PART TWO

SUMMARY OF OTHER HOUSE-PASSED TAX BILLS PENDING BEFORE THE COMMITTEE ON FINANCE JULY 18, 1967

PREPARED FOR THE USE

OF THE

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BY THE STAFF

OF THE

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1. H.R. 1282—TAX-FREE WITHDRAWAL OF WINE FROM BONDED WINE CELLARS

A. Summary of the Bill

Present law.—Present law imposes a varied schedule of excise tax rates on the withdrawal of wine from a bonded wine cellar irrespective of its ultimate use (except for production of vinegar and for certain other limited purposes).

Changes made by the bill.—The bill permits the tax-free withdrawal of wine (containing not more than 21 percent of alcohol by volume) from a bonded wine cellar for use in nonbeverage products, such as food flavoring. The bill provides that wines so withdrawn must be rendered unfit for beverage use before their withdrawal and may be treated for their intended use prior to the withdrawal.

The bill would be effective upon enactment.

Revenue effect.—The bill would have no significant revenue effect.

B. Reasons Given by the House for the Bill

(1) Present law permits a drawback (similar to a refund) of all but $1 of the tax per gallon in the case of distilled spirits where they are rendered unfit for beverage use, and the House believed that the wine in question should receive similar tax treatment.

(2) The bill will alleviate economic problems in some cases by helping to dispose of fruit surpluses.

C. Prior Congressional Action

This bill was passed by the House on March 14, 1967, and is identical to H.R. 6413 (89th Cong.,), which was passed by the House on October 7, 1966.

D. Treasury Department Position

The Treasury has indicated that it has no objection to the enactment of the bill but suggested a technical amendment referred to below.

E. Proposed Amendments

In order to provide adequate time for the preparation and publication of regulations, the Treasury has proposed that the effective date of the bill be set at the first day of the first month which begins at least 90 days after enactment.

2. H.R. 1326—EXEMPTION FROM EXCISE TAX OF CERTAIN SHELLS AND CARTRIDGES

A. Summary of the Bill

Present law.—Present law imposes an 11 percent manufacturers excise tax on "shells and cartridges." This phrase has been interpreted as including shells and other devices containing delayed-action explosives chiefly used for frightening or herding birds.

Changes made by the bill.—The bill would exempt shells or cartridges from this tax if they have delayed action fuses and are designed for use in frightening or herding birds without injuring them.

Revenue effect.—It is believed the revenue loss resulting from this bill would be negligible.

B. Reasons Given by the House for the Bill

In 1961, the Revenue Service ruled that the type of shells and cartridges covered by the bill were subject to the tax; however, since these shells contain a fire-cracker rather than steel pellets in their projective tubes they cannot be used for hunting. The House believed that this type of shell was not what Congress had in mind when it provided for the present tax.

C. Prior Congressional Action

This bill was passed by the House on March 14, 1967. Except for one minor clarifying change, it is identical to H.R. 9280 (89th Cong.), which was passed by the House on October 21, 1966.

D. Treasury Department Position

The Treasury Department has indicated that it does not oppose the enactment of this bill.

E. Proposed Amendments

No amendments are known to have been proposed to this bill.

3. H.R. 2767—ASSESSMENTS BY CONSERVATION OR DRAINAGE DISTRICTS FOR DEPRECIABLE PROPERTY

A. Summary of the Bill

Present law.—Under present law, a farmer can deduct assessments levied by a soil or water conservation or drainage district to the extent the assessment covers expenditures by the district which the taxpayer could have deducted if he had incurred them himself. If part of the assessment covers the cost of acquiring depreciable property by the district, that part is not deductible since a farmer himself cannot deduct the cost of acquiring depreciable property—except through depreciation allowances.

Changes made by the bill.—The bill provides that if a farmer pays an assessment levied by a soil or water conservation or drainage district, which is attributable to the acquisition by the district of depreciable property, the amount paid can be deducted for income tax purposes on an amortized basis over a 10-year period. The amendment will apply to assessments levied after the date of the enactment of the bill.

Revenue effect.—In its report on the bill, the Treasury estimated that the bill would produce a revenue loss of less than $5 million per year. It is believed, however, that this may understate the revenue loss.

