Public Law 89-800

November 8, 1966
[H. R. 17607]

AN ACT

To suspend the investment credit and the allowance of accelerated depreciation in the case of certain real property.

Taxes.
Depreciable property, investment credit suspension.
76 Stat. 967.
26 USC 48.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That (a) section 48 of the Internal Revenue Code of 1954 (relating to definition; special rules) is amended by redesignating subsection (h) as subsection (k), and by inserting before such subsection the following new subsections:

"(h) SUSPENSION OF INVESTMENT CREDIT.—For purposes of this subpart—

76 Stat. 962.
26 USC 38.

"(1) GENERAL RULE.—Section 38 property which is suspension period property shall not be treated as new or used section 38 property.

"(2) SUSPENSION PERIOD PROPERTY DEFINED.—Except as otherwise provided in this subsection and subsection (i), the term 'suspension period property' means section 38 property—

*Post*, p. 1512.

"(A) the physical construction, reconstruction, or erection of which begins either during the suspension period or pursuant to an order placed during such period, or

"(B) which is acquired by the taxpayer either during the suspension period or pursuant to an order placed during such period.

"(3) BINDING CONTRACTS.—To the extent that any property is constructed, reconstructed, erected, or acquired pursuant to a contract which was, on October 9, 1966, and at all times thereafter, binding on the taxpayer, such property shall not be deemed to be suspension period property.

"(4) EQUIPPED BUILDING RULE.—If—

"(A) pursuant to a plan of the taxpayer in existence on October 9, 1966 (which plan was not substantially modified at any time after such date and before the taxpayer placed the equipped building in service), the taxpayer has constructed, reconstructed, erected, or acquired a building and the machinery and equipment necessary to the planned use of the building by the taxpayer, and

"(B) more than 50 percent of the aggregate adjusted basis of all the property of a character subject to the allowance for depreciation making up such building as so equipped is attributable to either property the construction, reconstruction, or erection of which was begun by the taxpayer before October 10, 1966, or property the acquisition of which by the taxpayer occurred before such date,

then all section 38 property comprising such building as so equipped (and any incidental section 38 property adjacent to such building which is necessary to the planned use of the building) shall be treated as section 38 property which is not suspension period property. For purposes of subparagraph (B) of the preceding sentence, the rules of paragraphs (3) and (6) shall be applied. For purposes of this paragraph, a special purpose structure shall be treated as a building.

"(5) PLANT FACILITY RULE.—

"(A) GENERAL RULE.—If—

"(i) pursuant to a plan of the taxpayer in existence on October 9, 1966 (which plan was not substantially modified at any time after such date and before the taxpayer

placed the plant facility in service), the taxpayer has constructed, reconstructed, or erected a plant facility, and either

"(ii) the construction, reconstruction, or erection of such plant facility was commenced by the taxpayer before October 10, 1966, or

"(iii) more than 50 percent of the aggregate adjusted basis of all the property of a character subject to the allowance for depreciation making up such plant facility is attributable to either property the construction, reconstruction, or erection of which was begun by the taxpayer before October 10, 1966, or property the acquisition of which by the taxpayer occurred before such date,

then all section 38 property comprising such plant facility shall be treated as section 38 property which is not suspension period property. For purposes of clause (iii) of the preceding sentence, the rules of paragraphs (3) and (6) shall be applied.

"(B) PLANT FACILITY DEFINED.—For purposes of this paragraph, the term 'plant facility' means a facility which does not include any building (or of which buildings constitute an insignificant portion) and which is—

"(i) a self-contained, single operating unit or processing operation,

"(ii) located on a single site, and

"(iii) identified, on October 9, 1966, in the purchasing and internal financial plans of the taxpayer as a single unitary project.

