

Public Law 96-601
96th Congress

An Act

To simplify certain provisions of the Internal Revenue Code of 1954, and for other purposes.

Dec. 24, 1980
[H.R. 5505]

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

Internal
Revenue
Code of 1954,
amendment.

SECTION 1. 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.

SEC. 2. TRANSFER OF DOMESTIC WINE TO CUSTOMS BONDED WAREHOUSE FOR CERTAIN PURPOSES.

(a) TRANSFER TO CUSTOMS BONDED WAREHOUSE.—Paragraph (4) of section 5362(c) (relating to withdrawals of wine free of tax or without payment of tax) is amended to read as follows:

26 USC 5362.

“(4) without payment of tax for transfer to any customs bonded warehouse;”

(b) WITHDRAWAL FROM CUSTOMS BONDED WAREHOUSES FOR USE OF FOREIGN EMBASSIES, LEGATIONS, ETC.—Section 5362 is amended by adding at the end thereof the following new subsection:

“(e) WITHDRAWAL FROM CUSTOMS BONDED WAREHOUSES FOR USE OF FOREIGN EMBASSIES, LEGATIONS, ETC.—

“(1) IN GENERAL.—Notwithstanding any other provision of law, wine entered into customs bonded warehouses under subsection (c)(4) may, under such regulations as the Secretary may prescribe, be withdrawn from such warehouses for consumption in the United States by and for the official or family use of such foreign governments, organizations, and individuals who are entitled to withdraw imported wines from such warehouses free of tax. Wines transferred to customs bonded warehouses under subsection (c)(4) shall be entered, stored, and accounted for in such warehouses under such regulations and bonds as the Secretary may prescribe, and may be withdrawn therefrom by such governments, organizations, and individuals free of tax under the same conditions and procedures as imported wines.

“(2) WITHDRAWAL FOR DOMESTIC USE.—Wine entered into customs bonded warehouses under subsection (c)(4) for purposes of removal under paragraph (1) may be withdrawn therefrom for domestic use. Wines so withdrawn shall be treated as American goods exported and returned.

“(3) SALE OR UNAUTHORIZED USE PROHIBITED.—Wine withdrawn from customs bonded warehouses or otherwise brought into the United States free of tax for the official or family use of foreign governments, organizations, or individuals authorized to obtain wine free of tax shall not be sold and shall not be disposed of or possessed for any use other than an authorized use. The provi-

26 USC 5043.

sions of paragraphs (1)(B) and (3) of section 5043(a) are hereby extended and made applicable to any person selling, disposing of, or possessing any wine in violation of the preceding sentence, and to the wine involved in any such violation.”.

26 USC 5362 note.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall take effect on the first day of the first calendar month which begins more than 90 days after the date of the enactment of this Act.

SEC. 3. EXEMPT STATUS OF AUXILIARIES OF CERTAIN FRATERNAL BENEFICIARY SOCIETIES.

26 USC 501.

(a) **GENERAL RULE.**—Subsection (i) of section 501 is amended by adding at the end thereof the following new sentence: “The preceding sentence to the extent it relates to discrimination on the basis of religion shall not apply to—

“(1) an auxiliary of a fraternal beneficiary society if such society—

“(A) is described in subsection (c)(8) and exempt from tax under subsection (a), and

“(B) limits its membership to the members of a particular religion, or

“(2) a club which in good faith limits its membership to the members of a particular religion in order to further the teachings or principles of that religion, and not to exclude individuals of a particular race or color.”.

26 USC 501 note.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply to taxable years beginning after October 20, 1976.

SEC. 4. EXTENSION OF WITHHOLDING TO PAYMENTS OF SICK PAY MADE BY THIRD PARTIES.

26 USC 3402.

(a) **GENERAL RULE.**—Paragraph (1) of section 3402(o) (relating to extension of withholding to certain payments other than wages) is amended by striking out “and” at the end of subparagraph (A), by adding “and” at the end of subparagraph (B), and by inserting after subparagraph (B) the following new subparagraph:

“(C) any payment to an individual of sick pay which does not constitute wages (determined without regard to this subsection), if at the time the payment is made a request that such sick pay be subject to withholding under this chapter is in effect.”.

(b) **AMOUNT TO BE DEDUCTED AND WITHHELD.**—Subsection (o) of section 3402 is amended by striking out paragraph (3) and inserting in lieu thereof the following new paragraphs:

“(3) **AMOUNT WITHHELD FROM ANNUITY PAYMENTS OR SICK PAY.**—If a payee makes a request that an annuity or any sick pay be subject to withholding under this chapter, the amount to be deducted and withheld under this chapter from any payment to which such request applies shall be an amount (not less than a minimum amount determined under regulations prescribed by the Secretary) specified by the payee in such request. The amount deducted and withheld with respect to a payment which is greater or less than a full payment shall bear the same relation to the specified amount as such payment bears to a full payment.

“(4) **REQUEST FOR WITHHOLDING.**—A request that an annuity or any sick pay be subject to withholding under this chapter—

“(A) shall be made by the payee in writing to the person making the payments and shall contain the social security number of the payee,

“(B) shall specify the amount to be deducted and withheld from each full payment, and

“(C) shall take effect—

“(i) in the case of sick pay, with respect to payments made more than 7 days after the date on which such request is furnished to the payor, or

“(ii) in the case of an annuity, at such time (after the date on which such request is furnished to the payor) as the Secretary shall by regulations prescribe.