B. Reasons Given by the House for the Bill

The House noted that since farmers cannot take depreciation deductions on depreciable assets owned by a soil or water conservation or drainage district—even though the depreciable property is paid for by the farmers through assessments—the result under existing law is that a farmer in a conservation district is treated less favorably from a tax standpoint than a farmer who undertakes soil and water conservation activities for himself. The bill, by allowing the farmer to deduct the amount paid—on an amortized basis over a 10-year period—for assessments attributable to depreciable property, provides a deduction roughly comparable to what a farmer is allowed through depreciation allowances when he buys machinery or other depreciable property used for soil or water conservation purposes.

C. Prior Congressional Action

An identical bill—H.R. 7030, 89th Congress—was passed by the House on October 21, 1966, and referred to the Senate Finance Committee on that date. Since Congress adjourned 1 day later, no action was taken on the bill by the Senate Finance Committee. The bill is similar to an amendment to H.R. 7502 (89th Congress) that was proposed by Senator Dirksen and adopted by the Finance Committee. H.R. 7502 was reported by the Committee on October 21, 1966. This amendment is explained below.

D. Treasury Department Position

The Treasury Department does not object to the enactment of H.R. 2767.

E. Proposed Amendments

In its report on the bill the Treasury Department suggested that it would not oppose amendment of the bill to provide that the 10-year amortization period should not apply where the district has borrowed money to acquire the depreciable property and the assessments to retire the loan are made in 10 or more installments. This still would not provide for cases where assessments are paid in installments but over a period of less than 10 years.

The amendment to H.R. 7502 (89th Congress), referred to above, provided a deduction for contributions to soil or water conservation or drainage districts in the situations covered by the bill. In addition, the amendment provided deductions for the portion of an assessment used by the district to acquire land or easements over land, or to relocate roads or power lines. Further, it would not have required the spreading of the deduction over 10 years. It also contained a significantly different effective date. Under the bill (H.R. 2767) the deduction would be allowed with respect to assessments levied after the date of its enactment. The amendment to H.R. 7502 would have been effective with respect to amounts paid or incurred after 1963 and with respect to amounts that would have been paid after 1963 if the taxpayer had chosen to pay his assessment in installments and if the assessment was paid in full after 1960 and before 1964.

4. H.R. 4765—INCOME TAX TREATMENT OF CERTAIN DISTRIBUTIONS UNDER BANK HOLDING COMPANY ACT OF 1956 AS AMENDED IN 1966

A. Summary of the Bill

Present law.—In 1956, Congress passed legislation placing corporations controlling two or more banks—bank holding companies—under the control of the Federal Reserve Board. These corporations, with limited exceptions, were prohibited from owning stock in any businesses other than banks, so that these corporations were required to dispose of either their banking or their nonbanking interests by distributing these interests to their shareholders. Without special relief these distributions would have been dividends—treated as ordinary income—to the individual shareholders. Since, however, the distributions were required by law, Congress made these distributions tax free with respect to property owned before May 15, 1955.

Under the 1956 act a special exception was made for a corporation registered under the Investment Company Act of 1940, or affiliated with such a corporation. Under this exception, Financial General Corp. (affiliated with Equity Corp.) was not considered a bank holding company even though it indirectly controlled several banks and owned stock in other businesses.

In 1966, Congress repealed this exception so that the Financial General Corp. then became a bank holding company—Public Law 89–485, H.R. 7371. Accordingly, under present law this corporation will now be required to dispose of either its banking or its nonbanking interests.

Changes made by the bill.—This bill provides that in such a case the corporation may make a distribution of either its banking or nonbanking interests without the shareholders having to pay tax upon the stock or other property received so long as all distributions in kind are made on a pro rata basis to all shareholders. This is substantially the same tax treatment as that provided for the corporations which became bank holding companies in 1956.

B. Reasons Given by the House for the Bill

The tax relief granted in 1956 applied only to interests originally acquired before May 15, 1955. However, most of the interests which Financial General Corp. will be obliged to distribute were acquired after that date. Accordingly, the House believed it appropriate to grant relief to a corporation required to divest itself of banking or nonbanking interests because of the new 1966 law, similar to the relief granted to other corporations in 1956. For this reason the bill provides that any corporation affected by the new amendment may distribute either banking or nonbanking interests held before April 12, 1965, without any tax to the shareholders. However, to avoid the possibility of tax manipulation, this treatment is made available only if all the distributions made in kind—that is, other than in money—are made on a pro rata basis to all shareholders.

C. Prior Congressional Action

This bill was passed by the House on March 14, 1967. This bill is the same as H.R. 11257 which passed the House on October 7, 1966, and was favorably reported by the Senate Finance Committee on October 13, 1966. The Finance Committee added to the bill an amendment relating to a different matter (which is described below). This bill is also the same as S. 216 introduced by Senator Dirksen on January 12, 1967.