"(C) SPECIAL RULE.—For purposes of this subsection, if—

"(i) a certificate of convenience and necessity has been issued before October 10, 1966, by a Federal regulatory agency with respect to two or more plant facilities which are included under a single plan of the taxpayer to construct, reconstruct, or erect such plant facilities, and

"(ii) more than 50 percent of the aggregate adjusted basis of all the property of a character subject to the allowance for depreciation making up such plant facilities is attributable to either property the construction, reconstruction, or erection of which was begun by the taxpayer before October 10, 1966, or property the acquisition of which by the taxpayer occurred before such date,

such plant facilities shall be treated as a single plant facility.

"(D) COMMENCEMENT OF CONSTRUCTION.—For purposes of subparagraph (A)(ii), the construction, reconstruction, or erection of a plant facility shall not be considered to have commenced until construction, reconstruction, or erection has commenced at the site of such plant facility. The preceding sentence shall not apply if the site of such plant facility is not located on land.

"(6) MACHINERY OR EQUIPMENT RULE.—Any piece of machinery or equipment—

"(A) more than 50 percent of the parts and components of which (determined on the basis of cost) were held by the taxpayer on October 9, 1966, or are acquired by the taxpayer pursuant to a binding contract which was in effect on such date, for inclusion or use in such piece of machinery or equipment, and

"(B) the cost of the parts and components of which is not an insignificant portion of the total cost,

shall be treated as property which is not suspension period property.

"(7) CERTAIN LEASE-BACK TRANSACTIONS, ETC.—Where a person who is a party to a binding contract described in paragraph (3) transfers rights in such contract (or in the property to which such contract relates) to another person but a party to such contract retains a right to use the property under a lease with such other person, then to the extent of the transferred rights such other person shall, for purposes of paragraph (3), succeed to the position of the transferor with respect to such binding contract and such property. The preceding sentence shall apply, in any case in which the lessor does not make an election under subsection (d), only if a party to such contract retains a right to use the property under a long-term lease.

*Post*, p. 1513.

"(8) CERTAIN LEASE AND CONTRACT OBLIGATIONS.—Where, pursuant to a binding lease or contract to lease in effect on October 9, 1966, a lessor or lessee is obligated to construct, reconstruct, erect, or acquire property specified in such lease or contract, any property so constructed, reconstructed, erected, or acquired by the lessor or lessee which is section 38 property shall be treated as property which is not suspension period property. In the case of any project which includes property other than the property to be leased to such lessee, the preceding sentence shall be applied, in the case of the lessor, to such other property only if the binding leases and contracts with all lessees in effect on October 9, 1966, cover real property constituting 25 percent or more of the project (determined on the basis of rental value). For purposes of the preceding sentences of this paragraph, in the case of any project where one or more vendor-vendee relationships exist, such vendors and vendees shall be treated as lessors and lessees. Where, pursuant to a binding contract in effect on October 9, 1966, (i) the taxpayer is required to construct, reconstruct, erect, or acquire property specified in the contract, to be used to produce one or more products, and (ii) the other party is required to take substantially all of the products to be produced over a substantial portion of the expected useful life of the property, then such property shall be treated as property which is not suspension period property. Clause (ii) of the preceding sentence shall not apply if a political subdivision of a State is the other party to the contract and is required by the contract to make substantial expenditures which benefit the taxpayer.

"(9) CERTAIN TRANSFERS TO BE DISREGARDED.—

"(A) If property or rights under a contract are transferred in—

"(i) a transfer by reason of death, or

"(ii) a transaction as a result of which the basis of the property in the hands of the transferee is determined by reference to its basis in the hands of the transferor by reason of the application of section 332, 351, 361, 371 (a), 374(a), 721, or 731,

and such property (or the property acquired under such contract) would not be treated as suspension period property in the hands of the decedent or the transferor, such property shall not be treated as suspension period property in the hands of the transferee.

68A Stat. 102; 70 Stat. 402.

"(B) If—

"(i) property or rights under a contract are acquired in a transaction to which section 334(b)(2) applies, 68A Stat. 104.