Such a request may be changed or terminated by furnishing to the person making the payments a written statement of change or termination which shall take effect in the same manner as provided in subparagraph (C). At the election of the payor, any such request (or statement of change or revocation) may take effect earlier than as provided in subparagraph (C).

“(5) SPECIAL RULE FOR SICK PAY PAID PURSUANT TO CERTAIN COLLECTIVE-BARGAINING AGREEMENTS.—In the case of any sick pay paid pursuant to a collective-bargaining agreement between employee representatives and one or more employers which contains a provision specifying that this paragraph is to apply to sick pay paid pursuant to such agreement and contains a provision for determining the amount to be deducted and withheld from each payment of such sick pay—

“(A) the requirement of paragraph (1)(C) that a request for withholding be in effect shall not apply, and

“(B) except as provided in subsection (n), the amounts to be deducted and withheld under this chapter shall be determined in accordance with such agreement.

The preceding sentence shall not apply with respect to sick pay paid pursuant to any agreement to any individual unless the social security number of such individual is furnished to the payor and the payor is furnished with such information as is necessary to determine whether the payment is pursuant to the agreement and to determine the amount to be deducted and withheld.”

(c) DEFINITION OF SICK PAY.—Paragraph (2) of section 3402(o) (relating to definitions) is amended by adding at the end thereof the following new subparagraph:

“(C) SICK PAY.—For purposes of this subsection, the term ‘sick pay’ means any amount which—

“(i) is paid to an employee pursuant to a plan to which the employer is a party, and

“(ii) constitutes remuneration or a payment in lieu of remuneration for any period during which the employee is temporarily absent from work on account of sickness or personal injuries.”

(d) TECHNICAL AMENDMENT.—Subparagraph (B) of section 3402(o)(2) (defining annuity) is amended by striking out “, but only to the extent that the amount is includible in the gross income of such individual”.

(e) REPORTING REQUIREMENTS.—Section 6051 (relating to receipts for employees) is amended by adding at the end thereof the following new subsection:

“(f) STATEMENTS REQUIRED IN CASE OF SICK PAY PAID BY THIRD PARTIES.—

“(1) STATEMENTS REQUIRED FROM PAYOR.—

“(A) IN GENERAL.—If, during any calendar year, any person makes a payment of third-party sick pay to an

employee, such person shall, on or before January 15 of the succeeding year, furnish a written statement to the employer in respect of whom such payment was made showing—

26 USC 3402.

“(i) the name and, if there is withholding under section 3402(o), the social security number of such employee,

“(ii) the total amount of the third-party sick pay paid to such employee during the calendar year, and

“(iii) the total amount (if any) deducted and withheld from such sick pay under section 3402.

“Third-party sick pay.”

Ante, p. 3497.
26 USC 3401 *et seq.*

For purposes of the preceding sentence, the term ‘third-party sick pay’ means any sick pay (as defined in section 3402(o)(2)(C)) which does not constitute wages for purposes of chapter 24 (determined without regard to section 3402(o)(1)).

“(B) SPECIAL RULES.—

26 USC 6041.

“(i) STATEMENTS ARE IN LIEU OF OTHER REPORTING REQUIREMENTS.—The reporting requirements of subparagraph (A) with respect to any payments shall, with respect to such payments, be in lieu of the requirements of subsection (a) and of section 6041.

26 USC 6674, 7204.

“(ii) PENALTIES MADE APPLICABLE.—For purposes of sections 6674 and 7204, the statements required to be furnished by subparagraph (A) shall be treated as statements required under this section to be furnished to employees.

“(2) INFORMATION REQUIRED TO BE FURNISHED BY EMPLOYER.—

Every employer who receives a statement under paragraph (1)(A) with respect to sick pay paid to any employee during any calendar year shall, on or before January 31 of the succeeding year, furnish a written statement to such employee showing—

26 USC 104.

“(A) the information shown on the statement furnished under paragraph (1)(A), and

“(B) if any portion of the sick pay is excludable from gross income under section 104(a)(3), the portion which is not so excludable and the portion which is so excludable.

To the extent practicable, the information required under the preceding sentence shall be furnished on or with the statement (if any) required under subsection (a).”

26 USC 3402 note.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to payments made on or after the first day of the first calendar month beginning more than 120 days after the date of the enactment of this Act.

SEC. 5. RHODE ISLAND INDIAN CLAIMS SETTLEMENT ACT.

25 USC 1701 note.

(a) IN GENERAL.—The Rhode Island Indian Claims Settlement Act (Public Law 95-395) is amended by adding at the end thereof the following new title:

“TITLE II—TAX TREATMENT

“EXEMPTION FROM TAXATION

25 USC 1715.

“SEC. 201. (a) Except as otherwise provided in subsections (b) and (c), the settlement lands received by the State Corporation shall not be subject to any form of Federal, State, or local taxation while held by the State Corporation.

“(b) The exemption provided in subsection (a) shall not apply to any income-producing activities occurring on the settlement lands.

“(c) