

Public Law 96-222
96th Congress

An Act

Apr. 1, 1980
[H.R. 2797]

To make technical corrections related to the Revenue Act of 1978.

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

Technical
Corrections Act
of 1979.

SECTION 1. SHORT TITLE, ETC.

26 USC 1 note.

(a) **SHORT TITLE.**—This Act may be cited as the “Technical Corrections Act of 1979”.

26 USC 1 *et seq.*

(b) **AMENDMENT OF 1954 CODE.**—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1954.

26 USC 1 note.

SEC. 2. COORDINATION OF ENACTMENT DATES OF REVENUE ACT OF 1978 AND ENERGY TAX ACT OF 1978.

The Revenue Act of 1978 is amended by inserting after section 3 the following new section:

26 USC 46 note.

“SEC. 4. COORDINATION OF ENACTMENT DATES WITH ENERGY TAX ACT OF 1978.

26 USC 46, 48.
26 USC 1 note.

“For purposes of applying the amendments made by this Act to sections 46 and 48 of the Internal Revenue Code of 1954, the Energy Tax Act of 1978 shall be deemed to have been enacted immediately before this Act.”

TITLE I—AMENDMENTS RELATED TO REVENUE ACT OF 1978

SEC. 101. AMENDMENTS RELATED TO TITLE I.

(a) **GENERAL RULE.**—

26 USC 43.

(1) **AMENDMENT RELATED TO SECTION 104 OF THE ACT.**—Subparagraph (C) of section 43(c)(1) (relating to individual entitled to exclude income under section 911 not eligible individual) is amended to read as follows:

“(C) **INDIVIDUAL WHO CLAIMS BENEFITS OF SECTION 911, 913, OR 931 NOT ELIGIBLE INDIVIDUAL.**—The term ‘eligible individual’ does not include an individual who, for the taxable year, claims the benefits of—

“(i) section 911 (relating to income earned by individuals in certain camps outside the United States),

“(ii) section 913 (relating to deduction for certain expenses of living abroad), or

“(iii) section 931 (relating to income from sources within possessions of the United States).”

(2) AMENDMENTS RELATED TO SECTION 105 OF THE ACT.—

92 Stat. 2773.

(A) PAYMENTS TREATED AS EARNED INCOME FOR AFDC.—

42 USC 602.

Section 402 of the Social Security Act is amended by adding at the end thereof the following new subsection:

“(d)(1) For purposes of paragraphs (7) and (8) of subsection (a), any refund of Federal income taxes made by reason of section 43 of the Internal Revenue Code of 1954 (relating to earned income credit) and any payment made by an employer under section 3507 of such Code (relating to advance payment of earned income credit) shall be considered earned income.”

26 USC 43.

“(2) In any case in which such advance payments for a taxable year made by all employers to an individual under section 3507 of such Code exceed the amount of such individual's earned income credit allowable under section 43 of such Code for such year, so that such individual is liable under section 43(g) of such Code for a tax equal to such excess, such individual's benefit amount must be appropriately adjusted so as to provide payment to such individual of an amount equal to the amount of the benefits lost by such individual on account of such excess advance payments.”

(B) PAYMENT TREATED AS EARNED INCOME FOR SSI.—Section 1612(a)(1) of the Social Security Act is amended—

42 USC 1382a.

(i) by striking out “and” at the end of subparagraph (A); and

(ii) by adding after subparagraph (B) the following new subparagraph:

“(C) any refund of Federal income taxes made by reason of section 43 of the Internal Revenue Code of 1954 (relating to earned income credit) and any payment made by an employer under section 3507 of such Code (relating to advance payment of earned income credit); and”.

26 USC 43.

(C) TREATMENT OF EXCESS PAYMENTS UNDER SSI.—Section 1631(b) of the Social Security Act is amended by inserting “(1)” after “(b)” and by adding at the end thereof the following new paragraph:

42 USC 1383.

“(2) In any case in which advance payments for a taxable year made by all employers to an individual under section 3507 of the Internal Revenue Code of 1954 (relating to advance payment of earned income credit) exceed the amount of such individual's earned income credit allowable under section 43 of such Code for such year, so that such individual is liable under section 43(g) of such Code for a tax equal to such excess, the Secretary shall provide for an appropriate adjustment of such individual's benefit amount under this title so as to provide payment to such individual of an amount equal to the amount of such benefits lost by such individual on account of such excess advance payments.”

26 USC 3507.

(D) EFFECTIVE DATE FOR ADVANCE PAYMENT OF EARNED INCOME CREDIT.—Paragraph (2) of section 105(g) of the Revenue Act of 1978 (relating to effective date for advance payment of earned income credit) is amended by striking out “June 30, 1978” and inserting in lieu thereof “June 30, 1979”.

26 USC 3507 note.

(E) CLERICAL ADMENDMENT.—Subsection (h) of section 43 (relating to coordination with advance payments of earned income credit) is redesignated as subsection (g).

26 USC 43.

(3) AMENDMENT RELATED TO SECTION 112 OF THE ACT.—Paragraph (8) of section 128(a) (relating to cross references) is amended by striking out “benefits, see” and inserting in lieu thereof “benefits which are not includible in gross income under section 85,”.92 Stat. 2777.
26 USC 128.

26 USC 457.

(4) AMENDMENT RELATED TO SECTION 131 OF THE ACT.—Subparagraph (B) of section 457(d)(9) (relating to application to rural electric cooperatives of rules for eligible State deferred compensation plans) is amended to read as follows:

“(B) RURAL ELECTRIC COOPERATIVE DEFINED.—For purposes of subparagraph (A), the term ‘rural electric cooperative’ means—

“(i) any organization which is exempt from tax under section 501(a) and which is engaged primarily in providing electric service on a mutual or cooperative basis, and

“(ii) any organization described in paragraph (4) or (6) of section 501(c) which is exempt from tax under section 501(a) and at least 80 percent of the members of which are organizations described in clause (i).”

92 Stat. 2783.

(5) AMENDMENT RELATED TO SECTION 133 OF THE ACT.—Subsection (c) of section 133 of the Revenue Act of 1978 (relating to effective date for clarification of deductibility of payments of deferred compensation, etc., to independent contractors) is amended to read as follows:

26 USC 404 note.

“(c) EFFECTIVE DATES.—

“(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to deductions for taxable years beginning after December 31, 1978.

“(2) SPECIAL RULE FOR CERTAIN TITLE INSURANCE COMPANIES.—

“(A) IN GENERAL.—In the case of a qualified title insurance company plan, the amendment made by subsection (a) shall apply to deductions for taxable years beginning after December 31, 1979.

“(B) QUALIFIED TITLE INSURANCE COMPANY PLAN.—For purposes of subparagraph (A), the term ‘qualified title insurance company plan’ means a plan of a qualified title insurance company—

“(i) which defers the payment of amounts credited by such company to separate accounts for members of such company in consideration of their issuance of policies of title insurance, and

“(ii) under which no part of such amounts is payable to or withdrawable by the members until after the period for the adverse possession of real property under applicable State law.

“(C) QUALIFIED TITLE INSURANCE COMPANY.—For purposes of subparagraph (B), the term ‘qualified title insurance company’ means an unincorporated title insurance company organized as a business trust—

“(i) which is engaged in the business of providing title insurance coverage on interests in and liens upon real property obtained by clients of the members of such company, and

“(ii) which is subject to tax under section 831 of the Internal Revenue Code of 1954.”

26 USC 831.

92 Stat. 2783.

(6) AMENDMENTS RELATED TO SECTION 134 OF THE ACT.—

26 USC 125.

(A) EMPLOYMENT REQUIREMENT.—Subparagraph (B) of section 125(g)(3) (relating to certain participation eligibility rules not treated as discriminatory) is amended by striking out “service requirement” each place it appears and inserting in lieu thereof “employment requirement”.

(B) EFFECTIVE DATE.—Subsection (c) of section 134 of the Revenue Act of 1978 is amended by striking out “taxable years” and inserting in lieu thereof “plan years”. 26 USC 125 note.

(7) AMENDMENTS RELATED TO SECTION 141 OF THE ACT.— 92 Stat. 2787.

(A) AMENDMENT TO ANTI-FLOW-THROUGH RULES.—Paragraph (9) of section 46(f) (relating to special rule for additional credit) is amended— 26 USC 46.

(i) by striking out “subparagraph (B) of subsection (a)(2)” each place it appears and inserting in lieu thereof “subparagraph (E) of subsection (a)(2)”, and

(ii) by striking out “an employee stock ownership plan which meets the requirements of section 301(d) of the Tax Reduction Act of 1975” in subparagraph (A) and inserting in lieu thereof “a tax credit employee stock ownership plan which meets the requirements of section 409A”.

(B) CLARIFICATION OF EFFECTIVE DATE.—Section 141 of the Revenue Act of 1978 (relating to ESOPS) is amended by striking out subsection (g) and inserting in lieu thereof the following new subsections:

“(g) EFFECTIVE DATES FOR TAX CREDIT EMPLOYEE STOCK OWNERSHIP PLANS.— 26 USC 409A note.

“(1) IN GENERAL.—Except as otherwise provided in this subsection and subsection (h), the amendments made by this section shall apply with respect to qualified investment for taxable years beginning after December 31, 1978.

“(2) ELECTION TO HAVE AMENDMENTS APPLY DURING 1978.—At the election of the taxpayer, paragraph (1) shall be applied by substituting ‘December 31, 1977’ for ‘December 31, 1978’; except that in the case of a plan in existence before December 31, 1978, any such election shall not affect the required allocation of employer securities attributable to qualified investment for taxable years beginning before January 1, 1979. An election under the preceding sentence shall be made at such time and in such manner as the Secretary of the Treasury or his delegate shall prescribe. Such an election, once made, shall be irrevocable.

“(3) VOTING RIGHT PROVISIONS.—Section 409A(e) of the Internal Revenue Code of 1954 (as added by subsection (a)) shall apply to plans to which section 409A of such Code applies, beginning with the first day of such application. 26 USC 409A.

“(4) RIGHT TO DEMAND EMPLOYER SECURITIES, ETC.—Paragraphs (1)(A) and (2) of section 409A(h) of the Internal Revenue Code of 1954 (as added by subsection (a)) shall apply to distributions after December 31, 1978, made by a plan to which section 409A of such Code applies.

“(5) SUBSECTION (f)(7).—The amendment made by subsection (f)(7) shall apply to years beginning after December 31, 1978. 26 USC 415 note.

“(6) RETROACTIVE APPLICATION OF AMENDMENT MADE BY SUBSECTION (d).—In determining the regular tax deduction under section 56(c) of the Internal Revenue Code of 1954 for any taxable year beginning before January 1, 1979, the amount of the credit allowable under section 38 of such Code shall be determined without regard to section 46(a)(2)(B) of such Code (as in effect before the enactment of the Energy Tax Act of 1978). 26 USC 56 note.

“(h) EFFECTIVE DATES FOR SECTION 4975 EMPLOYEE STOCK OWNERSHIP PLANS.—Paragraphs (5) and (6) of subsection (f) shall apply— 26 USC 1 note.
26 USC 4975 note.

“(1) insofar as they make the requirements of subsections (e) and (h)(1)(B) of section 409A of the Internal Revenue Code of 1954

26 USC 4975.

applicable to section 4975 of such Code, to stock acquired after December 31, 1979, and

“(2) insofar as they make paragraphs (1)(A) and (2) of section 409A(h) of such Code applicable to such section 4975, to distributions after December 31, 1978.”

26 USC 4975.

(C) **DEFINITION OF QUALIFYING EMPLOYER SECURITY FOR EMPLOYEE STOCK OWNERSHIP PLAN.**—The first sentence of paragraph (8) of section 4975(e) (defining qualifying employer security) is amended to read as follows:

“The term ‘qualifying employer security’ means any employer security within the meaning of section 409A(l).”

26 USC 409A.

(D) **NONRECOGNITION OF GAIN ON CONTRIBUTION TO TAX CREDIT EMPLOYEE STOCK OWNERSHIP PLAN.**—Subsection (m) of section 409A (relating to contributions of stock of controlling corporation) is amended to read as follows:

“(m) **NONRECOGNITION OF GAIN OR LOSS ON CONTRIBUTION OF EMPLOYER SECURITIES TO TAX CREDIT EMPLOYEE STOCK OWNERSHIP PLAN.**—No gain or loss shall be recognized to the taxpayer with respect to the transfer of employer securities to a tax credit employee stock ownership plan maintained by the taxpayer to the extent that such transfer is required under subparagraph (A) or (B) of section 48(n)(1).”

(E) **SECTION 4975 EMPLOYEE STOCK OWNERSHIP PLANS MAY DISTRIBUTE CASH IN CERTAIN CASES.**—Paragraph (2) of section 409A(h) (relating to allowing plan to distribute cash in certain cases) is amended by inserting “or of section 4975(e)(7)” after “the requirements of this section”.

(F) **MATCHED EMPLOYER AND EMPLOYEE CONTRIBUTIONS MUST STAY IN PLAN.**—Subsection (d) of section 409A (relating to employer securities must stay in plan) is amended by inserting “(or allocated to a participant’s account in connection with matched employer and employee contributions)” after “under subsection (b)”.