D. Treasury Department Position

The Treasury does not object to the bill in its present form but indicated it also would not object to the bill if it were modified along the lines of the first proposed amendment described below.

E. Proposed Amendments

Three possible amendments to this bill are described below. The first of these would provide the so-called Du Pont Co. type treatment for a bank holding company making a distribution. This is a matter which was considered when the similar version of this bill reached the Senate floor last year. This is also a matter to which the Treasury Department refers as being a nonobjectionable alternative modification in the bill. The second amendment involves a life insurance company problem on which Senator Morton has introduced a proposed amendment to this bill. The third is concerned with the amendment which the Finance Committee added to a similar bill which it reported last year. This is concerned with the bad debt reserve problems of mortgage guaranty insurance companies.

DU PONT CO. TYPE TREATMENT

It has been suggested that, instead of providing tax-free treatment, the same relief be granted in this case as was granted to the individual shareholders of the Du Pont Co. in 1962 by Public Law 87-403 when that company was required to distribute stock because of an antitrust suit. Under that approach distributions are not tax free, but instead are treated like distributions made by a corporation which has no earnings and profits. Under this treatment each distribution to an individual shareholder is taxed at the time of the distribution only to the extent its fair market value exceeds what the shareholder paid for the stock. The tax in this case is at the capital gains tax rate. Thus, under this approach if a share of stock worth $70 is distributed to a shareholder no gain will be recognized to such shareholder if the stock cost him more than $70. On the other hand, if $70 exceeds the shareholder's basis for the X stock, gain will be recognized to the extent of the excess value received.

The "Du Pont" approach in most cases will result in no tax to persons who recently purchased stock of Financial General since they are likely to have purchased the stock at approximately its present price, but would result in tax to shareholders who have a low cost basis and who have held the stock a long time.

LIFE INSURANCE COMPANY PHASE III TAX

This is Amendment No. 224 introduced by Senator Morton on July 11, 1967.

Present law.—If a life insurance company makes a distribution of stock of a 100-percent-owned subsidiary to its shareholders and this distribution is tax free under section 355 (spin-off), the distribution may nevertheless result in tax to the distributing corporation because it may be treated as a distribution out of the "policyholders surplus account," the so-called "phase III" tax. This rule is necessary to prevent a life insurance company from distributing property without closing out the appropriate portion of the "policyholders surplus account."

Summary of amendment.—This amendment would permit a subsidiary company which is a life insurance company to distribute the stock of another corporation, which also is a life insurance company, to its parent holding company without the payment of any phase III tax. The amendment provides that the first tier life insurance company must have owned more than 80 percent of the second tier life insurance company since December 31, 1957, and not have made any contribution to it since that date (or if it did make any contribution, the phase III tax is to apply to the extent of the fair market value of the contribution).

MORTGAGE GUARANTY INSURANCE

Last year when the Finance Committee reported out the bank holding company bill it attached to it an amendment dealing with mortgage guaranty insurance. Senator Carlson has introduced this provision as S. 1461.

Present law.—Under present law a corporation guaranteeing mortgages generally is not permitted to deduct any reserve for future losses. In 1960 however, the Internal Revenue Service issued a ruling to a company writing mortgage guarantee insurance stating that its contingency reserve required by the State commission was a reserve for unearned premiums under section 832 (b)(4). A similar ruling was subsequently issued to another company. Since that time requests for similar rulings from other companies have been submitted to the Internal Revenue Service but the Service has not ruled on the requests.

Summary of amendment.—Companies which provide mortgage insurance are subject to State regulations and are required to place one-half of the premiums in contingency reserves for 15 years to provide for unusual losses. The bill amends the Internal Revenue Code of 1954 to provide a special deduction for an addition to an extraordinary loss reserve for 10 years for amounts which such companies are required by law to add to a reserve. However, the amount deducted must be invested in special non-interest-bearing U.S. bonds. These bonds will be paid at the end of the 10 years and the amount received will then be included in taxable income. The bonds may be redeemed before the end of the 10 years in the case of the occurrence of an extraordinary loss. The deduction is limited to 50 percent of the premiums and to 100 percent of the net income before the deduction.

Prior action.—This bill was reported out by the Senate Finance Committee as an amendment to H.R. 11257 in October 1966.

