable treatment facility) is amended by striking out “January 1, 1975” and inserting in lieu thereof “January 1, 1976”. 26 USC 169.

(b) **RAILROAD ROLLING STOCK.**—Section 184(e) (relating to amortization of railroad rolling stock) is amended— 26 USC 184.

(1) by striking out “1975” in paragraph (1) and inserting in lieu thereof “1976”, and

(2) by striking out “January 1, 1975” in paragraph (7) and inserting in lieu thereof “January 1, 1976”.

(c) **REHABILITATION OF LOW-INCOME RENTAL HOUSING.**—Section 167(k)(1) (relating to expenditures to rehabilitate low-income rental housing) is amended by striking out “January 1, 1975” and inserting in lieu thereof “January 1, 1976”. 26 USC 167.

(d) **COAL MINING SAFETY EQUIPMENT.**—Section 187(d)(3) (defining certified coal mine safety equipment) is amended by striking out “January 1, 1975” and inserting in lieu thereof “January 1, 1976”. 26 USC 187.

## SEC. 4. ACCRUAL OF VACATION PAY.

(a) **IN GENERAL.**—Subpart C of part II of subchapter E of chapter 1 (relating to taxable year for which deductions taken) is amended by adding at the end thereof the following new section:

### “SEC. 463. ACCRUAL OF VACATION PAY.

“(a) **ALLOWANCE OF DEDUCTION.**—At the election of a taxpayer whose taxable income is computed under an accrual method of accounting, if the conditions of section 162(a) are otherwise satisfied, the deduction allowable under section 162(a) with respect to vacation pay shall be an amount equal to the sum of— 26 USC 463.

26 USC 162.

"(1) a reasonable addition to an account representing the taxpayer's liability for vacation pay earned by employees before the close of the taxable year and payable during the taxable year or within 12 months following the close of the taxable year; plus

"(2) the amount (if any) of the reduction at the close of the taxable year in the suspense account provided in subsection (c) (2).

Such liability for vacation pay earned before the close of the taxable year shall include amounts which, because of contingencies, would not (but for this section) be deductible under section 162(a) as an accrued expense. All payments with respect to vacation pay shall be charged to such account.

"(b) OPENING BALANCE.—The opening balance of the account described in subsection (a) (1) for its first taxable year shall, under regulations prescribed by the Secretary or his delegate, be—

"(1) in the case of a taxpayer who maintained a predecessor account for vacation pay under section 97 of the Technical Amendments Act of 1958, as amended, for his last taxable year ending before January 1, 1973, and who makes an election under this section for his first taxable year ending after December 31, 1972, the larger of—

"(A) the balance in such predecessor account at the close of such last taxable year, or

"(B) the amount determined as if the taxpayer had maintained an account described in subsection (a) (1) for such last taxable year, or

"(2) in the case of any taxpayer not described in paragraph (1), an amount equal to the largest closing balance the taxpayer would have had for any of the taxpayer's 3 taxable years immediately preceding such first taxable year if the taxpayer had maintained such account throughout such 3 immediately preceding taxable years.

"(c) SUSPENSE ACCOUNT FOR DEFERRED DEDUCTION.—

"(1) INITIAL SUSPENSE ACCOUNT.—The amount of the suspense account at the beginning of the first taxable year for which the taxpayer maintains under this section an account (described in subsection (a) (1)) shall be the amount of the opening balance described in subsection (b) minus the amount, if any, allowed as deductions for prior taxable years for vacation pay accrued but not paid at the close of the taxable year preceding such first taxable year.

"(2) ADJUSTMENTS IN SUSPENSE ACCOUNT.—At the close of each taxable year the suspense account shall be—

"(A) reduced by the excess, if any, of the amount in the suspense account at the beginning of the taxable year over the amount in the account described in subsection (a) (1) at the close of the taxable year (after making the additions and charges for such taxable year provided in subsection (a)), or

"(B) increased (but not to an amount greater than the initial balance of the suspense account) by the excess, if any

26 USC 162.

26 USC 162  
note.

of the amount in the account described in subsection (a) (1) at the close of the taxable year (after making the additions and charges for such taxable year provided in subsection (a)) over the amount in the suspense account at the beginning of the taxable year.

“(3) **Section 381 ACQUISITIONS.**—The application of this subsection to any acquisition to which section 381(a) applies shall be determined under regulations prescribed by the Secretary or his delegate. 26 USC 381.

“(d) **ELECTION.**—An election under this section shall be made at such time and in such manner as the Secretary or his delegate may by regulations prescribe.

“(e) **CHANGES IN ACCOUNTING METHOD.**—

“(1) **ESTABLISHMENT OF ACCOUNT NOT CONSIDERED CHANGE.**—The establishment of an account described in subsection (a) (1) shall not be considered a change in method of accounting for purposes of section 446(e) (relating to requirement respecting change of accounting method), and no adjustment shall be required under section 481 by reason of the establishment of such account. 26 USC 446, 26 USC 481.

“(2) **CERTAIN TAXPAYERS TREATED AS HAVING INITIATED CHANGE.**—If the taxpayer treated vacation pay under section 97 of the Technical Amendments Act of 1958, as amended, for his last taxable year ending before January 1, 1973, and if such taxpayer fails to make an election under this section for his first taxable year ending after December 31, 1972, then, for purposes of section 481, such taxpayer shall be treated as having initiated a change in method of accounting with respect to vacation pay for his first taxable year ending after December 31, 1972.” 26 USC 162 note, 26 USC 481.

(b) **CLERICAL AMENDMENT.**—The table of sections for such subpart C is amended by adding at the end thereof the following:

“Sec. 463. Accrual of vacation pay.”

(c) **CERTAIN INCREASES IN SUSPENSE ACCOUNT INCLUDED IN GROSS INCOME.**—

(1) Section 81 is amended to read as follows: 26 USC 81.

“**SEC. 81. CERTAIN INCREASES IN SUSPENSE ACCOUNTS.**

“There shall be included in gross income for the taxable year for which an increase is required—

“(1) **CERTAIN DEALERS’ RESERVES.**—The amount of any increase in the suspense account required by paragraph (4) (B) (ii) of section 166(g) (relating to certain debt obligations guaranteed by dealers). 26 USC 166.

“(2) **VACATION PAY.**—The amount of any increase in the suspense account required by paragraph (2) (B) of section 463(c) (relating to accrual of vacation pay).” *Ante*, p. 2109.

(2) The table of sections for part II of subchapter B of chapter 1 is amended by striking out the item relating to section 81 and inserting in lieu thereof the following:

“Sec. 81. Certain increases in suspense accounts.”

(d) **EFFECTIVE DATES.**—

(1) Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 1973. 26 USC 463 note.

(2) If the taxpayer maintained an account for vacation pay under section 97 of the Technical Amendments Act of 1958, as amended, for his last taxable year ending before January 1, 1973, the amendments made by this section shall apply to taxable years ending after December 31, 1972.

#### SEC. 5. APPLICATION OF CLASS LIFE SYSTEM TO REAL PROPERTY.

(a) GENERAL RULE.—In the case of buildings and other items of section 1250 property (within the meaning of section 1250(c) of the Internal Revenue Code of 1954) placed in service before the effective date of the class lives first prescribed by the Secretary of the Treasury or his delegate under section 167(m) of such Code for the class in which such property falls, if an election under such section 167(m) applies to the taxpayer for the taxable year in which such property is placed in service, the taxpayer may, in accordance with regulations prescribed by the Secretary of the Treasury or his delegate, elect to determine the useful life of such property—

(1) under Revenue Procedure 62-21 (as amended and supplemented) as in effect on December 31, 1970, or

(2) on the facts and circumstances.

(b) REPEAL OF PRIOR TRANSITIONAL RULE.—Paragraph (1) of section 109(e) of the Revenue Act of 1971 (Public Law 92-178) is hereby repealed.

(c) CONFORMING AMENDMENT.—Section 1250(a)(1)(C)(ii) is amended by striking “January 1, 1975” and in lieu thereof inserting “January 1, 1976”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to property placed in service after December 31, 1973.

#### SEC. 6. REAL ESTATE INVESTMENT TRUSTS; TREATMENT OF FORECLOSURE PROPERTY.

(a) FORECLOSURE PROPERTY.—Section 856 (defining real estate investment trust) is amended by adding at the end thereof the following new subsection:

“(e) SPECIAL RULES FOR FORECLOSURE PROPERTY.—

“(1) FORECLOSURE PROPERTY DEFINED.—For purposes of this part, the term ‘foreclosure property’ means any real property (including interests in real property), and any personal property incident to such real property, acquired by the real estate investment trust as the result of such trust having bid in such property at foreclosure, or having otherwise reduced such property to ownership or possession by agreement or process of law, after there was default (or default was imminent) on a lease of such property or on an indebtedness which such property secured.

“(2) GRACE PERIOD.—Except as provided in paragraph (3), property shall cease to be foreclosure property with respect to the real estate investment trust on the date which is 2 years after the date such trust acquired such property.

“(3) EXTENSIONS.—If the real estate investment trust establishes to the satisfaction of the Secretary or his delegate that an extension of the grace period is necessary for the orderly liquidation of the trust’s interest in such property, the Secretary or his delegate may extend the grace period for such property. Any such extension shall be for a period of not more than 1 year, and not more than 2 extensions shall be granted with respect to any property.

“(4) TERMINATION OF GRACE PERIOD IN CERTAIN CASES.—Any foreclosure property shall cease to be such on the first day (occur-

26 USC 162  
note.

26 USC 167  
note.  
26 USC 1250.

26 USC 167.

26 USC 167  
note.  
26 USC 1250.

26 USC 167  
note.

26 USC 856.



ring on or after the day on which the real estate investment trust acquired the property) on which—

“(A) a lease is entered into with respect to such property which, by its terms, will give rise to income which is not described in subsection (c) (3) (other than subparagraph (F) of such subsection), or any amount is received or accrued, directly or indirectly, pursuant to a lease entered into on or after such day which is not described in such subsection,

“(B) any construction takes place on such property (other than completion of a building, or completion of any other improvement, where more than 10 percent of the construction of such building or other improvement was completed before default became imminent), or

“(C) if such day is more than 90 days after the day on which such property was acquired by the real estate investment trust and the property is used in a trade or business which is conducted by the trust (other than through an independent contractor (within the meaning of section (d) (3)) from whom the trust itself does not derive or receive any income).

“(5) **TAXPAYER MUST MAKE ELECTION.**—Property shall be treated as foreclosure property for purposes of this part only if the real estate investment trust so elects (in the manner provided in regulations prescribed by the Secretary or his delegate) on or before the due date (including any extensions of time) for filing its return of tax under this chapter for the taxable year in which such trust acquires such property. Any such election shall be irrevocable.”

26 USC 856.

(b) **MODIFICATION OF HOLDING FOR SALE RULE.**—Section 856(a) (4) (defining real estate investment trust) is amended by inserting after “property” the following: “(other than foreclosure property, as defined in subsection (e))”.

*Ante*, p. 2112.

26 USC 857.

(c) **TAX ON INCOME FROM FORECLOSURE PROPERTY.**—Section 857(b) (relating to method of taxation of real estate investment trusts, etc.) is amended by redesignating paragraph (4) as paragraph (5) and by inserting after paragraph (3) the following new paragraph:

“(4) **INCOME FROM FORECLOSURE PROPERTY.**—

“(A) **IMPOSITION OF TAX.**—There is hereby imposed for each taxable year on the net income from foreclosure property of every real estate investment trust a tax determined by applying section 11 to such income as if such income constituted the taxable income of a corporation taxable under section 11. For purposes of the preceding sentence, the surtax exemption shall be zero.

26 USC 11.

“(B) **NET INCOME FROM FORECLOSURE PROPERTY.**—For purposes of this part, the term ‘net income from foreclosure property’ means the excess of—

“‘Net income from foreclosure property.’”

“(i) gain from the sale or other disposition of foreclosure property described in section 1221(1) and the gross income for the taxable year derived from foreclosure property (as defined in section 856(e)), but only to the extent such gross income is not described in subparagraph (A), (B), (C), (D), or (E) of section 856(c) (3), over

26 USC 1221.

*Ante*, p. 2112.

26 USC 856.

“(ii) the deductions allowed by this chapter which are directly connected with the production of the income referred to in clause (i).”

26 USC 856.

## (d) TECHNICAL AMENDMENTS.—

(1) Paragraphs (2) and (3) of section 856(c) (relating to limitations) are each amended by striking out “and” at the end of subparagraph (D), by adding “and” at the end of subparagraph (E), and by adding at the end thereof the following new subparagraph:

Ante, p. 2112.

26 USC 857.

“(F) income and gain derived from foreclosure property (as defined in subsection (e));”.

(2) Section 857(a)(1) (relating to requirements applicable to real estate investment trusts) is amended to read as follows:

26 USC 561.

“(1) the deduction for dividends paid during the taxable year (as defined in section 561, but determined without regard to capital gains dividends) equals or exceeds the sum of—

“(A) 90 percent of the real estate investment trust taxable income for the taxable year (determined without regard to the deduction for dividends paid (as defined in section 561)); and

26 USC 857.

“(B) 90 percent of the excess of (i) the net income from foreclosure property over (ii) the tax imposed on such income by subsection (b)(4)(A), and”.

(3) Section 857(b)(2) (defining real estate investment trust taxable income) is amended by adding at the end thereof the following new subparagraph:

“(F) There shall be excluded an amount equal to the net income from foreclosure property.”

26 USC 856  
note.

26 USC 856.

(4) Section 857(b)(2)(C) is amended by inserting before the the period at the end thereof “and shall be computed without regard to that portion of such deduction which is attributable to the amount excluded under subparagraph (F)”.