26 USC 48.

(G) **LIMITATION ON REQUIRED TRANSFERS FOR MATCHING EMPLOYEES PLAN PERCENTAGE.**—Clause (i) of section 48(n)(1)(B) (relating to matching percentage) is amended to read as follows:

“(i) to make transfers of employer securities to a tax credit employee stock ownership plan maintained by the employer having an aggregate value equal to the lesser of—

“(I) the sum of the qualified matching employee contributions made to such plan for the taxable year, or

“(II) one-half of 1 percent of the amount of the qualified investment (as determined under subsections (c) and (d) of section 46) for the taxable year, and”.

(H) **TIME FOR MAKING TRANSFERS ATTRIBUTABLE TO QUALIFIED MATCHING EMPLOYEE CONTRIBUTIONS.**—The last sentence of section 48(n)(1)(C) (relating to times for making transfers) is amended by inserting before the period at the end thereof the following: “(including where such excess is attributable to qualified matching employee contributions made after the close of the taxable year)”.

(I) DATE FOR ESTABLISHING PLAN.—

(i) Paragraph (1) of section 409A(f) (relating to plan must be established before employer's due date) is amended to read as follows: 26 USC 409A.

“(1) IN GENERAL.—A plan meets the requirements of this subsection only if it is established on or before the due date (including any extension of such date) for the filing of the employer's tax return for the first taxable year of the employer for which an employee plan credit is claimed by the employer with respect to the plan.”

(ii) Paragraph (2) of section 409A(f) is amended by inserting before the period at the end thereof the following: “with respect to the plan”.

(J) DEFINITION OF EMPLOYER SECURITIES.—

(i) Subparagraph (B) of section 409A(1)(2) (relating to special rule where there is no readily tradable common stock) is amended by striking out “class of stock” and inserting in lieu thereof “class of common stock”.

(ii) Paragraph (3) of section 409A(1) is amended to read as follows:

“(3) PREFERRED STOCK MAY BE ISSUED IN CERTAIN CASES.—Noncallable preferred stock shall be treated as employer securities if such stock is convertible at any time into stock which meets the requirements of paragraph (1) or (2) (whichever is applicable) and if such conversion is at a conversion price which (as of the date of the acquisition by the ESOP) is reasonable. For purposes of the preceding sentence, under regulations prescribed by the Secretary, preferred stock shall be treated as noncallable if after the call there will be a reasonable opportunity for a conversion which meets the requirements of the preceding sentence.”

(K) VOTING RIGHTS REQUIREMENTS.—Paragraph (7) of section 4975(e) (defining leveraged employee stock ownership plan) is amended by striking out the last sentence and inserting in lieu thereof the following:

26 USC 4975.

“A plan shall not be treated as an employee stock ownership plan unless it meets the requirements of section 409A(h) and, if the employer has a registration-type class of securities (as defined in section 409A(e)(4)), it meets the requirements of section 409A(e).”

(L) NAME CHANGES.—

(i) The following provisions are each amended by striking out “an ESOP” each place it appears (other than in any heading) and inserting in lieu thereof “a tax credit employee stock ownership plan”:

(I) Section 48(n)(1)(A)(i).

26 USC 48.

(II) Section 48(n)(2).

(III) Section 48(n)(2)(A).

(IV) Section 48(n)(5).

(V) Section 401(a)(21).

26 USC 401.

(VI) Section 409A(m).

26 USC 409A.

(VII) Section 415(c)(6)(B)(i).

26 USC 415.

(VIII) The last sentence of section 1504(a).

26 USC 1504.

(ii) The following provisions are each amended by striking out “ESOP” each place it appears and inserting in lieu thereof “tax credit employee stock ownership plan”:

(I) Section 409A(a) (other than in the subsection heading).

(II) Section 409A(1)(3).

- 26 USC 48. (III) Section 48(n)(1)(B)(i) (as amended by clause (i)).
 (IV) Section 48(n)(2).
 (V) Section 48(n)(3).
 (VI) Section 48(n)(4)(A).
 (iii) The following provisions are each amended by striking out "ESOP" each place it appears (other than in any heading) and inserting in lieu thereof "employee plan":
- 26 USC 46. (I) Section 46(a)(2).
 (II) Section 48(n) (as amended by clauses (i) and (ii)).
 (III) Section 48(o).
 (IV) Section 56(c).
 (V) Section 409A (as amended by subparagraph (I) and clauses (i) and (ii)).
 (VI) Section 6699.
- 26 USC 56.
 26 USC 409A. (iv) The following provisions are each amended by striking out "leveraged employee" each place it appears and inserting in lieu thereof "employee":
 (I) Section 415(c)(6)(B)(i).
 (II) The last sentence of section 1504(a).
 (III) Section 4975(e)(7) (other than in the paragraph heading).
- 26 USC 415.
 26 USC 1504.
Ante, p. 199. (v)(I) The heading of subparagraph (E) of section 46(a)(2) is amended by striking out "ESOP" and inserting in lieu thereof "EMPLOYEE PLAN".
 (II) The subsection heading for section 48(n) is amended by striking out "ESOP" and inserting in lieu thereof "EMPLOYEE PLAN".
 (III) The subparagraph headings for subparagraphs (A) and (B) of section 48(n)(1) are each amended by striking out "ESOP" and inserting in lieu thereof "EMPLOYEE PLAN".
 (IV) The paragraph headings for paragraph (4) of section 48(n) and paragraphs (4), (5), (6), and (7) of section 48(o) are each amended by striking out "ESOP" and inserting in lieu thereof "EMPLOYEE PLAN".
 (V) The paragraph heading for section 48(o)(3) is amended by striking out "ESOP" and inserting in lieu thereof "EMPLOYEE PLAN".
 (VI) The subsection heading for subsection (a) of section 409A is amended by striking out "ESOP" and inserting in lieu thereof "TAX CREDIT EMPLOYEE STOCK OWNERSHIP PLAN".
- 26 USC 409A. (VII) The section heading for section 409A is amended by striking out "ESOPS" and inserting in lieu thereof "TAX CREDIT EMPLOYEE STOCK OWNERSHIP PLANS".
 (VIII) The table of sections for subpart A of part I of subchapter D of chapter 1 is amended by striking out "ESOPS" in the item relating to section 409A and inserting in lieu thereof "tax credit employee stock ownership plans".
- 26 USC 6699. (IX) The section heading of section 6699 is amended by striking out "ESOP" and inserting in lieu thereof "TAX CREDIT EMPLOYEE STOCK OWNERSHIP PLAN".

(X) The table of sections for subchapter B of chapter 68 is amended by striking out "ESOP" in the item relating to section 6699 and inserting in lieu thereof "tax credit employee stock ownership plan". 26 USC 6699.

(XI) The paragraph heading for paragraph (7) of section 4975(e) is amended by striking out "LEVERAGED EMPLOYEE" and inserting in lieu thereof "EMPLOYEE". 26 USC 4975.

(M) CLERICAL AMENDMENTS.—

(i) Subparagraph (E) of section 46(a)(2) is amended by inserting "and ending on" before "December 31, 1983" each place it appears. 26 USC 46.

(ii) Subparagraph (B) of section 48(n)(2) is amended by adding "and" at the end of clause (i), by striking out clause (ii), and by redesignating clause (iii) as clause (ii). 26 USC 48.

(iii) Paragraph (5) of section 48(o) (as amended by subparagraph (L)) is amended by inserting "percentage" after "attributable to the matching employee plan".

(8) AMENDMENTS RELATED TO SECTION 142 OF THE ACT.— 92 Stat. 2796.

(A) Subsection (c) of section 691 (relating to deduction for estate tax) is amended by adding at the end thereof the following new paragraph: 26 USC 691.

"(5) COORDINATION WITH SECTION 402 (E).—For purposes of section 402(e) (other than paragraph (1)(D) thereof), the total taxable amount of any lump sum distribution shall be reduced by the amount of the deduction allowable under paragraph (1) of this subsection which is attributable to the total taxable amount (determined without regard to this paragraph)." 26 USC 402.

(B) Paragraph (2) of section 2039(f) (relating to lump sum distributions) is amended by striking out "without the application of paragraph (2) thereof" and inserting in lieu thereof "(without the application of paragraph (2) thereof), except to the extent that section 402(e)(4)(J) applies to such distribution". 26 USC 2039.

(9) AMENDMENT RELATED TO SECTION 143 OF THE ACT.—Subparagraph (B) of section 401(a)(22) is amended by striking "as securities" and inserting in lieu thereof "are securities". 92 Stat. 2796. 26 USC 401.

(10) AMENDMENTS RELATED TO SECTION 152 OF THE ACT.— 92 Stat. 2797.

(A) CERTAIN EMPLOYEES MAY BE EXCLUDED.—Paragraph (2) of section 408(k) (relating to participation requirements for simplified employee pensions) is amended by adding at the end thereof the following new sentence: 26 USC 408.

"For purposes of this paragraph, there shall be excluded from consideration employees described in subparagraph (A) or (C) of section 410(b)(2)."

(B) CONTRIBUTIONS UNDER SIMPLIFIED EMPLOYEE PENSION NOT SUBJECT TO FICA OR FUTA TAXES.—

(i) FICA TAX.—Paragraph (5) of section 3121(a) (defining wages) is amended by striking out "or" at the end of subparagraph (B), by striking out the semicolon at the end of subparagraph (C) and inserting in lieu thereof "or", and by adding at the end thereof the following new subparagraph: 26 USC 3121.

"(D) under a simplified employee pension if, at the time of the payment, it is reasonable to believe that the employee will be entitled to a deduction under section 219 for such payment;"

(ii) FUTA TAX.—Paragraph (5) of section 3306(b) (defining wages) is amended by striking out "or" at the end 26 USC 3306.

of subparagraph (B), by striking out the semicolon at the end of subparagraph (C) and inserting in lieu thereof “, or”, and by adding at the end thereof the following new subparagraph:

26 USC 219. “(D) under a simplified employee pension if, at the time of the payment, it is reasonable to believe that the employee will be entitled to a deduction under section 219 for such payment;”.

26 USC 408. (C) CORRECTION OF CERTAIN EXCESS CONTRIBUTIONS.—Subparagraph (A) of section 408(d)(5) (relating to certain distributions of excess contributions after due date for taxable year) is amended by adding at the end thereof the following new sentence:

“If employer contributions on behalf of the individual are paid for the taxable year to a simplified employee pension, the dollar limitation of the preceding sentence shall be increased by the lesser of the amount of such contributions or \$7,500.”

26 USC 219. (D) CLARIFICATION OF SECTION 219(b)(7).—Paragraph (7) of section 219(b) (relating to simplified employee pensions) is amended to read as follows:

“(7) SPECIAL RULES IN CASE OF SIMPLIFIED EMPLOYEE PENSIONS.—

“(A) LIMITATION.—If there is an employer contribution on behalf of the employee to a simplified employee pension, the limitation under paragraph (1) shall be the lesser of—

“(i) 15 percent of the compensation includible in the employee’s gross income for the taxable year (determined without regard to the employer contribution to the simplified employee pension), or

“(ii) the sum of—

“(I) the amount contributed by the employer to the simplified employee pension and included in gross income (but not in excess of \$7,500), and

“(II) \$1,500, reduced (but not below zero) by the amount described in subclause (I).

“(B) CERTAIN LIMITATIONS DO NOT APPLY TO EMPLOYER CONTRIBUTION.—Paragraphs (2) and (3) shall not apply with respect to the employer contribution to a simplified employee pension.

“(C) SPECIAL RULE FOR APPLYING SUBPARAGRAPH (A)(ii).—In the case of an employee who is an officer, shareholder, or owner-employee described in section 408(k)(3), the \$7,500 amount specified in subparagraph (A)(ii)(I) shall be reduced by the amount of tax taken into account with respect to such individual under subparagraph (D) of section 408(k)(3).”

26 USC 404. (E) COORDINATION WITH PLAN FOR SHAREHOLDER-EMPLOYEES.—Paragraph (4) of section 404(h) (relating to effect on self-employed individuals) is amended—

(i) by inserting “or described in section 1379(b)(1)” after “of subsection (e)”,

(ii) by inserting “or a shareholder-employee (as defined in section 1379(d))” after “section 401(c)(1)”, and

(iii) by striking out “SELF-EMPLOYED INDIVIDUALS” in the paragraph heading and inserting in lieu thereof “SELF-EMPLOYED INDIVIDUALS OR SHAREHOLDER-EMPLOYEES”.

(F) COORDINATION WITH SECTION 401 (j).—Subsection (k) of section 408 (defining simplified employee pension) is amended—

26 USC 401.

26 USC 408.

(i) by striking out “and (5)” in paragraph (1) and inserting in lieu thereof “(5), and (6)”,

(ii) by redesignating paragraph (6) as paragraph (7), and

(iii) by inserting after paragraph (5) the following new paragraph:

“(6) EMPLOYER MAY NOT MAINTAIN PLAN TO WHICH SECTION 401 (j) APPLIES.—The requirements of this paragraph are met with respect to a simplified employee pension for a calendar year unless the employer maintains during any part of such year a plan—

“(A) some or all of the active participants in which are employees (within the meaning of section 401(c)(1)) or shareholder-employees (as defined in section 1379(d)), and

“(B) to which section 401(j) applies.”

