

## Public Law 89-365

March 8, 1966  
[H. R. 10625]

Uniformed services.  
Family protection plan, tax treatment.  
78 Stat. 38.  
26 USC 101-122.

70A Stat. 109.  
10 USC 1431-1446.

68A Stat. 20;  
76 Stat. 821.

70A Stat. 110.

Supra.

68A Stat. 27.

## AN ACT

Relating to the tax treatment of certain amounts paid to certain members and former members of the uniformed services and to their survivors.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a)(1) part III of subchapter B of chapter 1 of the Internal Revenue Code of 1954 (relating to items specifically excluded from gross income) is amended by redesignating section 122 as section 123, and by inserting after section 121 the following new section :*

**"SEC. 122. CERTAIN REDUCED UNIFORMED SERVICES RETIREMENT PAY.**

"(a) **GENERAL RULE.**—In the case of a member or former member of the uniformed services of the United States who has made an election under chapter 73 of title 10 of the United States Code to receive a reduced amount of retired or retainer pay, gross income does not include the amount of any reduction after December 31, 1965, in his retired or retainer pay by reason of such election.

"(b) **SPECIAL RULE.**—

"(1) **AMOUNT EXCLUDED FROM GROSS INCOME.**—In the case of any individual referred to in subsection (a), all amounts received after December 31, 1965, as retired or retainer pay shall be excluded from gross income until there has been so excluded an amount equal to the consideration for the contract. The preceding sentence shall apply only to the extent that the amounts received would, but for such sentence, be includable in gross income.

"(2) **CONSIDERATION FOR THE CONTRACT.**—For purposes of paragraph (1) and section 72(o), the term 'consideration for the contract' means, in respect of any individual, the sum of—

"(A) the total amount of the reductions before January 1, 1966, in his retired or retainer pay by reason of an election under chapter 73 of title 10 of the United States Code; and

"(B) any amounts deposited at any time by him pursuant to section 1438 of such title 10."

(2) The table of sections for such part III is amended by striking out the item relating to section 122 and inserting in lieu thereof the following:

"Sec. 122. Certain reduced uniformed services retirement pay.

"Sec. 123. Cross references to other Acts."

(b) Section 72 of such Code (relating to tax treatment of annuities) is amended by redesignating subsection (o) as subsection (p), and by inserting after subsection (n) the following new subsection:

"(o) **ANNUITIES UNDER RETIRED SERVICEMAN'S FAMILY PROTECTION PLAN.**—Subsections (b) and (d) shall not apply in the case of amounts received after December 31, 1965, as an annuity under chapter 73 of title 10 of the United States Code, but all such amounts shall be excluded from gross income until there has been so excluded (under section 122(b)(1) or this section, including amounts excluded before January 1, 1966) an amount equal to the consideration for the contract (as defined by section 122(b)(2)), plus any amount treated pursuant to section 101(b)(2)(D) as additional consideration paid by the employee. Thereafter all amounts so received shall be included in gross income."

(c) Section 101(b)(2)(D) of such Code (relating to special rules for employees' death benefits) is amended by adding at the end thereof the following new sentence: "Paragraph (1) shall not apply in the case of an annuity under chapter 73 of title 10 of the United States Code if

the individual who made the election under such chapter died after attaining retirement age."

(d) The amendments made by subsections (a) and (b) shall apply with respect to taxable years ending after December 31, 1965. The amendment made by subsection (c) shall apply with respect to individuals making an election under chapter 73 of title 10 of the United States Code who die after December 31, 1965.

SEC. 2. (a) Section 2039(c) of the Internal Revenue Code of 1954 (relating to exclusion from gross estate of annuities under certain trusts and plans) is amended—

(1) by striking out "or" at the end of paragraph (2), by striking out the period at the end of paragraph (3) and inserting in lieu thereof ";" or", and by adding at the end thereof the following new paragraph:

"(4) chapter 73 of title 10 of the United States Code.";

10 USC 1431-  
1446.

(2) by striking out "or under a contract described in paragraph (3)" in the second sentence and inserting in lieu thereof ", under a contract described in paragraph (3), or under chapter 73 of title 10 of the United States Code"; and

(3) by inserting at the end thereof the following new sentence: "For purposes of this subsection, amounts payable under chapter 73 of title 10 of the United States Code are attributable to payments or contributions made by the decedent only to the extent of amounts deposited by him pursuant to section 1438 of such title 10."

70A Stat. 110.

(b) (1) Section 2517(a) of such Code (relating to gift tax treatment of certain annuities under qualified plans) is amended by striking out "or" at the end of paragraph (2), by striking out the period at the end of paragraph (3) and inserting in lieu thereof ";" or", and by adding at the end thereof the following new paragraph:

"(4) chapter 73 of title 10 of the United States Code."

(2) The first sentence of section 2517(b) of such Code (relating to transfers attributable to employee contributions) is amended by inserting "(other than paragraph (4))" after "referred to in subsection (a)".

(c) The amendments made by subsection (a) shall apply with respect to decedents dying after December 31, 1965. The amendments made by subsection (b) shall apply with respect to calendar years after 1965.

Approved March 8, 1966.

## Public Law 89-366

### AN ACT

To provide for the establishment of the Cape Lookout National Seashore in the State of North Carolina, and for other purposes.

March 10, 1966  
[S. 251]

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That in order to preserve for public use and enjoyment an area in the State of North Carolina possessing outstanding natural and recreational values, there is hereby authorized to be established the Cape Lookout National Seashore (hereinafter referred to as "seashore"), which shall comprise the lands and adjoining marshlands and waters on the outer banks of Carteret County, North Carolina, between Ocracoke Inlet and Beaufort Inlet, as generally depicted on the map entitled "Proposed Boundaries—Proposed Cape Lookout National Seashore", dated*

Cape Lookout  
National Seashore,  
N.C.  
Establishment.