(e) EFFECTIVE DATE.—The amendments made by this section apply to foreclosure property acquired after December 31, 1973. Notwithstanding the provisions of section 856(e)(5) of the Internal Revenue Code of 1954 (as added by subsection (a) of this section) any taxpayer required to make an election with respect to foreclosure property sooner than 90 days after the date of enactment of this Act, may make that election at any time before the 91st day after the date of enactment of this Act.

## SEC. 7. INCREASE IN INTEREST CHARGED AND PAID IN CONNECTION WITH DEFICIENCIES, ETC.

### (a) INCREASE IN INTEREST RATE.—

(1) Chapter 67 (relating to interest) is amended by adding at the end thereof the following new subchapter:

## “Subchapter C—Determination of interest rate

“SEC. 6621. Determination of rate of interest.

26 USC 6621.

### “SEC. 6621. DETERMINATION OF RATE OF INTEREST.

26 USC 6601,  
6602, 6611, 6332,  
7426.

“(a) IN GENERAL.—The rate of interest under sections 6601(a), 6602, 6611(a), 6332(c)(1), and 7426(g) of this title, and under section 2411(a) of title 28 is 9 percent per annum, or such adjusted rate as is established by the Secretary or his delegate under subsection (b).

“(b) ADJUSTMENT OF INTEREST RATE.—The Secretary or his delegate shall establish an adjusted rate of interest for the purpose of subsection (a) not later than October 15 of any year if the adjusted prime rate charged by banks during September of that year, rounded to the nearest full percent, is at least a full percentage point more or less than the interest rate which is then in effect. Any such adjusted rate of interest shall be equal to the adjusted prime rate charged by banks, rounded to the nearest full percent, and shall become effective

on February 1 of the immediately succeeding year. An adjustment provided for under this subsection may not be made prior to the expiration of 23 months following the date of any preceding adjustment under this subsection which changes the rate of interest.

“(c) DEFINITION OF PRIME RATE.—For purposes of subsection (b), the term ‘adjusted prime rate charged by banks’ means 90 percent of the average predominant prime rate quoted by commercial banks to large businesses, as determined by the Board of Governors of the Federal Reserve System.”

(2) The following provisions are each amended by striking out “the rate of 6 percent per annum” and inserting in lieu thereof the following: “an annual rate established under section 6621”:

*Ante*, p. 2114.

(A) section 6601(a) (relating to interest on underpayments),

26 USC 6601.

(B) section 6602 (relating to interest on erroneous refunds recoverable by suit),

26 USC 6602.

(C) section 6611(a) (relating to interest on overpayments),

26 USC 6611.

(D) section 6332(c)(1) (relating to interest with respect to failure to surrender property subject to levy), and

26 USC 6332.

(E) section 7426(g) (relating to interest on judgments with respect to property wrongfully levied upon).

26 USC 7426.

Section 2411(a) of title 28 of the United States Code (relating to interest on judgments for overpayments of tax) is amended by striking out “the rate of 6 per centum per annum” and inserting in lieu thereof: “an annual rate established under section 6621 of the Internal Revenue Code of 1954”.

(b) TERMINATION OF REDUCED INTEREST RATE IN CERTAIN CASES.—

(1) CERTAIN EXTENSIONS OF TIME.—Section 6601 is amended by striking out subsection (b) (relating to extensions of time in the case of certain estates) and subsection (j) (relating to extensions of time in the case of certain expropriation lessees), and by redesignating subsections (c), (d), (e), (f), (g), (h), (i), (k), and (l) as subsections (b), (c), (d), (e), (f), (g), (h), (i), and (j), respectively.

26 USC 6601.

(2) DEBT-FINANCED PROPERTY.—Section 514(b)(3)(D) (relating to interest with respect to certain unrelated debt-financed income) is amended by striking out the last sentence.

26 USC 514.

(c) INCREASE IN PENALTY FOR FAILURE TO PAY ESTIMATED INCOME TAX.—Section 6654(a) (relating to failure by individuals to pay estimated income tax) and sections 6655 (a) and (g)(1) (relating to failure by corporations to pay estimated income tax) are each amended by striking out “the rate of 6 percent per annum” and inserting in lieu thereof the following: “an annual rate established under section 6621”.

26 USC 6654.

26 USC 6655.

(d) CONFORMING AMENDMENTS.—

(1) Section 6163(c) is amended to read as follows:

26 USC 6163.

“(c) CROSS REFERENCE.—

“For authority of the Secretary or his delegate to require security in the case of an extension under this section, see section 6165.”

(2) Sections 6166(g) and 6167(e) are each amended by striking out the last sentence.

26 USC 6166,  
6167.

(3) Sections 6166(k) and 6167(h) are each amended by striking out paragraph (1) and by redesignating paragraphs (2) and (3) as paragraphs (1) and (2), respectively.

(4) Section 6504(15) is amended by striking out “6601(h)” and inserting in lieu thereof “6601(g)”.

26 USC 6504.

(5) The table of subchapters for chapter 67 is amended by adding at the end thereof the following:

“SUBCHAPTER C. Determination of Interest Rate.”.



26 USC 6621  
note.

(e) **EFFECTIVE DATE.**—The amendments made by this section shall take effect on July 1, 1975, and apply to amounts outstanding on such date or arising thereafter.

#### SEC. 8. INTEREST ON CERTAIN DEPOSITS, ETC., IN THE UNITED STATES.

26 USC 861.

The last sentence of section 861(c) (relating to interest on deposits, etc.) is amended by striking out "December 31, 1975," and inserting in lieu thereof "December 31, 1976,".

#### SEC. 9. EXCLUSION OF INTEREST ON CERTAIN OBLIGATIONS ISSUED PRIOR TO 1971.

(a) **IN GENERAL.**—Section 861(a)(1) (relating to income from sources within the United States) is amended—

(1) by striking out "and" at the end of subparagraph (F),

(2) by striking out the period at the end of subparagraph (G) and inserting in lieu thereof a comma and the word "and", and

(3) by adding at the end thereof the following new subparagraph:

"(H) interest on a debt obligation which was part of an issue which—

"(i) was part of an issue outstanding on April 1, 1971,

"(ii) was guaranteed by a United States person,

26 USC 4911.

"(iii) was treated under chapter 41 as a debt obligation of a foreign obligor,

"(iv) as of June 30, 1974, had a maturity of not more than 15 years, and

"(v) when issued, was purchased by one or more underwriters for the purpose of distribution through resale.".

26 USC 2104.

(b) **CONFORMING AMENDMENT.**—The last sentence of section 2104(c) (relating to debt obligations treated as property within the United States) is amended by striking out "or section 861(a)(1)(G)" and inserting in lieu thereof a comma and "section 861(a)(1)(G), or section 861(a)(1)(H)".

26 USC 861  
note.

(c) **EFFECTIVE DATE.**—The amendment made by subsection (a) applies to interest paid after the date of enactment of this Act, and the amendment made by subsection (b) applies with respect to estates of decedents dying after such date.

#### SEC. 10. TAX ON CERTAIN INCOME OF POLITICAL ORGANIZATIONS.

26 USC 501.

(a) **GENERAL RULE.**—Subchapter F of chapter 1 (relating to exempt organizations) is amended by adding at the end thereof the following new part:

### "PART VI—POLITICAL ORGANIZATIONS

"Sec. 527. Political Organizations.

26 USC 527.

#### "SEC. 527. POLITICAL ORGANIZATIONS.

(a) **GENERAL RULE.**—A political organization shall be subject to taxation under this subtitle only to the extent provided in this section. A political organization shall be considered an organization exempt from income taxes for the purpose of any law which refers to organizations exempt from income taxes.

"(b) **TAX IMPOSED.**—

"(1) **IN GENERAL.**—A tax is hereby imposed for each taxable year on the political organization taxable income of every political organization. Such tax shall consist of a normal tax and surtax computed as provided in section 11 as though the political organization were a corporation and as though the political organization taxable income were the taxable income referred to

26 USC 11.

in section 11. For purposes of this subsection, the surtax exemption provided by section 11(d) shall not be allowed.

26 USC 11.

“(2) **ALTERNATIVE TAX IN CASE OF CAPITAL GAINS.**—If for any taxable year any political organization has a net section 1201 gain, then, in lieu of the tax imposed by paragraph (1), there is hereby imposed a tax (if such a tax is less than the tax imposed by paragraph (1)) which shall consist of the sum of—

26 USC 1201.

“(A) a partial tax, computed as provided by paragraph (1), on the political organization taxable income determined by reducing such income by the amount of such gain, and

“(B) an amount determined as provided in section 1201 (a) on such gain.

“(c) **POLITICAL ORGANIZATION TAXABLE INCOME DEFINED.**—

“(1) **TAXABLE INCOME DEFINED.**—For purposes of this section, the political organization taxable income of any organization for any taxable year is an amount equal to the excess (if any) of—

“(A) the gross income for the taxable year (excluding any exempt function income), over

“(B) the deductions allowed by this chapter which are directly connected with the production of the gross income (excluding exempt function income), computed with the modifications provided in paragraph (2).

“(2) **MODIFICATIONS.**—For purposes of this subsection—

“(A) there shall be allowed a specific deduction of \$100,

“(B) no net operating loss deduction shall be allowed under section 172, and

26 USC 172.

“(C) no deduction shall be allowed under part VIII of subchapter B (relating to special deductions for corporations).

26 USC 241.

“(3) **EXEMPT FUNCTION INCOME.**—For purposes of this subsection, the term ‘exempt function income’ means any amount received as—

“Exempt function income.”

“(A) a contribution of money or other property,

“(B) membership dues, a membership fee or assessment from a member of the political organization, or

“(C) proceeds from a political fundraising or entertainment event, or proceeds from the sale of political campaign materials, which are not received in the ordinary course of any trade or business,

to the extent such amount is segregated for use only for the exempt function of the political organization.

“(d) **CERTAIN USES NOT TREATED AS INCOME TO CANDIDATE.**—For purposes of this title, if any political organization—

“(1) contributes any amount to or for the use of any political organization which is treated as exempt from tax under subsection (a) of this section,

“(2) contributes any amount to or for the use of any organization described in paragraph (1) or (2) of section 509(a) which is exempt from tax under section 501(a), or

26 USC 509.

26 USC 501.

“(3) deposits any amount in the general fund of the Treasury or in the general fund of any State or local government,

such amount shall be treated as an amount not diverted for the personal use of the candidate or any other person. No deduction shall be allowed under this title for the contribution or deposit of any amount described in the preceding sentence.

“(e) OTHER DEFINITIONS.—For purposes of this section—

“(1) POLITICAL ORGANIZATION.—The term ‘political organization’ means a party, committee, association, fund, or other organization (whether or not incorporated) organized and operated primarily for the purpose of directly or indirectly accepting contributions or making expenditures, or both, for an exempt function.

“(2) EXEMPT FUNCTION.—The term ‘exempt function’ means the function of influencing or attempting to influence the selection, nomination, election, or appointment of any individual to any Federal, State, or local public office or office in a political organization, or the election of Presidential or Vice-Presidential electors, whether or not such individual or electors are selected, nominated, elected, or appointed.

26 USC 271.

“(3) CONTRIBUTIONS.—The term ‘contributions’ has the meaning given to such term by section 271 (b) (2).

“(4) EXPENDITURES.—The term ‘expenditures’ has the meaning given to such term by section 271 (b) (3).

“(f) EXEMPT ORGANIZATION WHICH IS NOT POLITICAL ORGANIZATION MUST INCLUDE CERTAIN AMOUNTS IN GROSS INCOME.—

26 USC 501.

“(1) IN GENERAL.—If an organization described in section 501 (c) which is exempt from tax under section 501 (a) expends any amount during the taxable year directly (or through another organization) for an exempt function (within the meaning of subsection (e) (2)), then, notwithstanding any other provision of law, there shall be included in the gross income of such organization for the taxable year, and shall be subject to tax under subsection (b) as if it constituted political organization taxable income, an amount equal to the lesser of—

“(A) the net investment income of such organization for the taxable year, or

“(B) the aggregate amount so expended during the taxable year for such an exempt function.

“Net investment income.”

“(2) NET INVESTMENT INCOME.—For purposes of this subsection, the term ‘net investment income’ means the excess of—

“(A) the gross amount of income from interest, dividends, rents, and royalties, plus the excess (if any) of gains from the sale or exchange of assets over the losses from the sale or exchange of assets, over

“(B) the deductions allowed by this chapter which are directly connected with the production of the income referred to in subparagraph (A).

For purposes of the preceding sentence, there shall not be taken into account items taken into account for purposes of the tax imposed by section 511 (relating to tax on unrelated business income).

26 USC 511.

“(3) CERTAIN SEPARATE SEGREGATED FUNDS.—For purposes of this subsection and subsection (e) (1), a separate segregated fund (within the meaning of section 610 of title 18 or of any similar State statute, or within the meaning of any State statute which permits the segregation of dues moneys for exempt functions (within the meaning of subsection (e) (2))) which is maintained by an organization described in section 501 (c) which is exempt from tax under section 501 (a) shall be treated as a separate organization.

26 USC 501.

“(g) TREATMENT OF NEWSLETTER FUNDS.—

“(1) IN GENERAL.—For purposes of this section, a fund established and maintained by an individual who holds, has been

elected to, or is a candidate (within the meaning of section 41(c)(2)) for nomination or election to, any Federal, State, or local elective public office for use by such individual exclusively for the preparation and circulation of such individual's newsletter shall, except as provided in paragraph (2), be treated as if such fund constituted a political organization.

26 USC 41.

"(2) **ADDITIONAL MODIFICATIONS.**—In the case of any fund described in paragraph (1)—

"(A) the exempt function shall be only the preparation and circulation of the newsletter, and

"(B) the specific deduction provided by subsection (c)

(2) (A) shall not be allowed."

(b) **REQUIREMENT OF RETURN.**—Section 6012(a) (relating to persons required to make returns of income) is amended by striking out "and" at the end of paragraph (4), by inserting "and" at the end of paragraph (5), and by inserting after paragraph (5) the following new paragraph:

26 USC 6012.

"(6) Every political organization (within the meaning of section 527(e)(1)), and every fund treated under section 527(g) as if it constituted a political organization, which has political organization taxable income (within the meaning of section 527(c)(1)) for the taxable year."

Ante, p. 2116.

Section 6012(a) is amended by striking out the last sentence thereof.

Ante, p. 1297.

(c) **CONFORMING AMENDMENT.**—Section 501(b) (relating to tax on unrelated business income and certain other activities) is amended by striking out "parts II and III" each place it appears and inserting in lieu thereof "parts II, III, and VI".

26 USC 501.

(d) **CLERICAL AMENDMENT.**—The table of parts for subchapter F is amended by adding at the end thereof the following new item:

"Part VI. Political Organizations."

(e) **EFFECTIVE DATE.**—The amendments made by subsections (a), (b), (c), and (d) shall apply to taxable years beginning after December 31, 1974.

26 USC 527  
note.

(f) **EXEMPTION FROM FILING REQUIREMENT FOR PRIOR YEARS WHERE INCOME OF POLITICAL PARTY WAS \$100 OR LESS.**—In the case of a taxable year beginning after December 31, 1971, and before January 1, 1975, nothing in the Internal Revenue Code of 1954 shall be deemed to require any organization described in section 527(e)(1) of such Code to file a return for the taxable year under such Code if such organization would be exempt from so filing under section 6012(a)(6) of such Code if such section applied to such taxable year.

26 USC 6012  
note.

(g) **TECHNICAL AMENDMENT.**—The Act entitled "An Act to amend the Internal Revenue Code of 1954 with respect to advertising in a convention program of a national political convention", approved June 18, 1968 (82 Stat. 183; Public Law 90-346) is repealed.

26 USC 1 et  
seq.

Ante, p. 2116.

Supra.  
Repeal.26 USC 276  
note.

## SEC. 11. EXTENSION OF EXISTING CREDIT AND DEDUCTION PROVISIONS FOR POLITICAL CONTRIBUTIONS TO CONTRIBUTIONS FOR NEWSLETTERS; TWO-YEAR RULE FOR ANNOUNCING CANDIDACY.

(a) **GENERAL RULE.**—Section 41(a) (relating to contributions to candidates for public office) is amended by inserting "and all newsletter fund contributions" after "all political contributions".

26 USC 41.

(b) **VERIFICATION.**—Section 41(b)(3) (relating to verification) is amended—

(1) by striking out "political contribution" the first place it appears and inserting in lieu thereof "political contribution or newsletter fund contribution", and

(2) by striking out "political contribution" the second place it appears and inserting in lieu thereof "contribution".



26 USC 41.

"Newsletter  
fund contribu-  
tion."

(c) DEFINITION.—Section 41(c) is amended by adding at the end thereof the following new paragraph:

"(5) NEWSLETTER FUND CONTRIBUTION.—The term 'newsletter fund contribution' means a contribution or gift of money to a fund established and maintained by an individual who holds, has been elected to, or is a candidate for nomination or election to, any Federal, State, or local elective public office for use by such individual exclusively for the preparation and circulation of a newsletter."

26 USC 218.

(d) CONFORMING AMENDMENTS IN DEDUCTION PROVISION.—Section 218 (relating to contributions to candidates for public office) is amended—

Supra.

(1) by inserting "or newsletter fund contribution (as defined in section 41(c) (5))" after "section 41(c) (1)" in subsection (a); and

(2) (A) by striking out "political contribution" the first place it appears in subsection (b) (2) and inserting in lieu thereof "political contribution or newsletter fund contribution"; and

(B) by striking out "political contribution" the second place it appears in subsection (b) (2) and inserting in lieu thereof "contribution".

26 USC 41.

(e) TWO-YEAR RULE FOR ANNOUNCING CANDIDACY.—Section 41(c) (2) (A) (defining candidate) is amended by striking out "has publicly announced" and inserting in lieu thereof "publicly announces before the close of the calendar year following the calendar year in which the contribution or gift is made".

26 USC 41 note.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to any contribution payment of which is made after December 31, 1974, in taxable years beginning after such date.

## SEC. 12. INCREASE IN POLITICAL CONTRIBUTIONS CREDIT AND DEDUCTION.

(a) INCREASE IN CREDIT.—Section 41(b) (1) (relating to maximum credit for contributions to candidates for public office) is amended to read as follows:

26 USC 6013.

"(1) MAXIMUM CREDIT.—The credit allowed by subsection (a) for a taxable year shall not exceed \$25 (\$50 in the case of a joint return under section 6013)."

26 USC 218.

(b) INCREASE IN DEDUCTION.—Section 218(b) (1) (relating to amount of deduction for contributions to candidates for public office) is amended to read as follows:

"(1) AMOUNT.—The deduction under subsection (a) shall not exceed \$100 (\$200 in the case of a joint return under section 6013)."

26 USC 41 note.

(c) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) shall apply with respect to any contribution the payment of which is made after December 31, 1974, in taxable years beginning after such date.

## SEC. 13. TRANSFER OF APPRECIATED PROPERTY TO POLITICAL ORGANIZATIONS.

(a) INCLUSION IN GROSS INCOME OF TRANSFEROR.—

26 USC 71.

(1) IN GENERAL.—Part II of subchapter B of chapter 1 (relating to items specifically included in gross income) is amended by adding at the end thereof the following new section:

26 USC 84.

## SEC. 84. TRANSFER OF APPRECIATED PROPERTY TO POLITICAL ORGANIZATION.

"(a) GENERAL RULE.—If—

"(1) any person transfers property to a political organization, and



“(2) the fair market value of such property exceeds its adjusted basis,  
then for purposes of this chapter the transferor shall be treated as having sold such property to the political organization on the date of the transfer, and the transferor shall be treated as having realized an amount equal to the fair market value of such property on such date.

(b) **BASIS OF PROPERTY.**—In the case of a transfer of property to a political organization to which subsection (a) applies, the basis of such property in the hands of the political organization shall be the same as it would be in the hands of the transferor, increased by the amount of gain recognized to the transferor by reason of such transfer.

“(c) **POLITICAL ORGANIZATION DEFINED.**—For purposes of this section, the term ‘political organization’ has the meaning given to such term by section 527(e)(1).”

*Ante*, p. 2116.

(2) **CLERICAL AMENDMENT.**—The table of sections for such part II is amended by adding at the end thereof the following:

“Sec. 84. Transfer of appreciated property to political organizations.”

(b) **EFFECTIVE DATE.**—The amendments made by subsection (a) shall apply to transfers made after May 7, 1974, in taxable years ending after such date.

26 USC 84 note.

(c) **NONRECOGNITION OF GAIN OR LOSS WHERE ORGANIZATION SOLD CONTRIBUTED PROPERTY BEFORE AUGUST 2, 1973.**—In the case of the sale or exchange before August 2, 1973, by an organization described in section 527(e)(1) of the Internal Revenue Code of 1954 of property which such organization acquired by contribution (within the meaning of section 271(b)(2) of such Code), no gain or loss shall be recognized by such organization.

26 USC 84 note.

26 USC 271.

#### SEC. 14. GIFT TAX NOT TO APPLY TO CONTRIBUTIONS TO POLITICAL ORGANIZATIONS.

(a) **IN GENERAL.**—Section 2501(a) (relating to taxable transfers for purposes of the gift tax) is amended by adding at the end thereof the following new paragraph:

26 USC 2501.

“(5) **TRANSFERS TO POLITICAL ORGANIZATIONS.**—Paragraph (1) shall not apply to the transfer of money or other property to a political organization (within the meaning of section 527(e)(1)) for the use of such organization.”

*Ante*, p. 2116.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply to transfers made after May 7, 1974.

26 USC 2501 note.

Approved January 3, 1975.

Public Law 93-626

#### AN ACT

To establish the Canaveral National Seashore in the State of Florida, and for other purposes.

January 3, 1975  
[H. R. 5773]

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That in order to preserve and protect the outstanding natural, scenic, scientific, ecologic, and historic values of certain lands, shoreline, and waters of the State of Florida, and to provide for public outdoor recreation use and enjoyment of the same, there is hereby established the Canaveral National Seashore (hereinafter referred to as the “seashore”), as generally depicted on the map entitled “Boundary Map, Canaveral National Seashore”, dated August 1974 and numbered NS-CAN-40,000A. Such seashore shall comprise approximately sixty-seven thousand five hundred acres within the area more particularly

Canaveral National Seashore, Fla.  
Establishment.  
16 USC 459j.