(G) EMPLOYER MAY NOT MAINTAIN INTEGRATED PLAN.—

(i) The second sentence of section 408(k)(3)(D) (relating to treatment of certain contributions and taxes) is amended by striking out “Taxes paid” and inserting in lieu thereof “If the employer does not maintain an integrated plan at any time during the taxable year, taxes paid”.

(ii) Paragraph (3) of section 408(k) is amended by adding at the end thereof the following new subparagraph:

“(E) INTEGRATED PLAN DEFINED.—For purposes of subparagraph (D), the term ‘integrated plan’ means a plan which meets the requirements of section 401(a), 403(a), or 405(a) but would not meet such requirements if contributions or benefits under chapter 2 (relating to tax on self-employment income), chapter 21 (relating to Federal Insurance Contributions Act), title II of the Social Security Act, or any other Federal or State law were not taken into account.”

26 USC 1401.

26 USC 3101.

42 USC 401.

(H) PENALTY FOR FAILURE TO FILE REPORTS.—Subsection (a) of section 6693 (relating to failure to provide reports on individual retirement accounts or annuities) is amended—

26 USC 6693.

(i) by striking out “section 408(i)” the first place it appears and inserting in lieu thereof “subsection (i) or (l) of section 408”, and

(ii) by striking out “section 408(i)” the second place it appears and inserting in lieu thereof “such subsection”.

(I) APPLICATION WITH SECTION 415.—Paragraph (5) of section 415(e) is amended—

26 USC 415.

(i) by striking out “any simplified employee pension” in the first sentence, and

(ii) by inserting after the first sentence the following new sentence: “For purposes of this section, any contribution by an employer to a simplified employee pension for an individual for a taxable year shall be treated as an employer contribution to a defined contribution plan for such individual for such year.”

(J) CLERICAL AMENDMENTS.—

(i) Subsection (j) of section 408 is amended by inserting “and” at the end of paragraph (1), by striking out “, and”

26 USC 408.

- at the end of paragraph (2) and inserting in lieu thereof a period, and by striking out paragraph (3).
- 26 USC 404. (ii) Paragraphs (2), (3), and (4) of section 404(h) are each amended by striking out "subparagraph (1)" each place it appears and inserting in lieu thereof "paragraph (1)".
- 92 Stat. 2797. (iii) Paragraph (2) of section 152(g) of the Revenue Act of 1978 is amended by striking out "section 415(b)(2)" and inserting in lieu thereof "section 415(a)(2)".
- 26 USC 415. (11) AMENDMENTS RELATED TO SECTION 153 OF THE ACT.—
- 92 Stat. 2800. (A) WAIVER OF SECTION 415(b)(1)(B) LIMITATION DOES NOT APPLY WHERE PARTICIPANT IS ALSO A PARTICIPANT OF ANOTHER QUALIFIED PLAN.—Paragraph (7) of section 415(b) (relating to benefits under certain collectively bargained plans) is amended by inserting after the second sentence the following new sentence: "This paragraph shall not apply to a participant for any period for which he is a participant under another plan to which this section applies which is maintained by an employer maintaining this plan."
- 26 USC 415. (B) FORMULA FOR DETERMINING BENEFITS IN THE CASE OF SECTION 415(b)(7) PLANS.—Subparagraph (C) of section 415(b)(7) is amended to read as follows:
- "(C) under which benefits are determined solely by reference to length of service, the particular years during which service was rendered, age at retirement, and date of retirement."
- 92 Stat. 2801. (12) AMENDMENT RELATED TO SECTION 154 OF THE ACT.—Subparagraph (A) of section 403(b)(7) is amended by striking out "which satisfied" and inserting in lieu thereof "which satisfies".
- 26 USC 403. (13) AMENDMENT RELATED TO SECTION 156 OF THE ACT.—
- 92 Stat. 2801. (A) EFFECTIVE DATE.—Subsection (d) of section 156 of the Revenue Act of 1978 (relating to effective date for provision allowing rollover of section 403(b) annuities) is amended by striking out "December 31, 1978" and inserting in lieu thereof "December 31, 1977".
- 26 USC 403 note. (B) TRANSITIONAL RULE FOR MAKING SECTION 403(b)(8) ROLLOVER IN THE CASE OF PAYMENTS DURING 1978.—In the case of any payment made during 1978 in a qualifying distribution described in section 403(b)(8) of the Internal Revenue Code of 1954, the applicable period specified in section 402(a)(5)(C) of such Code shall not expire before the close of December 31, 1980.
- 26 USC 403. (C) CLERICAL AMENDMENTS.—Sections 403(b)(1) and 4973(c)(1) are each amended by striking out "409(d)(3)(C)", and inserting in lieu thereof "409(b)(3)(C)".
- 92 Stat. 2803. (14) AMENDMENTS RELATED TO SECTION 157 OF THE ACT.—
- 26 USC 402 note. (A) EFFECTIVE DATE FOR REMOVAL OF CERTAIN REQUIREMENTS.—Paragraph (3) of section 157(h) of the Revenue Act of 1978 is amended by striking out "the amendments made by this section" each place it appears and inserting in lieu thereof "the amendments made by this subsection".
- 26 USC 219, 220, 408, 409, 4973, 402. (B) CONFORMING AMENDMENTS FOR SPOUSAL ROLLOVERS.—Sections 219(b)(4), 220(b)(5), 408(a)(1), 409(a)(4), and 4973(b)(1)(A) are each amended by inserting "402(a)(7)," after "section 402(a)(5),".
- 26 USC 402. (C) SPOUSAL ROLLOVERS.—Clause (i) of section 402(a)(7)(A) is amended to read as follows:

“(i) any portion of a qualifying rollover distribution attributable to an employee is paid to the spouse of the employee after the employee’s death.”

(D) EXTENSION OF TRANSITIONAL RULE.—Subparagraph (B) of section 157(h)(3) of the Revenue Act of 1978 (relating to transitional rule for removal of certain requirements) is amended—

92 Stat. 2803.
26 USC 402 note.

(i) by striking out “any payment” and inserting in lieu thereof “any payment made during 1978”, and

(ii) by striking out “December 31, 1978” and inserting in lieu thereof “December 31, 1980”.

(E) CLERICAL AMENDMENTS.—

(i) Clause (iii) of section 402(a)(6)(D) (relating to sales of distributed property) is amended by striking out “many designate” and inserting in lieu thereof “may designate”.

26 USC 402.

(ii) Subparagraph (B) of section 408(d)(5) is amended by striking out all that follows clause (i) and inserting in lieu thereof the following:

26 USC 408.

“(ii) the information was erroneous, subparagraph (A) shall be applied by increasing the dollar limit set forth therein by that portion of the excess contribution which was attributable to such information.”

(iii) Paragraph (20) of section 401(a)(1) is amended by striking out “makes a payment or distribution described in section 402(a)(5)(i) or 403(a)(4)(i)” and inserting in lieu thereof “makes a qualifying rollover distribution (determined as if section 402(a)(5)(D)(i) did not contain subclause (II) thereof) described in section 402(a)(5)(A)(i) or 403(a)(4)(A)(i)”.

26 USC 401.

(b) EFFECTIVE DATES.—

(1) SPECIAL EFFECTIVE DATES.—

(A) SUBSECTION (a)(1).—The amendment made by subsection (a)(1) shall apply to taxable years beginning after December 31, 1977.

26 USC 43 note.

(B) SUBSECTION (a)(2).—The amendments made by subparagraphs (A) and (B) of subsection (a)(2) shall apply to payments for months beginning after December 31, 1979.

26 USC 602 note.

(C) DEFINITION OF QUALIFYING EMPLOYER SECURITIES.—The amendment made by subparagraph (C) of subsection (a)(6) shall apply to stock acquired after December 31, 1979.

26 USC 4975
note.

(D) COORDINATION WITH SECTION 691.—The amendment made by subsection (a)(7) shall apply with respect to the estates of decedents dying after the date of the enactment of this Act.

26 USC 691 note.

(E) CONTRIBUTIONS UNDER SIMPLIFIED EMPLOYEE PENSION.—The amendments made by subparagraph (B) of subsection (a)(10) shall apply to payments made on or after January 1, 1979.

26 USC 3121
note.

(F) PENALTY FOR FAILURE TO FURNISH REPORTS.—The amendment made by subparagraph (I) of subsection (a)(10) shall apply with respect to failures occurring after the date of the enactment of this Act.

26 USC 6693
note.

(G) COORDINATION WITH SECTION 415.—The amendment made by subparagraph (I) of subsection (a)(10) shall apply to taxable years beginning after the date of the enactment of this Act.

26 USC 415 note.

(2) GENERAL EFFECTIVE DATE.—

For general effective date, see section 201.

SEC. 102. AMENDMENTS RELATED TO TITLE II.**(a) GENERAL RULE.—**

92 Stat. 2814.

26 USC 465.

(1) AMENDMENTS RELATED TO SUBTITLE A OF TITLE II OF THE ACT.—

(A) STOCK OWNERSHIP RULES.—Subsection (a) of section 465 (relating to deductions limited to amount at risk) is amended—

(i) by striking out “(determined by reference to the rules contained in section 318 rather than under section 544)” in paragraph (1)(C), and

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

26 USC 544.

“(3) SPECIAL RULES FOR APPLYING PARAGRAPH (1)(C).—For purposes of paragraph (1)(C)—

“(A) section 544(a)(2) shall be applied as if such section did not contain the phrase ‘or by or for his partner’; and

“(B) sections 544(a)(4)(A) and 544(b)(1) shall be applied by substituting ‘the corporation meet the stock ownership requirements of section 542(a)(2)’ for ‘the corporation a personal holding company’.”

(B) CLARIFICATION OF RULES FOR RECAPTURE OF LOSSES WHERE AMOUNT AT RISK IS LESS THAN ZERO.—Subsection (d) of section 465 (defining loss) is amended by inserting before the period at the end thereof the following: “(determined without regard to subsection (e)(1)(A))”.

(C) CLARIFICATION OF LIMITATION ON RECAPTURE OF LOSSES.—Subparagraph (A) of section 465(e)(2) (relating to limitation on recapture of losses where amount at risk is less than zero) is amended by inserting “by reason of losses” after “with respect to the activity”.

(D) EXCLUSION FOR CERTAIN EQUIPMENT LEASING BY CLOSELY-HELD CORPORATIONS.—

(i) Subsection (c) of section 465 (relating to deductions limited to amount at risk) is amended by adding at the end thereof the following new paragraphs:

“(4) EXCLUSION FOR CERTAIN EQUIPMENT LEASING BY CLOSELY-HELD CORPORATIONS.—

“(A) IN GENERAL.—In the case of a corporation described in subsection (a)(1)(C) actively engaged in equipment leasing—

“(i) the activity of equipment leasing shall be treated as a separate activity, and

“(ii) subsection (a) shall not apply to losses from such activity.

“(B) 50-PERCENT GROSS RECEIPTS TEST.—For purposes of subparagraph (A), a corporation shall not be considered to be actively engaged in equipment leasing unless 50 percent or more of the gross receipts of the corporation for the taxable year is attributable, under regulations prescribed by the Secretary, to equipment leasing.

“(C) COMPONENT MEMBERS OF CONTROLLED GROUP TREATED AS A SINGLE CORPORATION.—For purposes of subparagraph (A), the component members of a controlled group of corporations shall be treated as a single corporation.

“(5) WAIVER OF CONTROLLED GROUP RULE WHERE THERE IS SUBSTANTIAL LEASING ACTIVITY.—

“(A) IN GENERAL.—In the case of the component members of a qualified leasing group, paragraph (4) shall be applied—

“(i) by substituting ‘80 percent’ for ‘50 percent’ in subparagraph (B) thereof, and

“(ii) as if paragraph (4) did not include subparagraph (C) thereof.

“(B) QUALIFIED LEASING GROUP.—For purposes of this paragraph, the term ‘qualified leasing group’ means a controlled group of corporations which, for the taxable year and each of the 2 immediately preceding taxable years, satisfied each of the following 3 requirements:

“(i) AT LEAST 3 EMPLOYEES.—During the entire year, the group had at least 3 full-time employees substantially all of the services of whom were services directly related to the equipment leasing activity of the qualified leasing members.

“(ii) AT LEAST 5 SEPARATE LEASING TRANSACTIONS.—During the year, the qualified leasing members in the aggregate entered into at least 5 separate equipment leasing transactions.

“(iii) AT LEAST \$1,000,000 EQUIPMENT LEASING RECEIPTS.—During the year, the qualified leasing members in the aggregate had at least \$1,000,000 in gross receipts from equipment leasing.

The term ‘qualified leasing group’ does not include any controlled group of corporations to which, without regard to this paragraph, paragraph (4) applies.

“(C) QUALIFIED LEASING MEMBER.—For purposes of this paragraph, a corporation shall be treated as a qualified leasing member for the taxable year only if for each of the taxable years referred to in subparagraph (B)—

“(i) it is a component member of the controlled group of corporations, and

“(ii) it meets the requirements of paragraph (4)(B) (as modified by subparagraph (A)(i) of this paragraph).