5. H.R. 4890—WORKING CAPITAL FUND FOR DEPARTMENT OF THE TREASURY

A. Summary of the Bill

Present law.—The Department of the Treasury performs, on a reimbursable basis—through its "salaries and expenses" appropriations for the Office of the Secretary—various centralized services, which benefit a number of Treasury bureaus financed by separate appropriations.

Changes made by the bill.—The bill establishes a working capital fund of not more than $1 million (available without fiscal year limitations) which would consolidate the various centralized services described above. The fund would be a revolving fund employed to finance administrative service operations servicing more than one appropriation or activity. It would finance the central buying of materials, supplies, labor, and other services (initially including printing, duplicating, and procurement); the holding and issuing of materials and supplies; and the processing of materials into other forms for use. Supplies, materials, and services would be sold on order to customer activities on the basis of actual cost. Accumulated reserves of the fund would cover the cost of repairing or replacing equipment as well as the stocking of supplies.

B. Reasons Given by the House for the Bill

The House stated that the establishment of the working capital fund would allow the consolidation of the activities described above, place them on a more systematic and businesslike basis, and assist the Department of the Treasury in presenting a more accurate cost-based budget. This working capital fund method of financing centralized services is similar to that used by a number of other Government agencies (including Agriculture, Commerce, HEW, Interior, Labor, and State).

C. Prior Congressional Action

The bill was passed by the House on March 14, 1967. The bill is identical to H.R. 11158, which was introduced in the 89th Congress by Mr. Mills and passed by the House on October 21, 1966.

D. Treasury Department Position

The Treasury Department favors enactment of this bill.

E. Proposed Amendments

No amendments are known to have been proposed to this bill.

6. H.R. 6056—DEPENDENCY EXEMPTION FOR CHILDREN OF DIVORCED PARENTS

A. Summary of the Bill

Present law.—Under present law, the $600 dependency exemption with respect to children of divorced parents is determined under the rules applicable to dependency exemptions generally. Under these rules, a dependency exemption may be claimed by the taxpayer who provides more than half of the support of a child for a year.

Changes made by the bill.—The bill establishes special provisions applicable to the dependency exemption in the case of children of divorced or separated parents. The bill provides as the general rule that the parent having custody of the child for the greater portion of the year is entitled to the dependency exemption. Two exceptions to this general rule provide that the parent not having custody is entitled to the exemption—

> (1) If he provides at least $600 of support for the child and the decree of divorce or separate maintenance or a written agreement between toe parents grants the exemption to him, or
>
> (2) If he provides $1,200 or more of child support (regardless of the number of children) and the parent having custody does not establish that he provided a greater amount of support.

If the parent without custody claims that the second exception above applies, each parent is entitled to receive an itemized statement of the support upon which the other parent's claim is based.

The bill applies with respect to taxable years beginning after 1966.

Revenue effect.—The bill would have no significant revenue effect.

B. Reasons Given by the House for the Bill

(1) *The dependency exemption rules of present law have proven to be unsatisfactory from the standpoint of the parents in many cases where the parents are divorced or separated.*—The House report states that the parents in these situations are often antagonistic toward each other, and, as a result, are not prone to cooperate in determining which has furnished the majority of child support. The problem is compounded by the fact that the Internal Revenue Service is not permitted to inform one parent concerning the support the other is claiming because of the prohibition against disclosure of tax information contained in present law. The result has been that the attempts of many parents to establish their right to an exemption have been frustrated because of their inability to produce evidence as to the support furnished by their former spouses.

(2) *The determination of which parent is entitled to the exemption under the rules of present law imposes a very serious administrative burden on the Internal Revenue Service.*—The House indicates that the number of disputes involving this issue is so great that it has tended to clog the administrative machinery involved in bringing them to conclusion. In fact, a disproportionate number of these cases are taken to the Tax Court. In the most recent year for which estimates are available, approximately 5 percent of all income tax cases handled at the informal conference level of the administrative process involved this issue as the principal issue.

(3) *The costs to the taxpayers and to the Government of resolving this issue are inordinate compared with the amount of taxes involved.*—The House report indicates that although significant to the taxpayers, the amount of tax involved in these cases does not justify the expenses, such as attorneys' fees, etc., incurred by them in pursuing their claims. Similarly, the costs incurred by the Government, such as the personnel costs involved, are disproportionately large.

C. Prior Congressional Action

The bill was passed by the House on March 14, 1967. An identical bill (except for effective date), H.R. 14363, was passed by the House on October 7, 1966, and was favorably reported by this committee on October 18, 1966. H.R. 14363 was never considered on the floor of the Senate.

D. Treasury Department Position

The Treasury Department supports the enactment of this bill. In addition, individual comments of those members of the Committee on Domestic Relations Tax Problems of the Section of Taxation of the American Bar Association who furnished comments were favorable. Furthermore, the Tax Court in the recent case of *Robert I. Brown* 48 T.C. —, No. 5 (Apr. 16, 1967), noted approvingly the pendency of this bill before Congress.

E. Proposed Amendments

Senator Boggs has introduced an amendment (Amendment No. 197) to the bill which he intends to propose. This amendment provides that in cases involving the dependency exemption for the child of divorced or separated parents for years prior to 1967 (years prior to the effective date of the bill), each parent would be entitled to receive a statement of the support expenditures claimed by the other. In addition, there is a minor technical problem in both the bill and in this proposed amendment to the bill.

7. H.R. 6058—TREATMENT OF STATE AND LOCAL TAXES FOR PURPOSES OF COMPUTING THE FEDERAL EXCISE TAX ON CIGARS

A. Summary of the Bill

Present law.—The manufacturers excise tax on cigars is imposed on the basis of a bracket system under which the rate of tax depends on the intended retail price of the cigar in the geographic area which constitutes the cigar's principal market. Existing law further provides that any State or local tax can be excluded when determining the ordinary retail price in the principal market.

Changes made by the bill.—The bill provides that the amount which can be excluded from the retail price by reason of the imposition of a State or local tax is to be rounded to the next highest full cent if the tax is not an even number of cents. This general rule is to be disregarded, however, if rounding would result in reducing the Federal excise tax below the amount which would be imposed in the absence of the State or local tax.

These provisions are to become effective with respect to cigars removed on or after the first day of the first calendar quarter which begins more than 30 days after the date the bill is enacted.

Revenue effect.—The bill will have a negligible effect on revenues.

B. Reasons Given by the House for the Bill

Since cigars competing in the same price range may have different principal markets, the present system can result in the disruption of com-

petitive relationships.—The House report points out that a State or local tax on cigars rarely amounts to an even number of cents per cigar, but retailers commonly round the retail price, including tax, to the next highest cent. The disruption of competitive relationships occurs when the imposition of a State or local tax increases the Federal excise tax on a cigar that happens to have its principal market in the area and leaves unchanged the Federal tax on competing cigars marketed principally in other areas.

The following example illustrates how this can occur under present law:

A cigar which normally retails for 6 cents in its principal market is taxed at the rate of $4 per thousand. If a State tax of one-half cent a cigar is imposed, retailers will sell each such cigar for 7 cents. Since the price of the cigar less tax is 6½ cents, the Internal Revenue Service under existing law must still, even without taking the tax into account, assess a tax at the rate of $7 per thousand (the rate of tax on cigars retailing for more than 6 cents, but not over 8 cents). Thus omitting the State sales tax, by itself, does not necessarily result in the tax being as low as it would be if the tax were determined on the basis of a principal market in another State where either no State sales tax were imposed or the "rounding" problem with respect to the tax did not exist.

C. Prior Congressional Action

H.R. 6058 was passed by the House on March 14, 1967. The bill is similar to H.R. 8244, which was introduced in the 89th Congress by Mr. Herlong and passed by the House on October 21, 1966.

D. Treasury Position

The Treasury Department has indicated that it believes the bill would provide greater equality between competing producers with only a negligible revenue loss. It therefore has no objection to the enactment of the bill.

E. Proposed Amendments

No amendments are known to have been proposed to this bill.

8. H.R. 6097—INCOME TAX TREATMENT OF CASUALTY LOSSES ATTRIBUTABLE TO MAJOR DISASTERS

A. Summary of the Bill

Present law.—Uninsured business losses (or those from property held for the production of income) arising from fire or other casualty are treated as ordinary losses without regard to any section 1231 gains or capital gains the taxpayer may have. In contrast, casualty losses on (even partially) insured property (or property not held for the production of income; i.e., personal assets) are treated as section 1231 losses. These latter losses are deductible against ordinary income only to the extent they exceed all section 1231 gains. Thus, to the extent the losses and gains are matched up, the losses are treated as capital items offsetting gains which otherwise would be taxed at no more than a 25 percent rate.

Changes made by the bill.—The bill provides for ordinary loss treatment in the case of losses attributable to fire or other casualty designated by the President (under the act of September 30, 1950, 42 U.S.C. 1855–1855(g)) as a major disaster where the insured business losses (and those from personal assets held for over 6 months) resulting from such a disaster exceed the gains. In this respect, the bill supplements the rule of existing law, described above, which treats uninsured business casualty losses (or those held for the production of income) as ordinary losses.