"(ii) the stock of the distributing corporation was acquired before October 10, 1966, or pursuant to a binding contract in effect October 9, 1966, and

"(iii) such property (or the property acquired under such contract) would not be treated as suspension period property in the hands of the distributing corporation,

such property shall not be treated as suspension period property in the hands of the distributee.

"(10) PROPERTY ACQUIRED FROM AFFILIATED CORPORATION.—For purposes of this subsection, in the case of property acquired by a corporation which is a member of an affiliated group from another member of the same group—

"(A) such corporation shall be treated as having acquired such property on the date on which it was acquired by such other member,

"(B) such corporation shall be treated as having entered into a binding contract for the construction, reconstruction, erection, or acquisition of such property on the date on which such other member entered into a contract for the construction, reconstruction, erection, or acquisition of such property, and

"(C) such corporation shall be treated as having commenced the construction, reconstruction, or erection of such property on the date on which such other member commenced such construction, reconstruction, or erection.

For purposes of the preceding sentence, the term 'affiliated group' has the meaning assigned to it by section 1504(a), except that all corporations shall be treated as includible corporations (without any exclusion under section 1504(b)).

"(11) CERTAIN TANGIBLE PROPERTY CONSTRUCTED DURING SUSPENSION PERIOD AND LEASED NEW THEREAFTER.—Tangible personal property constructed or reconstructed by a person shall not be suspension period property if—

"(A) such person leases such property after the close of the suspension period and the original use of such property commences after the close of such period,

"(B) such construction or reconstruction, and such lease transaction, was not pursuant to an order placed during the suspension period, and

"(C) an election is made under subsection (d) with respect to such property which satisfies the requirements of such subsection.

"(12) WATER AND AIR POLLUTION CONTROL FACILITIES.—

"(A) IN GENERAL.—Any water pollution control facility or air pollution control facility shall be treated as property which is not suspension period property.

"(B) WATER POLLUTION CONTROL FACILITY.—For purposes of subparagraph (A), the term 'water pollution control facility' means any section 38 property which—

"(i) is used primarily to control water pollution by removing, altering, or disposing of wastes, including the necessary intercepting sewers, outfall sewers, pumping,

power, and other equipment, and their appurtenances; and

"(ii) is certified by the State water pollution control agency (as defined in section 13(a) of the Federal Water Pollution Control Act) as being in conformity with the State program or requirements for control of water pollution and is certified by the Secretary of Interior as being in compliance with the applicable regulations of Federal agencies and the general policies of the United States for cooperation with the States in the prevention and abatement of water pollution under the Federal Water Pollution Control Act.

70 Stat. 506; 79 Stat. 903. 33 USC 466j.

"(C) AIR POLLUTION CONTROL FACILITY.—For purposes of subparagraph (A), the term 'air pollution control facility' means any section 38 property which—

"(i) is used primarily to control atmospheric pollution or contamination by removing, altering, or disposing of atmospheric pollutants or contaminants; and

"(ii) is certified by the State air pollution control agency (as defined in section 302(b) of the Clean Air Act) as being in conformity with the State program or requirements for control of air pollution and is certified by the Secretary of Health, Education, and Welfare as being in compliance with the applicable regulations of Federal agencies and the general policies of the United States for cooperation with the States in the prevention and abatement of air pollution under the Clean Air Act.

77 Stat. 400; 79 Stat. 992. 42 USC 1857h.

"(D) STANDARDS FOR FACILITY.—Subparagraph (A) shall apply in the case of any facility only if the taxpayer constructs, reconstructs, erects, or acquires such facility in furtherance of Federal, State, or local standards for the control of water pollution or atmospheric pollution or contaminants.

"(13) CERTAIN REPLACEMENT PROPERTY.—Section 38 property constructed, reconstructed, erected, or acquired by the taxpayer shall be treated as property which is not suspension period property to the extent such property is placed in service to replace property which was—

"(A) destroyed or damaged by fire, storm, shipwreck, or other casualty, or

"(B) stolen,

but only to the extent the basis (in the case of new section 38 property) or cost (in the case of used section 38 property) of such section 38 property does not exceed the adjusted basis of the property destroyed, damaged, or stolen.

"(i) EXEMPTION FROM SUSPENSION OF $20,000 OF INVESTMENT.—

"(1) IN GENERAL.—In the case of property acquired by the taxpayer by purchase for use in his trade or business which would (but for this subsection) be suspension period property, the taxpayer may select items to which this subsection applies, to the extent of an aggregate cost, for the suspension period, of $20,000. Any item so selected shall be treated as property which is not suspension period property for purposes of this subpart (other than for purposes of paragraphs (4), (5), (6), (7), (8), (9), and (10) of subsection (h)).

"(2) APPLICABLE RULES.—Under regulations prescribed by the Secretary or his delegate, rules similar to the rules provided by paragraphs (2) and (3) of subsection (c) shall be applied for purposes of this subsection. Subsection (d) shall not apply with respect to any item to which this subsection applies.

"(j) SUSPENSION PERIOD.—For purposes of this subpart, the term 'suspension period' means the period beginning on October 10, 1966, and ending on December 31, 1967."

(b) Section 48(d) of such Code (relating to certain leased property) is amended by adding at the end thereof the following new sentences: "In the case of suspension period property which is leased and is property of a kind which the lessor ordinarily leases to one lessee for a substantial portion of the useful life of the property, the lessor of the property shall be deemed to have elected to treat the first such lessee as having acquired such property for purposes of applying the last sentence of section 46(a)(2). In the case of section 38 property which (i) is leased after October 9, 1966 (other than pursuant to a binding contract to lease entered into before October 10, 1966), (ii) is not suspension period property with respect to the lessor but is suspension period property if acquired by the lessee, and (iii) is property of the same kind which the lessor ordinarily sold to customers before October 10, 1966, or ordinarily leased before such date and made an election under this subsection, the lessor of such property shall be deemed to have made an election under this subsection with respect to such property." 76 Stat. 967.

SEC. 2. Section 167 of the Internal Revenue Code of 1954 (relating to depreciation) is amended by redesignating subsection (i) as subsection (j) and by inserting after subsection (h) the following new subsection: 68A Stat. 51; 76 Stat. 1034.

"(i) LIMITATION IN CASE OF PROPERTY CONSTRUCTED OR ACQUIRED DURING THE SUSPENSION PERIOD.—

"(1) IN GENERAL.—Under regulations prescribed by the Secretary or his delegate, paragraphs (2), (3), and (4) of subsection (b) shall not apply in the case of real property which is not section 38 property (as defined in section 48(a)) if—

"(A) the physical construction, reconstruction, or erection of such property by any person begins during the suspension period, or

"(B) an order for such construction, reconstruction, or erection is placed by any person during the suspension period.

Under regulations prescribed by the Secretary or his delegate, rules similar to the rules provided by paragraphs (3), (4), (7), (8), (9), and (10) of section 48(h) shall be applied for purposes of the preceding sentence. *Ante*, p. 1508.

"(2) EXCEPTION.—Paragraph (1) shall not apply to any item of real property selected by the taxpayer if the cost of such property (when added to the cost of all other items of real property selected by the taxpayer under this paragraph) does not exceed $50,000. Under regulations prescribed by the Secretary or his delegate, rules similar to the rules provided by paragraph (2) of section 48(c) shall be applied for purposes of this paragraph.

"(3) SUSPENSION PERIOD.—For purposes of this subsection, the

term 'suspension period' means the period beginning on October 10, 1966, and ending on December 31, 1967."

76 Stat. 963.

SEC. 3. (a) Section 46(a) of the Internal Revenue Code of 1954 (relating to determination of amount of credit) is amended by striking out paragraph (2) and inserting in lieu thereof the following:

"(2) LIMITATION BASED ON AMOUNT OF TAX.—Notwithstanding paragraph (1), the credit allowed by section 38 for the taxable year shall not exceed—

"(A) so much of the liability for tax for the taxable year as does not exceed $25,000, plus

"(B) for taxable years ending on or before the last day of the suspension period (as defined in section 48(j)), 25 percent of so much of the liability for tax for the taxable year as exceeds $25,000, or

*Ante*, p. 1513.

"(C) for taxable years ending after the last day of such suspension period, 50 percent of so much of the liability for tax for the taxable year as exceeds $25,000.

In applying subparagraph (C) to a taxable year beginning on or before the last day of such suspension period and ending after the last day of such suspension period, the percent referred to in such subparagraph shall be the sum of 25 percent plus the percent which bears the same ratio to 25 percent as the number of days in such year after the last day of the suspension period bears to the total number of days in such year. The amount otherwise determined under this paragraph shall be reduced (but not below zero) by the credit which would have been allowable under paragraph (1) for such taxable year with respect to suspension period property but for the application of section 48(h)(1)."

*Ante*, p. 1508.

(b) Section 46(b)(1) of such Code (relating to allowance of carryback and carryover of unused credits) is amended—

(1) by striking out subparagraph (B) and inserting in lieu thereof the following:

"(B) an investment credit carryover to each of the 7 taxable years following the unused credit year,"; and

(2) by striking out in the last sentence "8 taxable years" and "other 7 taxable years" and inserting in lieu thereof "10 taxable years" and "other 9 taxable years", respectively.

SEC. 4. The amendments made by this Act shall apply to taxable years ending after October 9, 1966, except that the amendments made by section 3(b) shall apply only if the fifth taxable year following the unused credit year ends after December 31, 1966.

Retirement and savings bonds.
40 Stat. 288.
31 USC 774.
55 Stat. 7.
31 USC 757c.

SEC. 5. The Second Liberty Bond Act, as amended, is amended by inserting after section 22 the following new section:

"SEC. 22A. (a) In addition to the United States savings bonds authorized to be issued under section 22 of this Act, the Secretary of the Treasury, with the approval of the President, is authorized to issue from time to time, through the Postal Service or otherwise, United States retirement and savings bonds, the proceeds of which shall be available to meet any public expenditures authorized by law and to retire any outstanding obligations of the United States bearing interest or issued on a discount basis. The various issues and series of United

States retirement and savings bonds shall be in such forms, shall be offered in such amounts, subject to the limitations imposed by section 21 of this Act, and shall be issued in such manner and subject to such terms and conditions consistent with subsections (b), (c), and (d) of this section, including any restrictions on their transfer, as the Secretary of the Treasury may from time to time prescribe.

72 Stat. 1758; 79 Stat. 172. 31 USC 757b and note.

"(b)(1) Retirement and savings bonds shall be issued only on a discount basis, and shall mature not less than ten nor more than thirty years from the date as of which issued, as the terms thereof may provide. Such bonds shall be sold at such price or prices and shall be redeemable before maturity upon such terms and conditions as the Secretary of the Treasury may prescribe, except that the issue price of such bonds, and the terms upon which they may be redeemed at maturity, shall be such as to afford an investment yield of not more than 5 per centum per annum, compounded semiannually. The denominations of such bonds shall be such as the Secretary of the Treasury may from time to time determine and shall be expressed in terms of their maturity values. The Secretary of the Treasury is authorized by regulations to fix the maximum amount of such bonds issued in any one year that may be held by any one person at any one time, except that such maximum amount shall not be less than $3,000.

"(2) The Secretary of the Treasury, with the approval of the President, is authorized to provide by regulations that owners of retirement and savings bonds may, at their option, retain the bonds after maturity and continue to earn interest upon them at rates which are consistent with the rate of investment yield afforded by retirement and savings bonds.

"(c) For purposes of taxation, any increment in value represented by the difference between the price paid and the redemption value received (whether at, before, or after maturity) for savings and retirement bonds shall be considered as interest. Such bonds shall not bear the circulation privilege.

"(d) The provisions of subsections (c), (e), (g), (h), and (i) of section 22 shall, to the extent not inconsistent with the provisions of this section, apply with respect to retirement and savings bonds issued under this section."

55 Stat. 7; 59 Stat. 47. 31 USC 757c.

SEC. 6. (a) Section 501(c)(6) of the Internal Revenue Code of 1954 (relating to exemption of business leagues, boards of trade, etc.) is amended by striking out "or boards of trade" and inserting in lieu thereof "boards of trade, or professional football leagues (whether or not administering a pension fund for football players)".

Football leagues, merger. 68A Stat. 163.

(b)(1) Section 1 of the Act of September 30, 1961 (75 Stat. 732; 15 U.S.C. 1291), is amended by adding at the end thereof: "In addition, such laws shall not apply to a joint agreement by which the member clubs of two or more professional football leagues, which are exempt from income tax under section 501(c)(6) of the Internal Revenue Code of 1954, combine their operations in expanded single league so exempt from income tax, if such agreement increases rather than decreases the number of professional football clubs so operating, and the provisions of which are directly relevant thereto."

(2) Section 2 of such Act is amended by striking out "described in section 1" and inserting in lieu thereof "described in the first sentence in section 1".

(3) Section 3 of such Act is amended (A) by striking out "Section 1 of this Act" and inserting in lieu thereof "The first sentence of section 1 of this Act"; (B) by striking out the word "intercollegiate"

Interscholastic football contests.

the first and last time it appears in such section and inserting in lieu thereof "intercollegiate or interscholastic"; (C) by striking out the words "daily newspaper of general circulation prior to March 1" and inserting in lieu thereof "newspaper of general circulation prior to August 1"; (D) by redesignating paragraph (2) as paragraph (3); (E) by striking out the word "and" at the end of paragraph (1) and inserting in lieu thereof the word "or"; and (F) by adding after paragraph (1) the following new paragraph:

"(2) in the case of an interscholastic football contest, such contest is between secondary schools, both of which are accredited or certified under the laws of the State or States in which they are situated and offer courses continuing through the twelfth grade of the standard school curriculum, or the equivalent, and".

(c) The amendment made by subsection (a) shall apply to taxable years ending after the date of the enactment of this Act.

Approved November 8, 1966.

## Public Law 89-801

November 8, 1966
[H. R. 15766]

AN ACT

To establish a National Commission on Reform of Federal Criminal Laws.

National Commission on Reform of Federal Criminal Laws. Establishment.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That the National Commission on Reform of Federal Criminal Laws is hereby established.

MEMBERSHIP OF COMMISSION

SEC. 2. (a) The Commission shall be composed of—

(1) three Members of the Senate appointed by the President of the Senate,

(2) three Members of the House of Representatives appointed by the Speaker of the House of Representatives,

(3) three members appointed by the President of the United States, one of whom he shall designate as Chairman,

(4) one United States circuit judge and two United States district judges appointed by the Chief Justice of the United States.

(b) At no time shall more than two of the members appointed under paragraph (1), paragraph (2), or paragraph (3) be persons who are members of the same political party.

(c) Any vacancy in the Commission shall not affect its powers but shall be filled in the same manner in which the original appointment was made, and subject to the same limitations with respect to party affiliations as the original appointment was made.

(d) Seven members shall constitute a quorum, but a lesser number may conduct hearings.

DUTIES OF THE COMMISSION

SEC. 3. The Commission shall make a full and complete review and study of the statutory and case law of the United States which constitutes the federal system of criminal justice for the purpose of formulating and recommending to the Congress legislation which would improve the federal system of criminal justice. It shall be the further duty of the Commission to make recommendations for revision and recodification of the criminal laws of the United States, including the