“(6) DEFINITIONS RELATING TO PARAGRAPHS (4) AND (5).—For purposes of paragraphs (4) and (5)—

“(A) EQUIPMENT LEASING.—The term ‘equipment leasing’ means—

“(i) the leasing of equipment which is section 1245 property, and

“(ii) the purchasing, servicing, and selling of such equipment.

“(B) LEASING OF MASTER SOUND RECORDINGS, ETC., EXCLUDED.—The term ‘equipment leasing’ does not include the leasing of master sound recordings, and other similar contractual arrangements with respect to tangible or intangible assets associated with literary, artistic, or musical properties.

“(C) CONTROLLED GROUP OF CORPORATIONS; COMPONENT MEMBER.—The terms ‘controlled group of corporations’ and ‘component member’ have the same meanings as when used in section 1563. The determination of the taxable years taken into account with respect to any controlled group of corporations shall be made in a manner consistent with the manner set forth in section 1563.”

(ii) Subparagraph (D) of section 465(c)(3) is amended to read as follows:

“(D) EXCLUSION FOR REAL PROPERTY.—In the case of activities described in subparagraph (A), the holding of real property (other than mineral property) shall be treated as a separate activity, and subsection (a) shall not apply to losses from such activity. For purposes of the preceding sentence, personal property and services which are incidental to making real property available as living accommodations shall be treated as part of the activity of holding such real property.”

26 USC 465.

(iii) Paragraph (5) of section 465(b) is amended by striking out “to which this section applies” and inserting in lieu thereof “to which subsection (a) applies”.

26 USC 465 note.

(E) CLERICAL AMENDMENT TO EFFECTIVE DATE.—Subparagraph (A) of section 204(b)(2) of the Revenue Act of 1978 (relating to special transitional rules for leasing activities) is amended by striking out “this section” and inserting in lieu thereof “this subtitle”.

(2) AMENDMENTS RELATED TO SUBTITLE B OF TITLE II OF THE ACT.—

92 Stat. 2817.

26 USC 6501.

(A) AMENDMENT OF SECTION 6501.—Section 6501 (relating to limitations on assessment and collection) is amended by redesignating the subsection added by section 212(a) of the Revenue Act of 1978 as subsection (o).

26 USC 6511.

(B) AMENDMENT OF SECTION 6511(g)(2).—Paragraph (2) of section 6511(g) (relating to special rule for partnership items of federally registered partnerships) is amended by striking out “6501(q)” and inserting in lieu thereof “6501(o)”.

26 USC 761.

(C) AMENDMENT OF SECTION 761.—Subsection (a) of section 761 (defining partnership) is amended by striking out “or” at the end of paragraph (1), by inserting “or” at the end of paragraph (2), and by inserting after paragraph (2) the following new paragraph:

“(3) by dealers in securities for a short period for the purpose of underwriting, selling, or distributing a particular issue of securities.”

(b) EFFECTIVE DATE.—

For general effective date, see section 201.

92 Stat. 2820.

SEC. 103. AMENDMENTS RELATED TO TITLE III.

(a) GENERAL RULE.—

26 USC 857.

(1) AMENDMENT RELATED TO SECTION 301 OF THE ACT.—Subparagraph (A) of section 857(b)(4) (relating to imposition of tax on income from foreclosure property) is amended to read as follows:

“(A) IMPOSITION OF TAX.—A tax is hereby imposed for each taxable year on the net income from foreclosure property of every real estate investment trust. Such tax shall be computed by multiplying the net income from foreclosure property by the highest rate of tax specified in section 11(b).”

92 Stat. 2824.

(2) AMENDMENTS RELATED TO SECTION 312 OF THE ACT.—

(A) CLARIFICATION OF FLOW-THROUGH PROVISIONS.—Paragraph (2) of section 312(c) of the Revenue Act of 1978 (relating to repeal of certain obsolete provisions) is amended to read as follows:

26 USC 46.

26 USC 48.

“(2) Paragraphs (1) and (2) of section 46(f) and subparagraph (B) of section 48(a)(7) are each amended by striking out ‘described in section 50’ and inserting in lieu thereof ‘described in section 50 (as in effect before its repeal by the Revenue Act of 1978)’.”

26 USC 1 note.

(B) CLERICAL AMENDMENTS TO SPECIAL RULES FOR ENERGY PROPERTY.—

(i) Subsection (a) of section 46 (relating to amount of investment credit) is amended by redesignating paragraph (10) as paragraph (9). 26 USC 46.

(ii) Clause (i) of section 46(a)(9)(B) (as redesignated by clause (i)) is amended to read as follows:

“(i) paragraph (3)(B) shall be applied by substituting ‘100 percent’ for the percentage determined under the table contained in such paragraph.”.

(iii) Clause (ii) of section 46(a)(9)(B) (as so redesignated) is amended by striking out “(7), (8), and (9)” and inserting in lieu thereof “(7) and (8)”.

(iv) Subsection (d) of section 6401 is amended by striking out “46(a)(10)(C)” and inserting in lieu thereof “46(a)(9)(C)”. 26 USC 6401.

(3) AMENDMENT RELATED TO SECTION 313 OF THE ACT.—Subparagraph (B) of section 46(c)(5) (relating to applicable percentage in the case of certain pollution control facilities) is amended by adding at the end thereof the following new sentence: “This subparagraph shall not apply for purposes of applying the energy percentage.” 92 Stat. 2826.
26 USC 46.

(4) AMENDMENTS RELATED TO SECTION 315 OF THE ACT.—

92 Stat. 2828.

(A) CREDIT ALLOWED TO NONCORPORATE LESSORS.—Paragraph (3) of section 46(e) (relating to special rule for noncorporate lessors) is amended by adding at the end thereof the following new sentence: “This paragraph shall not apply with respect to any property which is treated as section 38 property by reason of section 48(a)(1)(E).”

26 USC 46.

(B) COORDINATION WITH ENERGY PROPERTY.—Clause (i) of section 48(g)(2)(B) is amended by striking out “subsection (a)(1)(E)” and inserting in lieu thereof “subsections (a)(1)(E) and (1)”. 26 USC 48.

(5) AMENDMENT RELATED TO SECTION 316 OF THE ACT.—Sections 50B(f) and 52(f) (and the predecessor of section 52(f), section 52(h)) are each amended by striking out “section 46(e)” and inserting in lieu thereof “subsections (e) and (h) of section 46”. 92 Stat. 2829.
26 USC 50B, 52.

(6) AMENDMENTS RELATED TO SECTION 321 OF THE ACT.—

92 Stat. 2830.

(A) EXTENSION OF TERMINATION DATE.—Paragraph (4) of section 51(c) (relating to termination) is amended by striking out “December 31, 1980” and inserting in lieu thereof “December 31, 1981”. 26 USC 51.

(B) EFFECTIVE DATE FOR PROVISION MAKING NEW JOBS CREDIT ELECTIVE.—Subsection (d) of section 321 of the Revenue Act of 1978 (relating to effective dates) is amended by adding at the end thereof the following new paragraph:

92 Stat. 2830.

“(5) SUBSECTION (b).—The amendments made by subsection (b) shall apply to taxable years beginning after December 31, 1976.” 26 USC 44B note.

(C) CLARIFICATION OF EFFECTIVE DATE.—Subparagraph (A) of section 321(d)(2) of the Revenue Act of 1978 (relating to special rules for newly targeted groups) is amended by inserting “, for purposes of applying the amendments made by this section” after “newly targeted group”. 26 USC 51 note.

(D) CLARIFICATION OF TRANSITIONAL RULE.—Paragraph (3) of section 321(d) of the Revenue Act of 1978 (relating to transitional rule) is amended to read as follows: 26 USC 51 note.

“(3) TRANSITIONAL RULE.—In the case of a taxable year which begins in 1978 and ends after December 31, 1978, the amount of

- the credit determined under section 51 of the Internal Revenue Code of 1954 shall be the sum of—
- 26 USC 51. “(A) the amount of the credit which would be so determined without regard to the amendments made by this section, plus
- “(B) the amount of the credit which would be so determined by reason of the amendments made by this section.”
- (E) FUTA WAGES TO BE TREATED AS INCLUDING REMUNERATION OF YOUTH PARTICIPATING IN A COOPERATIVE EDUCATION PROGRAM.—
- 26 USC 51. (i) Subparagraph (D) of section 51(d)(8) (relating to members of targeted groups) is amended to read as follows:
- “(D) WAGES.—In the case of remuneration attributable to services performed while the individual meets the requirements of subparagraph (A), wages, and unemployment insurance wages, shall be determined without regard to section 3306(c)(10)(C).”
- 26 USC 3306. (ii) Paragraph (1) of section 51(c) (defining wages) is amended by striking out “and subsection (h)(2),” and inserting in lieu thereof “, subsection (d)(8)(D), and subsection (h)(2),”.
- (F) AGE REQUIREMENT FOR QUALIFIED COOPERATIVE EDUCATION PROGRAMS.—Clause (i) of section 51(d)(8)(A) (defining youth participating in a qualified cooperative education program) is amended by striking out “19” and inserting in lieu thereof “20”.
- (G) CLERICAL AMENDMENTS.—
- 26 USC 44B. (i) Subsection (a) of section 44B is amended by striking out “at the taxpayer” and inserting in lieu thereof “of the taxpayer”.
- (ii) Paragraph (2) of section 44B(c) is amended by striking out “may be” and inserting in lieu thereof “may by”.
- 26 USC 51. (iii) Paragraph (2) of section 51(c) is amended by striking out “amounts paid” and inserting in lieu thereof “amounts paid or incurred”.
- (iv) Paragraph (1) of section 51(d) is amended by striking out “or” at the end of subparagraph (E).
- (v) Clause (i) of section 51(d)(4)(A) is amended by striking out “active day” and inserting in lieu thereof “active duty”.
- (vi) Subparagraph (B) of section 51(d)(4) is amended by striking out “preemployment” and inserting in lieu thereof “preemployment”.
- (vii) Paragraph (5) of section 51(d) is amended by striking out “pre-employment” and inserting in lieu thereof “preemployment”.
- (viii) Paragraph (12) of section 51(d) is amended by striking out “employer” and inserting in lieu thereof “employers”.
- (ix) The last sentence of section 51(e) is amended by inserting “except as provided in subsection (h)(1),” after “the preceding sentence,”.
- 26 USC 6501. (x) Section 6501 is amended by redesignating the subsection added by section 321(b)(2) of the Revenue Act of 1978 as subsection (p).
- 92 Stat. 2830.

(xi) Subparagraph (B) of section 321(d)(2) of the Revenue Act of 1978 is amended by striking out clauses (i) and (ii) and inserting in lieu thereof the following:

26 USC 51 note.

“(i) such individual meets the requirements of paragraph (1) of section 51(d) of such Code, and

“(ii) in the case of an individual meeting the requirements of subparagraph (A) of such paragraph (1), a credit was not claimed for such individual by the taxpayer for a taxable year beginning before January 1, 1979.”

(xii) Paragraph (4) of section 321(d) of the Revenue Act of 1978 is amended by striking out “subsection (u)(2)” and inserting in lieu thereof “subsection (c)(2)”.

26 USC 53 note.

(xiii) Section 383 and subsection (a) of section 6411 are each amended by striking out “section 53(c)” and inserting in lieu thereof “section 53(b)”.

26 USC 383,
6411.

(7) AMENDMENTS RELATED TO SECTION 322 OF THE ACT.—

92 Stat. 2836.

(A) CLARIFICATION OF EFFECTIVE DATE.—Paragraph (1) of section 322(e) of the Revenue Act of 1978 (relating to effective date) is amended by adding at the end thereof the following new sentence: “For purposes of applying section 50A(a)(2) of the Internal Revenue Code of 1954 with respect to a taxable year beginning before January 1, 1979, the rules of sections 50A(a)(4), 50A(a)(5), and 50B(e)(3) of such Code (as in effect on the day before the date of the enactment of this Act) shall apply.”

26 USC 50A note.

(B) TRANSITIONAL RULE FOR EMPLOYEES HIRED AFTER SEPTEMBER 26, 1978.—Subparagraph (B) of section 322(e)(2) of the Revenue Act of 1978 (relating to eligible employees hired after September 26, 1978) is amended—

(i) by striking out “September 27, 1978,” and inserting in lieu thereof “September 26, 1978, for purposes of applying the amendments made by this section,”; and

(ii) by striking out “January 1, 1979.” and inserting in lieu thereof “January 1, 1979, and any wages paid or incurred after December 31, 1978, with respect to such individual shall be considered to be attributable to services rendered after that date.”

(C) FEDERAL WELFARE RECIPIENT EMPLOYMENT INCENTIVE EXPENSES.—Effective with respect to wages paid or incurred after September 30, 1978, and before January 1, 1979, subparagraph (B) of section 50B(a)(2) (relating to work incentive program expenses), as in effect before the amendments made by section 322 of the Revenue Act of 1978, is amended by striking out “October 1, 1978” and inserting in lieu thereof “January 1, 1979”.

26 USC 50B.

92 Stat. 2836.

(D) CLERICAL AMENDMENTS.—

(i) Subparagraph (C) of section 50A(a)(4) (relating to limitation with respect to nonbusiness eligible employees) is amended by striking out “\$6,000’ and” and inserting in lieu thereof “\$6,000’ for”.

26 USC 50A.

(ii) Subparagraph (B) of section 50B(g)(2) is amended by striking out “giving to such credit” and inserting in lieu thereof “giving rise to such credit”.

26 USC 50B.

(iii) Clause (i) of section 50B(h)(1)(A) is amended by striking out “9-day” and inserting in lieu thereof “90-day”.

92 Stat. 2836.
26 USC 280C.

92 Stat. 2842.
26 USC 103 note.

92 Stat. 2844.
26 USC 1244
note.

92 Stat. 2847.
26 USC 274.

26 USC 274 note.

26 USC 74.

26 USC 6031.

92 Stat. 2848.
26 USC 860 note.

(iv) The second subsection designated as subsection (d) of section 322 of the Revenue Act of 1978 is amended by striking out "our" in paragraph (1)(A) thereof and inserting in lieu thereof "out".

(8) AMENDMENT RELATED TO SECTION 337 OF THE ACT.—Subsection (a) of section 337 of the Revenue Act of 1978 (relating to disposition of amounts generated by advance refunding of certain governmental obligations) is amended by striking out "or a refund profit" and inserting in lieu thereof "of a refund profit".

(9) AMENDMENT RELATING TO SECTION 345 OF THE ACT.—Subsection (e) of section 345 of the Revenue Act of 1978 (relating to effective date for small business corporation stock provision) is amended to read as follows:

"(e) EFFECTIVE DATES.—

"(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to stock issued after November 6, 1978.

"(2) SUBSECTION (b).—The amendments made by subsection (b) shall apply to taxable years beginning after December 31, 1978.

"(3) TRANSITIONAL RULE FOR SUBSECTION (b).—In the case of a taxable year which includes November 6, 1978, the amendments made by subsection (b) shall apply with respect to stock issued after such date."

(10) AMENDMENTS RELATED TO SECTION 361 OF THE ACT.—

(A) OTHER CLUBS.—Subparagraph (C) of section 274(a)(2) (relating to special rule for country clubs) is amended by striking out "country".

(B) CLERICAL AMENDMENT.—Subsection (b) of section 361 of the Revenue Act of 1978 is amended—

(i) by striking out "section 274(2)" and inserting in lieu thereof "section 274(a)", and

(ii) by striking out "COUNTRY" in the subsection heading.

(C) USE OF FACILITIES IN CASE OF INDEPENDENT CONTRACTORS, ETC.—

(i) IN GENERAL.—Subsection (a) of section 274 of the Internal Revenue Code of 1954 (relating to disallowance of certain entertainment, etc., expenses) shall not apply to expenses paid or incurred by the taxpayer for goods, services, and facilities to the extent that the expenses are includible in the gross income of a recipient of the entertainment, amusement, or recreation who is not an employee of the taxpayer as compensation for services rendered or as a prize or award under section 74 of such Code.

(ii) INFORMATION RETURN REQUIREMENT.—Clause (i) shall not apply to any amount paid or incurred by the taxpayer if such amount is required to be included in any information return filed by such taxpayer under part III of subchapter A of chapter 61 of such Code and is not so included.

(iii) APPLICATION OF SUBPARAGRAPH.—This subparagraph shall only apply with respect to expenses paid or incurred during 1979 or 1980.

(11) AMENDMENTS RELATED TO SECTION 362 OF THE ACT.—

(A) Subsection (e) of section 362 of the Revenue Act of 1978 (relating to effective date for deficiency dividend procedure

for regulated investment companies) is amended by striking out "860(d)" and inserting in lieu thereof "860(e)".

26 USC 860.

(B) The subsection heading of subsection (f) of section 860 is amended by striking out "EFFICIENCY" and inserting in lieu thereof "DEFICIENCY".

(C) Clause (i) of section 860(f)(2)(A) is amended by striking out "computed without regard" and inserting in lieu thereof "computed without regard".

26 USC 860.

(12) AMENDMENT RELATED TO SECTION 365 OF THE ACT.—Subparagraph (A) of section 357(c)(3) (relating to liabilities in excess of basis) is amended to read as follows:

92 Stat. 2854.

26 USC 357.

"(A) IN GENERAL.—If a taxpayer transfers, in an exchange to which section 351 applies, a liability the payment of which either—

26 USC 351.

"(i) would give rise to a deduction, or

"(ii) would be described in section 736(a),

then, for purposes of paragraph (1), the amount of such liability shall be excluded in determining the amount of liabilities assumed or to which the property transferred is subject."

(13) AMENDMENTS RELATED TO SECTION 366 OF THE ACT.—

92 Stat. 2855.

(A) WITHHOLDING.—Subsection (a) of section 3401 (defining wages) is amended—

26 USC 3401.

(i) by striking out "or" at the end of paragraph (17),

(ii) by striking out the period at the end of the paragraph (18) added by section 207(a) of the Foreign Earned Income Act of 1978 and inserting in lieu thereof a semicolon,

92 Stat. 3108.

(iii) by redesignating the paragraph (18) added by section 164(b)(1) of the Revenue Act of 1978 as paragraph (19),

92 Stat. 2811.

(iv) by striking out "section 124." in paragraph (19) (as so redesignated) and inserting in lieu thereof "section 127; or", and

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

"(20) for any medical care reimbursement made to or for the benefit of an employee under a self-insured medical reimbursement plan (within the meaning of section 105(h)(6))."

(B) CLARIFICATION OF NONDISCRIMINATORY ELIGIBILITY CLASSIFICATIONS.—Clause (ii) of section 105(h)(3)(A) is amended by striking out "highly compensated participants" and inserting in lieu thereof "highly compensated individuals".

26 USC 105.

(C) CLARIFICATION OF EXCESS REIMBURSEMENT OF HIGHLY COMPENSATED INDIVIDUALS.—Subparagraph (A) of section 105(h)(7) is amended to read as follows:

"(A) in the case of a benefit available to highly compensated individuals but not to all other participants (or which otherwise fails to satisfy the requirements of paragraph (2)(B)), the amount reimbursed under the plan to the employee with respect to such benefit, and".

(D) CLARIFICATION OF EFFECTIVE DATE.—Subsection (b) of section 366 of the Revenue Act of 1978 is amended to read as follows:

26 USC 105 note.

"(b) EFFECTIVE DATE.—The amendment made by this section shall apply to amounts reimbursed after December 31, 1979. For purposes

26 USC 105 note.

of applying such amendment, there shall not be taken into account any amount reimbursed before January 1, 1980."

92 Stat. 2857.
26 USC 374.

(14) AMENDMENT RELATED TO SECTION 369 OF THE ACT.—Clause (iv) of section 374(e)(1)(A) (relating to use of expired net operating loss carryovers to offset income arising from certain railroad reorganization proceedings) is amended by striking out "March 31, 1967" and inserting in lieu thereof "March 31, 1976".

92 Stat. 2859.

(15) AMENDMENT RELATED TO SECTION 371 OF THE ACT.—Paragraph (2) of section 371(a) of the Revenue Act of 1978 (relating to net operating losses attributable to product liability losses) is amended by striking out "Clause (i) of section 172(b)(1)(A)" and inserting in lieu thereof "Subparagraph (A) of section 172(b)(1)".

26 USC 172.

92 Stat. 2863.
26 USC 466.

(16) AMENDMENT RELATED TO SECTION 373 OF THE ACT.—Subparagraph (B) of section 466(e)(2) (relating to initial opening balance of suspense account) is amended by striking out "first taxable years" and inserting in lieu thereof "first taxable year".

(b) EFFECTIVE DATES.—

26 USC 51 note.

(1) SPECIAL EFFECTIVE DATE.—The amendment made by subsection (a)(5)(F) shall apply to wages paid or incurred on or after November 27, 1979, in taxable years ending on or after such date.

(2) GENERAL EFFECTIVE DATE.—

Post, p. 228.

For general effective date, see section 201.

SEC. 104. AMENDMENTS RELATED TO TITLE IV.

(a) IN GENERAL.—

92 Stat. 2866.
26 USC 877.

(1) AMENDMENT RELATED TO SECTION 401 OF THE ACT.—Subsection (b) of section 877 is amended by striking out "402(e)(1), or section 1201(b)" and inserting in lieu thereof "or 402(e)(1)".

92 Stat. 2867.

(2) AMENDMENTS RELATED TO SECTION 402 OF THE ACT.—

26 USC 1202.

(A) AMENDMENTS OF TRANSITIONAL RULE.—Subsection (c) of section 1202 (relating to transitional rule of taxable years which include November 1, 1978) is amended—

(i) by striking out so much of such subsection as precedes "a taxpayer other than a corporation" and inserting in lieu thereof:

"(c) TRANSITIONAL RULE.—If for any taxable year ending after October 31, 1978, and beginning before November 1, 1979,"; and

(ii) by amending subparagraph (B) of paragraph (1) to read as follows:

"(B) the net capital gain taking into account only gain or loss properly taken into account for the portion of the taxable year after October 31, 1978, plus".

(B) COMPUTATION OF MAXIMUM 25 PERCENT ALTERNATIVE CAPITAL GAINS TAX FOR 1978.—

26 USC 1201.

(i) Paragraph (1) of section 1201(b) (as such paragraph was in effect for taxable years beginning before January 1, 1979) is amended by striking out "50 percent of the net capital gain" and inserting in lieu thereof "the excess of the net capital gain over the deduction under section 1202".

(ii) Subsection (c) of section 1201 (as such subsection was in effect for taxable years beginning before January 1, 1979) is amended to read as follows:

"(c) COMPUTATION OF TAX WHERE CAPITAL GAIN EXCEEDS \$50,000.—The tax computed for purposes of subsection (b)(3) shall be the amount by which a tax determined under section 1 or 511 on an amount equal to the taxable income (but not less than the excess of the net capital gain over the deduction under section 1202) for the

26 USC 1, 511.

taxable year exceeds a tax determined under section 1 or 511 on an amount equal to the sum of— 26 USC 1, 511.

“(1) the amount subject to tax under subsection (b)(1), plus

“(2) an amount determined by multiplying the sum referred to in subsection (b)(2)(A) by a fraction—

“(A) the numerator of which is the excess of the net capital gain over the deduction under section 1202, and

“(B) the denominator of which is the net capital gain.” 26 USC 1202.

(C) SPECIAL RULE FOR PASS-THROUGH ENTITIES.—

(i) IN GENERAL.—In applying sections 1201(c)(2)(A)(ii) and 1202(c)(1)(B) of the Internal Revenue Code of 1954 with respect to any pass-through entity, the determination of the period for which gain or loss is properly taken into account shall be made at the entity level. 26 USC 1201 note, 26 USC 1201, 1202.

(ii) PASS-THROUGH ENTITY DEFINED.—For purposes of clause (i), the term “pass-through entity” means—

- (I) a regulated investment company,
- (II) a real estate investment trust,
- (III) an electing small business corporation,
- (IV) a partnership,
- (V) an estate or trust, and
- (VI) a common trust fund.

(3) AMENDMENTS RELATED TO SECTION 403 OF THE ACT.— 92 Stat. 2868.

(A) CLARIFICATION OF TRANSITIONAL RULE.—Subsection (c) of section 1201 (relating to transitional rule for taxable years which include January 1, 1979) is amended— 26 USC 1201.

(i) by striking out so much of such section as precedes “a corporation” and inserting in lieu thereof the following:

“(c) TRANSITIONAL RULE.—If for any taxable year ending after December 31, 1978, and beginning before January 1, 1980,” and

(ii) by amending clause (ii) of paragraph (2)(A) to read as follows:

“(ii) the net capital gain taking into account only gain or loss properly taken into account for the portion of the taxable year after December 31, 1978, plus”.

(B) UNDISTRIBUTED CAPITAL GAIN OF REGULATED INVESTMENT COMPANY.—Clause (iii) of section 852(b)(3)(D) (relating to treatment by shareholders of undistributed capital gain) is amended by striking out “70 percent” and inserting in lieu thereof “72 percent”. 26 USC 852.

(C) ADDITION TO RESERVES FOR BAD DEBTS.—Clause (iv) of section 593(b)(2)(E) is amended by striking out “ $\frac{3}{8}$ ” each place it appears and inserting in lieu thereof “ $\frac{1}{4}$ ”. 26 USC 593.

(D) CLERICAL AMENDMENTS.—

(i) Paragraph (3) of section 904(b) is amended by redesignating the subparagraph (E) added by section 403(c)(4) of the Revenue Act of 1978 as subparagraph (F). 26 USC 904.

(ii) Subparagraph (B) of section 403(c)(4) of the Revenue Act of 1978 is amended by striking out “striking the period at the end of subparagraph (D) of paragraph (3), inserting in lieu thereof a comma, and inserting immediately thereafter” and inserting in lieu thereof “adding at the end of paragraph (3)”.

(4) AMENDMENTS RELATED TO SECTION 421 OF THE ACT.— 92 Stat. 2871.