This amendment is effective for taxable years ending after November 30, 1964.

The bill also makes it clear (by a technical amendment) that uninsured losses arising from destruction (in whole or in part), theft, or seizure, or requisition or condemnation of property (used in a trade or business or a capital asset held for more than 6 months) are to be offset against gains otherwise treated as capital gains (under sec. 1231) except to the extent the losses are specifically excluded from the provision. This amendment is effective with respect to losses sustained the day after the date of enactment.

Revenue effect.—The bill would involve a negligible revenue loss.

B. Reasons Given by the House for the Bill

During the 6-month period before the House Ways and Means Committee reported H.R. 7502 in the 89th Congress (June 29, 1965), a large number of taxpayers in various parts of the country suffered severe casualty losses as a result of storms and floods which the President designated as major disasters. The House believed that, in the case of such major disasters, relief was warranted from the existing treatment of casualty losses described above.

C. Prior Congressional Action

The bill was passed by the House on March 14, 1967. The bill is identical to H.R. 7502 which was introduced in the 89th Congress by Mr. Ullman and passed by the House on August 3, 1965. It was reported by the Finance Committee to the Senate with amendments on October 21, 1966. Four amendments were added. These are listed below in the second paragraph under "proposed amendments".

D. Treasury Department Position

The Treasury Department strongly opposes enactment of the bill for the following reasons:

1. The bill would retroactively undermine the concept of the netting of gains and losses which is fundamental to section 1231 and would grant to those taxpayers in the specified situation covered by the bill a unique tax preference for which no justification appears. Section 1231 of the Code presently provides exceedingly advantageous tax treatment for gains and losses from sales or exchanges of most business assets and voluntary conversions of such assets and most capital assets. Under present law, if gains of this type exceed the losses of this type, the net gain is treated as a long term capital gain subject

to tax only at the favorable capital gains rates. On the other hand, if the losses exceed the gains, the net loss is treated as an ordinary loss, fully deductible from ordinary income from all sources. With one limited exception (where the Treasury now proposes a change), Congress has not in the past seen fit to deviate from this netting requirement.

2. If the bill is enacted, the erosion of section 1231 can be expected to proceed—probably at an accelerated pace—unless Congress acts to halt it by reaffirming the basic structure of the section. Only one departure from the basic premise underlying section 1231—i.e., that 1231 gains and losses be netted—exists in present law. If Congress adopts this bill an additional group of losses will be withdrawn from the operation of that section, while the section's capital gains treatment will continue unchanged. As a consequence, enactment of the bill would so limit the casualty provisions of section 1231 that only partially insured casualty losses not attributable to major disasters will remain subject to that section.

3. Progress is being made in providing direct programs to deal with losses resulting from major disasters. An efficient system of Federal aid for disaster loss situations must be predicated on such direct Federal programs.

E. Proposed Amendments

If the committee should approve the bill, the Treasury urges that its retroactive aspect (which would make it applicable to losses that occurred in any taxable year ending after November 30, 1964) be deleted. The Treasury also recommends that, regardless of the action the committee takes on the bill, the 1958 amendment made to section 1231 (allowing the deduction of uninsured losses as ordinary losses without regard to the netting requirements of section 1231) be repealed. The effect of the repeal would be to treat these uninsured losses in the same manner as other section 1231 losses, or as losses covered by the bill when attributable to presidentially designated major disasters.

The amendments, which were added to the earlier version of this bill when considered by the Finance Committee in the 89th Congress are as follows:

1. Removed the limit on deductions by individuals for nonbusiness casualty losses (to only those above $100 per casualty).

2. Allowed certain universities whose assets and investments are clearly sufficient to meet obligations to their employees to treat prescribed unfunded plans, in place of annuity contracts, for tax purposes in the same manner as qualified pension plans.

3. Allowed as deductions certain assessments against farm members of the assessment district. This amendment is discussed in more detail under the discussion of H.R. 2767 (No. 3, above).

4. Provided qualified status for Local 738, IBT—National Tea Company Employee's Retirement Fund for the period May 12, 1958 (when the fund was established) to May 12, 1959 (when the fund was held to qualify). Congress provided relief of this nature in particular cases in the past, and, in 1964, provided general relief allowing multi-employer retirement funds to qualify in the intervening period between their inception and the time they actually qualified. Local 738 is a single employer fund and is not covered by the 1964 legislation.