(A) CERTAIN DEDUCTIONS WHICH MAY BE CARRIED OVER NOT TAKEN INTO ACCOUNT.—Paragraph (1) of section 55(b) (defin- 26 USC 55.

ing alternative minimum taxable income) is amended by adding at the end thereof the following new sentence: "For purposes of subparagraph (A), a deduction shall not be taken into account to the extent such deduction may be carried to another taxable year."

26 USC 55. (B) TREATMENT OF FOREIGN TAX CREDIT.—Paragraphs (1) and (2) of section 55(c) (relating to credits) are amended to read as follows:

26 USC 31. "(1) CREDITS OTHER THAN FOREIGN TAX CREDIT NOT ALLOWABLE, ETC.—For purposes of determining the amount of any credit allowable under subpart A of part IV of this subchapter (other than the foreign tax credit allowed under section 33(a))—

26 USC 33.

"(A) the tax imposed by this section shall not be treated as a tax imposed by this chapter, and

"(B) the amount of the foreign tax credit allowed under section 33(a) shall be determined without regard to this section.

"(2) FOREIGN TAX CREDIT ALLOWED AGAINST ALTERNATIVE MINIMUM TAX.—

26 USC 901.

"(A) DETERMINATION OF FOREIGN TAX CREDIT.—The total amount of the foreign tax credit which can be taken against the tax imposed by subsection (a) shall be determined under subpart A of part III of subchapter N (sec. 901 and following).

"(B) INCREASE IN AMOUNT OF FOREIGN TAXES TAKEN INTO ACCOUNT.—For purposes of the determination provided by subparagraph (A), the amount of taxes paid or accrued to foreign countries or possessions of the United States during the taxable year shall be increased by an amount equal to the lesser of—

"(i) the foreign tax credit allowable under section 33(a) in computing the regular tax for the taxable year, or

26 USC 904.

"(ii) the tax imposed by subsection (a).

"(C) SECTION 904(a) LIMITATION.—For purposes of the determination provided by subparagraph (A), the limitation of section 904(a) shall be an amount equal to the same proportion of the sum of the tax imposed by subsection (a) against which such credit is taken and the regular tax (excluding the tax imposed by section 56) as—

26 USC 56.

"(i) the taxpayer's alternative minimum taxable income from sources without the United States (but not in excess of the taxpayer's entire alternative minimum taxable income), bears to

"(ii) his entire alternative minimum taxable income. For such purpose, the amount of the limitation of section 904(a) shall not exceed the tax imposed by subsection (a).

26 USC 55.

"(D) DEFINITION OF ALTERNATIVE MINIMUM TAXABLE INCOME FROM SOURCES WITHOUT THE UNITED STATES.—For purposes of subparagraph (C), the term 'alternative minimum taxable income from sources without the United States' means the items of gross income from sources without the United States adjusted as provided in subparagraph (A), (B), and (C) of section 55(b)(1) (taking into account in such adjustment only items described in such subparagraphs which are properly attributable to items of gross income from sources without the United States).

"(E) SPECIAL RULE FOR APPLYING SECTION 904(C).—In determining the amount of foreign taxes paid or accrued during the taxable year which may be deemed to be paid or accrued

in a preceding or succeeding taxable year under section 904(c)—

26 USC 904.

“(i) the limitation of section 904(a) shall be increased by the amount of the limitation determined under subparagraph (C), and

“(ii) any increase under subparagraph (B) shall be taken into account.”

(C) REGULAR TAX DETERMINED WITHOUT REGARD TO FOREIGN TAX CREDIT ALLOWED AGAINST MINIMUM TAX.—Paragraph (2) of section 55(b) is amended by adding at the end thereof the following new sentence: “For purposes of this paragraph, the amount of the credit allowable under section 33 shall be determined without regard to this section.”

26 USC 55.

26 USC 33.

(D) TREATMENT OF ZERO BRACKET AMOUNT.—Subsection (b) of section 55 (relating to definitions for purposes of alternative minimum tax) is amended by adding at the end thereof the following new paragraph:

“(3) TREATMENT OF ZERO BRACKET AMOUNT.—In the case of an individual who does not itemize his itemized deductions, the zero bracket amount shall be treated as a deduction allowed.”

(E) TREATMENT OF CERTAIN FOREIGN TAXES FOR THE ADJUSTED ITEMIZED DEDUCTION PREFERENCE.—Paragraphs (1)(A) and (2)(A)(v) of section 57(b) (relating to adjusted itemized deductions) are each amended by inserting “, and foreign,” after “State and local”.

26 USC 57.

(F) ADJUSTED ITEMIZED DEDUCTIONS OF ESTATE OR TRUST.—Subparagraph (A) of section 57(b)(2) (defining adjusted itemized deductions of estate or trust) is amended by striking out “clauses (i) through (vi)” and inserting in lieu thereof “clauses (iii) through (vi)”.

(G) CARRYOVER OF RESIDENTIAL ENERGY CREDIT.—Paragraph (3) of section 55(c) is amended by adding at the end thereof the following new sentence:

26 USC 55.

“In determining any carryover under subsection 44C(b)(6), a rule similar to the rule set forth in subparagraph (A) shall be treated as inserted in this paragraph before subparagraph (A), and the applications of subparagraphs (A), (B), and (C) shall be adjusted accordingly.”

26 USC 44.

(H) CLERICAL AMENDMENTS.—

(i) Subsection (a) of section 55 (relating to alternative minimum tax) is amended by striking out all after paragraph (1) and inserting in lieu thereof the following:

“(2) the regular tax for the taxable year,
then there is imposed (in addition to all other taxes imposed by this title) a tax equal to the amount of such excess.”

(ii) Subparagraph (A) of section 55(c)(3) (relating to carryover and carryback of certain credits) is amended by striking out “section 53(c)” and inserting in lieu thereof “section 53(b)”.

26 USC 53.

(iii) Paragraph (2) of section 443(d) (relating to adjustment in computing minimum tax for tax preferences) is amended by striking out “in the case of a corporation,”.

26 USC 443.

(iv) Paragraph (3) of section 453(c) is amended by striking out “section 56” and inserting in lieu thereof “sections 55 and 56”.

26 USC 453.

(v) Sections 871(b)(1) and 877(b) are each amended by striking out “section 55” and inserting in lieu thereof “55”.

26 USC 871, 877.

- 26 USC 666. (vi) The second sentence of section 666(c) (relating to pro rata portion of taxes deemed distributed) is amended by inserting "(other than the tax imposed by section 55)" after "equal to the taxes".
- 26 USC 5. (vii) Paragraph (4) of section 5(a) is amended by striking out "section 55" and inserting in lieu thereof "sections 55 and 56".
- 26 USC 55. (viii) Paragraph (2) of section 55(b) is amended by inserting "409(c)," after "408(f)".
- 92 Stat. 2878. (5) AMENDMENTS RELATED TO SECTION 441 OF THE ACT.—
- 26 USC 1348 note. (A) TRANSITIONAL RULE.—Paragraph (2) of section 441(b) of the Revenue Act of 1978 (relating to transitional rules) is amended to read as follows:
- "(2) TAXABLE YEARS WHICH STRADDLE NOVEMBER 1, 1978.—In the case of a taxable year which begins before November 1, 1978, and ends after October 31, 1978, the amount taken into account under section 1348(b)(2)(B) of the Internal Revenue Code of 1954 by reason of section 57(a)(9) of such Code shall be 50 percent of the lesser of—
- "(A) the net capital gain for the taxable year, or
- "(B) the net capital gain taking into account only gain or loss properly taken into account for the portion of the taxable year before November 1, 1978."
- 26 USC 1348. (B) CLERICAL AMENDMENT.—Subsection (a) of section 441 of the Revenue Act of 1978 is amended by striking out "subparagraph (b)" and inserting in lieu thereof "subparagraph (B)".
- 26 USC 1201 note. (b) EFFECTIVE DATES.—
- (1) SPECIAL EFFECTIVE DATE FOR SUBSECTION (a)(2)(B).—The amendments made by subsection (a)(2)(B) shall apply to taxable years beginning in 1978.
- (2) GENERAL EFFECTIVE DATE.—
- Post*, p. 228. For general effective date, see section 201.
- SEC. 105. AMENDMENTS RELATED TO TITLE V.
- (a) GENERAL RULE.—
- 92 Stat. 2879. (1) AMENDMENTS RELATED TO SECTION 502 OF THE ACT.—
- 26 USC 7463. (A) Subsection (g) of section 7463 (relating to small tax case procedures) is hereby repealed.
- 26 USC 7456. (B) Subsection (c) of section 7456 (relating to commissioners of the Tax Court) is amended by striking out "sections 7428" and inserting in lieu thereof "sections 7428, 7463".
- 92 Stat. 2880. (2) AMENDMENT RELATED TO SECTION 504 OF THE ACT.—Paragraph (2) of section 6411(d) (relating to tentative refund of tax under claim of right adjustment) is amended to read as follows:
- 26 USC 6411. "(2) ALLOWANCE OF ADJUSTMENTS.—Within a period of 90 days from the date on which an application is filed under paragraph (1) or from the date of the overpayment (determined under section 1341(b)(1)), whichever is later, the Secretary shall—
- "(A) review the application,
- "(B) determine the amount of the overpayment, and
- "(C) apply, credit, or refund such overpayment,
- in a manner similar to the manner provided in subsection (b)."
- 92 Stat. 2881. (3) AMENDMENTS RELATED TO SECTION 511 OF THE ACT.—
- 26 USC 2040. (A) AGGREGATE ADJUSTED CONSIDERATION MUST BE LESS THAN VALUE.—Paragraph (2) of section 2040(c) (relating to limitations) is amended by adding at the end thereof the following new subparagraph:

"(C) AGGREGATE ADJUSTED CONSIDERATION MUST BE LESS THAN VALUE.—Paragraph (1) shall not apply if the sum of—

"(i) the adjusted consideration furnished by the decedent, and

"(ii) the adjusted consideration furnished by the decedent's spouse, equals or exceeds the value of the interest."

(B) CLERICAL AMENDMENT.—Paragraph (1) of section 2040(c) is amended by striking out "subsections (a)" and inserting in lieu thereof "subsection (a)". 26 USC 2040.

(4) AMENDMENTS RELATED TO SECTION 514 OF THE ACT.— 92 Stat. 2883.

(A) The first sentence of paragraph (3) of section 2055(e) is amended— 26 USC 2055.

(i) by striking out "subparagraph (a) or (B)" and inserting in lieu thereof "subparagraph (A) or (B)", and

(ii) by striking out "so that interest" and inserting in lieu thereof "so that the interest".

(B) Section 514 of the Revenue Act of 1978 is amended by adding at the end thereof the following new subsection:

"(c) EFFECTIVE DATES.— 26 USC 2055 note.

"(1) FOR SUBSECTION (a).—The amendment made by subsection (a) shall apply in the case of decedents dying after December 31, 1969.

"(2) FOR SUBSECTION (b).—Subsection (b)—

"(A) insofar as it relates to section 170 of the Internal Revenue Code of 1954 shall apply to transfers in trust and contributions made after July 31, 1969, and 26 USC 170.

"(B) insofar as it relates to section 2522 of the Internal Revenue Code of 1954 shall apply to transfers made after December 31, 1969." 26 USC 2522.

(5) AMENDMENTS RELATED TO SECTION 515 OF THE ACT.— 92 Stat. 2884.

(A) AMENDMENT OF SECTION 1040 OF THE CODE.—Section 1040 (relating to use of certain appreciated carryover basis property to satisfy pecuniary bequest) is amended by adding at the end thereof the following new subsection: 26 USC 1040.

"(d) APPLICATION TO SECTION 2032A PROPERTY.—For purposes of this section, references to carryover basis property shall be treated as including a reference to property the valuation of which is determined under section 2032A." 26 USC 2032A.

(B) PERIOD FOR WHICH SECTION 1040 APPLIES.—Notwithstanding section 515 of the Revenue Act of 1978, section 1040 of the Internal Revenue Code of 1954 (as amended by subparagraph (A)) shall apply with respect to the estates of decedents dying after December 31, 1976. 26 USC 1040 note.

(6) AMENDMENTS RELATED TO SECTION 531 OF THE ACT.— 92 Stat. 2886.

(A) Paragraph (6) of section 216(b) (relating to deduction of taxes, interest, and business depreciation by cooperative housing corporation tenant-stockholder) is amended by redesignating subparagraphs (B) and (C) as subparagraphs (C) and (D), respectively, and by striking out subparagraph (A) and inserting in lieu thereof the following new subparagraphs: 26 USC 216.

"(A) IN GENERAL.—If the original seller acquires any stock of the corporation from the corporation or by foreclosure, the original seller shall be treated as a tenant-stockholder for a period not to exceed 3 years from the date of the acquisition of such stock.

"By foreclosure."

Ante, p. 219.

92 Stat. 2888.
26 USC 126.

26 USC 1255.

26 USC 1016.

"(B) STOCK ACQUISITION MUST TAKE PLACE NOT LATER THAN 1 YEAR AFTER TRANSFER OF DWELLING UNITS.—Except in the case of an acquisition of stock of a corporation by foreclosure, subparagraph (A) shall apply only if the acquisition of stock occurs not later than 1 year after the date on which the apartments or houses (or leaseholds therein) are transferred by the original seller to the corporation. For purposes of this subparagraph and subparagraph (A), the term 'by foreclosure' means by foreclosure (or by instrument in lieu of foreclosure) of any purchase-money security interest in the stock held by the original seller."

(B) Subparagraph (D) of section 216(b)(6) (as redesignated by subparagraph (A) of this paragraph) is amended by adding at the end thereof the following new sentence: "The estate of an original seller shall succeed to, and take into account, the tax treatment of the original seller under this paragraph."

(7) AMENDMENTS RELATED TO SECTION 543 OF THE ACT.—

(A) Section 126 (relating to certain cost-sharing payments) is amended by striking out subsections (b) and (c) and inserting in lieu thereof the following:

"(b) EXCLUDABLE PORTION.—For purposes of this section—

"(1) IN GENERAL.—The term 'excludable portion' means that portion (or all) of a payment made to any person under any program described in subsection (a) which—

"(A) is determined by the Secretary of Agriculture to be made primarily for the purpose of conserving soil and water resources, protecting or restoring the environment, improving forests, or providing a habitat for wildlife, and

"(B) is determined by the Secretary of the Treasury or his delegate as not increasing substantially the annual income derived from the property.

"(2) PAYMENTS NOT CHARGEABLE TO CAPITAL ACCOUNT.—The term 'excludable portion' does not include that portion of any payment which is properly associated with an amount which is allowable as a deduction for the taxable year in which such amount is paid or incurred.

"(c) ELECTION FOR SECTION NOT TO APPLY.—

"(1) IN GENERAL.—The taxpayer may elect not to have this section (and section 1255) apply to any excludable portion (or portion thereof).

"(2) MANNER AND TIME FOR MAKING ELECTION.—Any election under paragraph (1) shall be made in the manner prescribed by the Secretary by regulations and shall be made not later than the due date prescribed by law (including extensions) for filing the return of tax under this chapter for the taxable year in which the payment was received or accrued.

"(d) DENIAL OF DOUBLE BENEFITS.—No deduction or credit shall be allowed with respect to any expenditure which is properly associated with any amount excluded from gross income under subsection (a).

"(e) BASIS OF PROPERTY NOT INCREASED BY REASON OF EXCLUDABLE PAYMENTS.—Notwithstanding any provision of section 1016 to the contrary, no adjustment to basis shall be made with respect to property acquired or improved through the use of any payment, to the extent that such adjustment would reflect any amount which is excluded from gross income under subsection (a)."

(B) Paragraph (1) of section 1255(a) is amended by striking out all after subparagraph (B)(i) and inserting in lieu thereof the following:

26 USC 1255.

“(ii) the adjusted basis of such property, shall be treated as ordinary income. Such gain shall be recognized notwithstanding any other provision of this subtitle, except that this section shall not apply to the extent such gain is recognized as ordinary income under any other provision of this part.”

(C) Subsection (a)(9) of section 126 (relating to certain cost-sharing payments) is amended by inserting “or his delegate” after “Secretary of the Treasury”.

26 USC 126.

(D) Paragraph (2) of section 1255(b) (relating to special rules applicable to gain from disposition of section 126 property) is amended by striking out “(2)” and inserting in lieu thereof “(2) for purposes of sections 163(d), 170(e), 341(e)(12), 453(d)(4)(B), and 751(c).”

26 USC 1255.

(E) Paragraph (10) of section 126(a) (relating to certain cost-sharing payments) is amended by striking out “Any State program” and inserting in lieu thereof “Any program of a State, possession of the United States, a political subdivision of any of the foregoing, or the District of Columbia”.

26 USC 126.

(b) EFFECTIVE DATES.—

26 USC 7456 note.

(1) SPECIAL EFFECTIVE DATE FOR SUBSECTION (a)(1).—The amendments made by subsection (a)(1) shall take effect on the date of the enactment of this Act.

(2) GENERAL EFFECTIVE DATE.—

For general effective date, see section 201.

Post, p. 228.

SEC. 106. AMENDMENTS RELATED TO TITLE VI.

(a) IN GENERAL.—

(1) Paragraph (1) of section 172(b) (relating to net operating loss carrybacks and carryovers) is amended by redesignating the subparagraph (H) added by section 601(b)(1) of the Revenue Act of 1978 as subparagraph (I).

26 USC 172.

(2) Subsection (a) of section 1016 (relating to adjustments of basis) is amended by redesignating the paragraph (21) added by section 601(b)(3) of the Revenue Act of 1978 as paragraph (22).

92 Stat. 2892.

26 USC 1016.

(3) Paragraph (3) of section 601(b) of the Revenue Act of 1978 is amended by striking out “by redesignating paragraph (23) as (22) and by inserting after paragraph (20)” and inserting in lieu thereof “by inserting before paragraph (23)”.

(4) Subsection (a) of section 1391 (defining general stock ownership corporation) is amended—

26 USC 1391.

(A) by striking out “, and” at the end of paragraph (1) and inserting in lieu thereof a semicolon,

(B) by inserting “or” at the end of paragraph (4)(D)(ii),

(C) by inserting “and” at the end of paragraph (4)(D)(iii), and

(D) by inserting “and” at the end of paragraph (4)(E).

(5) Subsection (c) of section 1392 is amended by striking out “WHERE” in the subsection heading and inserting in lieu thereof “WHEN”.

26 USC 1392.

(6) Subparagraph (A) of section 172(b)(1) is amended by striking out “and (H)” and inserting in lieu thereof “, (H), and (I)”.

26 USC 172.

(7) Subparagraph (B) of section 172(b)(1) is amended by striking out “and (G)” and inserting in lieu thereof “(G), and (I)”.

(b) EFFECTIVE DATE.—*Post*, p. 228.

For general effective date, see section 201.

SEC. 107. AMENDMENTS RELATED TO TITLE VII.**(a) IN GENERAL.—**

92 Stat. 2897.

(1) AMENDMENTS RELATED TO SECTION 701 OF THE ACT.—

26 USC 57.

(A) COMPUTATION OF ADJUSTED ITEMIZED DEDUCTIONS IN CASE OF ESTATES AND TRUSTS.—Subparagraph (C) of section 57(b)(2) (relating to special rules for estates and trusts) is amended by striking out “section 170(c)(2)(B)” each place it appears and inserting in lieu thereof “section 170(c) (determined without regard to section 170(c)(2)(A))”.

26 USC 911 note.

26 USC 911.

(B) EFFECTIVE DATE FOR PROVISION RELATING TO FOREIGN TAXES ATTRIBUTABLE TO SECTION 911 EXCLUSION.—Subparagraph (B) of section 701(u)(10) of the Revenue Act of 1978 (relating to effective date) is amended to read as follows:

26 USC 911 note.

“(B) EFFECTIVE DATE.—The amendment made by subparagraph (A) shall apply to taxable years beginning in calendar year 1978 but only in the case of taxpayers who make an election under section 209(c) of the Foreign Earned Income Act of 1978.”

26 USC 58.

(C) ALLOCATION OF ITEMS OF TAX PREFERENCE IN THE CASE OF ESTATES AND TRUSTS.—Paragraph (1) of section 58(c) (relating to estates and trusts) is amended by striking out “on the basis of the income of the estate or trust allocable to each” and inserting in lieu thereof “in accordance with regulations prescribed by the Secretary”.

26 USC 1250.

(D) AMENDMENT OF SECTION 1250.—The last sentence of section 1250(a)(1)(B) (relating to gain from disposition of certain depreciable property) is amended by inserting before the period at the end thereof the following: “which was allowed under section 167(k)”.

(E) CLERICAL AMENDMENTS.—

26 USC 37.

(i) Paragraph (3) of section 701(a) of the Revenue Act of 1978 is amended by striking out “Subsection (c)” and inserting in lieu thereof “Subsection (e)”.

26 USC 191.

(ii) Subparagraph (C) of section 191(f)(2) is amended by striking out “the date of” and inserting in lieu thereof “the date”.

92 Stat. 2925.

26 USC 1014.

(2) AMENDMENTS RELATED TO SECTION 702 OF THE ACT.—

(A) Paragraph (3) of section 1014(a) is amended by striking out “section 2032.1” and inserting in lieu thereof “section 2032A”.

26 USC 2613.

(B)(i) Clause (i) of section 2613(e)(2)(A) is amended by inserting “(other than as a potential appointee under a power of appointment held by another)” after “the trust”.

(ii) Subparagraph (B) of section 2613(e)(2) is amended—
(I) by inserting after clause (ii) the following new clause:

“(iii) an employee of the grantor or of any beneficiary,”

(II) by striking out clause (vi), by redesignating clauses (iii), (iv), and (v) as clauses (iv), (v), and (vi), respectively, and

(III) by inserting “or” at the end of clause (vi) (as so redesignated).

Repeal.

26 USC 1016.

(C) Paragraph (3) of section 702(r) of the Revenue Act of 1978 is hereby repealed.

(D) The section 6698 which relates to failure to file information with respect to carryover basis property is redesignated as section 6698A.

26 USC 6698A.

(E) The table of sections for subchapter B of chapter 68 is amended by striking out

26 USC 6698A.

"Sec. 6698. Failure to file information with respect to carryover basis property."

and inserting in lieu thereof the following:

"Sec. 6698A. Failure to file information with respect to carryover basis property."

(F)(i) If the executor elects the benefits of this subparagraph with respect to any estate, section 2035(b) of the Internal Revenue Code of 1954 (relating to adjustments for gifts made within 3 years of decedent's death) shall be applied with respect to transfers made by the decedent during 1977 as if paragraph (2) of such section 2035(b) read as follows:

26 USC 2035 note.

26 USC 2035.

"(2) to any gift to a donee made during 1977 to the extent of the amount of such gift which was excludable in computing taxable gifts by reason of section 2503(b) (relating to \$3,000 annual exclusion for purposes of the gift tax) determined without regard to section 2513(a)."

26 USC 2503.

26 USC 2513.

(ii) The election under clause (i) with respect to any estate shall be made on or before the later of—

(I) the due date for filing the estate tax return, or

(II) the day which is 120 days after the date of the enactment of this Act.

(3) AMENDMENTS RELATED TO SECTION 703 OF THE ACT.—

92 Stat. 2939.

(A) The first sentence of paragraph (8) of section 46(f) is amended by striking out "subsection (a)(7)(D)" and inserting in lieu thereof "subsection (a)(7)(C)".

26 USC 46.

(B) Subsection (e) of section 703 of the Revenue Act of 1978 is hereby repealed.

Repeal.
26 USC 911.

(C) Paragraph (1) of section 703(q) of the Revenue Act of 1978 is amended by striking out "section 103(d)" and inserting in lieu thereof "section 103(c)".

26 USC 103.

(b) EFFECTIVE DATE.—

For general effective date, see section 201.

Post, p. 228.

SEC. 108. AMENDMENTS RELATED TO CERTAIN OTHER ACTS ENACTED DURING 1978.

(a) FOREIGN EARNED INCOME ACT OF 1978.—

26 USC 1 note.

(1) IN GENERAL.—

(A) TAX TABLES TO APPLY TO INDIVIDUALS CLAIMING SECTION 911 EXCLUSION.—Section 202 of the Foreign Earned Income Act of 1978 is amended by redesignating subsection (f) as subsection (g) and by inserting after subsection (e) the following new subsection:

92 Stat. 3098.

26 USC 43, 911,
1302, 1304, 1402,
6012, 6091.

"(f) TAX TABLES TO APPLY TO INDIVIDUALS CLAIMING SECTION 911 EXCLUSION.—Paragraph (1) of section 3(b) (relating to tax tables not to apply to certain individuals) is amended by striking out subparagraph (A)."

26 USC 3.

(B) DETERMINATION OF HOUSING DEDUCTION.—

(i) Clause (i) of section 913(e)(3)(A) is amended by striking out "earned income" each place it appears and inserting in lieu thereof "housing income".

26 USC 913.

(ii) Subsection (e) of section 913 is amended by adding at the end thereof the following new paragraphs:

26 USC 911.

“(6) **HOUSING INCOME.**—For purposes of this subsection, the term ‘housing income’ has the meaning given to the term ‘earned income’ by section 911(b) (determined with the rule set forth in paragraph (3) of section 911(c)).

“(7) **RECAPTURE OF EXCESS HOUSING DEDUCTIONS ATTRIBUTABLE TO TREATMENT OF AFTER-RECEIVED COMPENSATION.**—

“(A) **IN GENERAL.**—There shall be included in the gross income of the individual for the taxable year in which any after-received compensation is received an amount equal to any excess housing deduction determined for such year.

“(B) **EXCESS HOUSING DEDUCTION.**—For purposes of subparagraph (A), the excess housing deduction determined for any taxable year is the excess (if any) of—

“(i) the aggregate amount which has been allowed as a housing deduction (for such taxable year and all prior taxable years), over

“(ii) the aggregate amount which would have been allowable as a housing deduction (for such taxable year and all prior taxable years for which a housing deduction has been allowed), by taking after-received compensation into account under this subsection as if it had been received in the taxable year in which the services were performed.

In applying the preceding sentence to any taxable year, proper adjustment shall be made for the effect of applying such sentence for purposes of all prior taxable years.

“(C) **TREATMENT OF AMOUNT INCLUDED IN INCOME.**—Any amount included in gross income under subparagraph (A) shall not be treated as income for purposes of applying subsection (c) of this section.

“(D) **DEFINITIONS.**—For purposes of this paragraph—

“(i) **HOUSING DEDUCTION.**—The term ‘housing deduction’ means that portion of the deduction allowable under subsection (a) for any taxable year which is attributable to qualified housing expenses. For such purpose, qualified housing expenses shall be taken into account after all other amounts described in subsection (b).

“(ii) **AFTER-RECEIVED COMPENSATION.**—The term ‘after-received compensation’ means compensation received by an individual in a taxable year which is attributable to services performed by such individual in the third preceding, second preceding, or first preceding taxable year.”

26 USC 911.

(C) **CLERICAL AMENDMENT.**—Paragraph (2) of section 911(a) (relating to income earned by individuals in certain camps) is amended by striking out “qualified foreign” and inserting in lieu thereof “a foreign country or”.

(D) **AMENDMENT OF LAST SENTENCE OF SECTION 911(a).**—The last sentence of section 911(a) (relating to income earned by individuals in certain camps) is amended—

(i) by inserting “any deduction,” after “his gross income”, and

(ii) by striking out “deductions allowed by sections 217” and inserting in lieu thereof “deduction allowed by section 217”.

26 USC 217.

(E) AMENDMENT OF SECTION 3(b).—Paragraph (1) of section 3(b) is amended by redesignating subparagraphs (B) and (C) as subparagraphs (A) and (B), respectively. 26 USC 3.

(F) QUALIFIED HOME LEAVE TRAVEL EXPENSES.—

(i) Subsection (g) of section 913 (relating to qualified home leave travel expenses) is amended to read as follows: 26 USC 913.

“(g) QUALIFIED HOME LEAVE TRAVEL EXPENSES.—

“(1) IN GENERAL.—For purposes of this section, the term ‘qualified home leave travel expenses’ means the reasonable amounts paid or incurred by or on behalf of an individual for the transportation of such individual, his spouse, and each dependent—

“(A) from a point of outside the United States to the individual’s principal domestic residence, and

“(B) from the individual’s principal domestic residence to a point outside the United States.

“(2) LIMITATION TO COST BETWEEN TAX HOME AND PLACE OF RESIDENCE.—The amount taken into account under subparagraph (A) or (B) of paragraph (1) with respect to any transportation shall not exceed the reasonable amount for transportation between the location of the individual’s tax home outside the United States and the individual’s principal domestic residence.

“(3) SUBSTITUTION OF NEAREST PORT OF ENTRY IN CERTAIN CASES.—With respect to any person whose travel in the United States is not travel to and from the individual’s principal domestic residence, paragraphs (1) and (2) shall be applied by substituting the nearest port of entry in the United States for the individual’s principal domestic residence.

“(4) NEAREST PORT OF ENTRY.—For purposes of paragraph (3), the nearest port of entry in the United States shall not include a nearest port of entry located in Alaska or Hawaii unless the individual elects to have such port of entry taken into account.

“(5) PRINCIPAL DOMESTIC RESIDENCE DEFINED.—For purposes of this subsection, an individual’s principal domestic residence is the location of such individual’s present (or, if none, most recent) principal residence in the United States.

“(6) 1 ROUND TRIP PER 12-MONTH PERIOD ABROAD.—Amounts may be taken into account under paragraph (4) of subsection (b) only with respect to 1 trip to the United States, and 1 trip from the United States, per person for each continuous period of 12 months for which the individual’s tax home is in a foreign country.”

(ii) Clause (ii) of section 913(i)(1)(C) (relating to qualified second household) is amended by striking out “, and paragraph (1) of subsection (g),” and inserting in lieu thereof “, and subsection (g),”.

(G) AMENDMENT OF SECTION 119.—Subsection (a) of section 119 (as in effect on the day before the date of the enactment of the Foreign Earned Income Act of 1978) is amended by striking out “(a) GENERAL RULE.—” 26 USC 119.

(2) EFFECTIVE DATES.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the amendments made by paragraph (1) shall take effect as if included in the Foreign Earned Income Act of 1978. 26 USC 1 note.

(B) PARAGRAPH (1)(E).—The amendment made by paragraph (1)(E) shall apply to taxable years beginning after December 31, 1978. 26 USC 3 note.

(b) AMENDMENTS RELATED TO THE BLACK LUNG BENEFITS REVENUE ACT.—

(1) CORRECTION OF PROVISIONS RELATED TO TAX COURT JURISDICTION.—

26 USC 6503. (A) Subsection (g) of section 6503 is amended—
 (i) by striking out “4971, 4975, 4985, or 4986” and inserting in lieu thereof “4951, 4952, 4971, or 4975”, and
 (ii) by striking out “4971(c)(3), 4975(f)(6), 4985(e)(4), or 4986(e)(2)” and inserting in lieu thereof “4951(e)(4), 4952(e)(2), 4971(c)(3), or 4975(f)(6)”.

26 USC 6511. (B) Subsection (f) of section 6511 is amended—
 (i) by inserting “or section 4975” after “chapter 42”, and
 (ii) by striking out “CHAPTER 42” in the subsection heading and inserting in lieu thereof “CHAPTER 42 AND CERTAIN CHAPTER 43”.

26 USC 6862. (C) Section 6862 is amended by striking out “certain excise taxes” and inserting in lieu thereof “the taxes imposed by chapters 41, 42, 43, and 44”.

26 USC 7422. (D) Subsection (g) of section 7422 is amended by striking out “4944, 4945” each place it appears and inserting in lieu thereof “4944, 4945, 4951, 4952”.

(E) Paragraph (1) of section 7422(g) is amended by striking out “section 4945(a) (relating to initial taxes on taxable expenditures)” and inserting in lieu thereof “section 4945(a) (relating to initial taxes on taxable expenditures), section 4951(a) (relating to initial taxes on self-dealing), 4952(a) (relating to initial taxes on taxable expenditures)”.

(F) Subsection (g) of section 7422 is amended by striking out “section 4945(b) (relating to additional taxes on taxable expenditures)” and inserting in lieu thereof “section 4945(b) (relating to additional taxes on taxable expenditures), section 4951(b) (relating to additional taxes on self-dealing), 4952(b) (relating to additional taxes on taxable expenditures)”.

(2) CORRECTION OF REFERENCES TO 1969 ACT.—

92 Stat. 12. (A) Subsections (b), (c)(1), and (d) of section 3 of the Black Lung Benefits Revenue Act of 1977 are each amended by striking out “Federal Coal Mine Health and Safety Act of 1969” each place it appears and inserting in lieu thereof “Federal Mine Safety and Health Act of 1977”.

30 USC 934, 934a.
 30 USC 801 note.
 30 USC 801 note.
 26 USC 501, 192. (B) Sections 501(c)(21) and 192(e) are each amended by striking out “Federal Coal Mine Health and Safety Act of 1969” and inserting in lieu thereof “Federal Mine Safety and Health Act of 1977”.

(3) CLERICAL AMENDMENTS.—

92 Stat. 12. (A) Paragraph (1) of section 3(c) of the Black Lung Benefits Revenue Act of 1977 is amended by striking out “subsection (a)(4)” and inserting in lieu thereof “subsection (a)(5)”.

30 USC 934a.
 26 USC 7454. (B) Subsection (b) of section 7454 is amended by striking out “section 502(c)(21)” and inserting in lieu thereof “section 501(c)(21)”.

26 USC 192 note. (4) EFFECTIVE DATE.—Any amendment made by this subsection shall take effect as if included in the provision of the Black Lung Benefits Revenue Act of 1977 to which such amendment relates.

(c) AMENDMENTS RELATED TO ENERGY TAX ACT OF 1978.—

26 USC 1 note.
 26 USC 1 note. (1) REPAYMENT OF TAX ON GASOLINE USED IN COMMERCIAL FISHERIES.—Subparagraph (B) of section 6421(d)(2) (defining

26 USC 6421.

qualified business use) is amended by adding at the end thereof the following new sentence: "The preceding sentence shall not apply to use in a vessel employed in the fisheries or in the whaling business."

(2) TIRES USED IN MANUFACTURE OF BUSES.—

(A) Subparagraph (C) of section 6416(b)(3) (relating to tax-paid articles used for further manufacture, etc.) is amended by striking out "such other article is" and all that follows and inserting in lieu thereof the following:

"such other article is—

"(i) an automobile bus chassis or an automobile bus body, or

"(ii) by any person exported, sold to a State or local government for the exclusive use of a State or local government, sold to a nonprofit educational organization for its exclusive use, or used or sold for use as supplies for vessels or aircraft;"

(B) Subparagraph (B) of section 6416(b)(4) (relating to tires and inner tubes) is amended to read as follows:

"(B) such other article is—

"(i) an automobile bus chassis or an automobile bus body, or

"(ii) by any person exported, sold to a State or local government for the exclusive use of a State or local government, sold to a nonprofit educational organization for its exclusive use, or used or sold for use as supplies for vessels or aircraft;"

(C) Subsection (e) of section 4071 (relating to tires on imported articles) is amended by striking out "under section 4061" and inserting in lieu thereof "under section 4061 or if such article is an automobile bus chassis or an automobile bus body".

(3) REFUND OF TAX ON LUBRICATING OIL USED IN PRODUCING REREFINED OIL.—Paragraph (2) of section 6416(b) (relating to credit or refund for certain uses) is amended by striking out "or" at the end of subparagraph (L), by striking out the period at the end of subparagraph (M) and inserting in lieu thereof "; or", and by inserting after subparagraph (M) the following:

"(N) in the case of lubricating oil taxable under section 4091 which is contained in a mixture which is rerefined oil (as defined in section 4093(b)(3)), used or sold.

The amount of the credit or refund under subparagraph (N) with respect to any lubricating oil shall be the amount which would be exempt from tax under section 4093."

(4) CREDIT OR REFUND OF TAX ON TRUCK CHASSIS OR BODY USED IN THE MANUFACTURE OF A BUS.—Subparagraph (A) of section 6416(b)(3) (relating to tax-paid articles used for further manufacture, etc.) is amended by striking out "component part of," and all that follows and inserting in lieu thereof the following: "component part of—

"(i) another article taxable under chapter 32, or

"(ii) an automobile bus chassis or an automobile bus body, manufactured or produced by him;"

(5) Section 4221(e)(6) (relating to bus parts and accessories) is amended to read as follows:

"(6) BUS PARTS AND ACCESSORIES.—Under regulations prescribed by the Secretary, the tax imposed by section 4061(b) shall not apply to any part or accessory which is sold for use by the

26 USC 6416.

26 USC 4071.

26 USC 4061.

26 USC 6416.

26 USC 4091.

26 USC 4093.

26 USC 4061 et
seq.

26 USC 4221.

purchaser on or in connection with an automobile bus, or is to be resold by the purchaser or a second purchaser for such use."

26 USC 48.

(6) **CLERICAL AMENDMENT.**—The last sentence of section 48(a)(10)(B) is amended by striking out "51" and inserting in lieu thereof "5".

26 USC 48 note.

(7) **EFFECTIVE DATE.**—Any amendment made by this subsection shall take effect as if included in the provision of the Energy Tax Act of 1978 to which such amendment relates; except that the amendment made by paragraph (6) shall take effect on the first day of the first calendar month which begins more than 10 days after the date of the enactment of this Act.

26 USC 1 note.

92 Stat. 1332.

26 USC 6324B.

(d) **AMENDMENTS RELATED TO PUBLIC LAW 95-472.**—Subsection (c) of section 6324B (relating to special lien for additional estate tax attributable to farm, etc., valuation) is amended to read as follows:

"(c) **CERTAIN RULES AND DEFINITIONS MADE APPLICABLE.**—

"(1) **IN GENERAL.**—The rule set forth in paragraphs (1), (3), and (4) of section 6324A(d) shall apply with respect to the lien imposed by this section as if it were a lien imposed by section 6324A.

"(2) **QUALIFIED REAL PROPERTY.**—For purposes of this section, the term 'qualified real property' includes qualified replacement property (within the meaning of section 2032A(h)(3)(B))."

TITLE II—GENERAL EFFECTIVE DATE

26 USC 43 note.

SEC. 201. GENERAL EFFECTIVE DATE.

26 USC 1 note.

Except as otherwise provided in title I, any amendment made by title I shall take effect as if it had been included in the provision of the Revenue Act of 1978 to which such amendment relates.

Approved April 1, 1980.

LEGISLATIVE HISTORY:

HOUSE REPORT No. 96-250 (Comm. on Ways and Means).

SENATE REPORT No. 96-498 (Comm. on Finance).

CONGRESSIONAL RECORD:

Vol. 125 (1979): July 16, considered and passed House.

Vol. 126 (1980): Feb. 26, considered and passed Senate, amended.

Feb. 28, House concurred in certain Senate amendments and disagreed to Senate amendment No. 67.

Mar. 18, Senate receded from its amendment No. 67 and offered another amendment to the House bill.

Mar. 19, House concurred in Senate amendment.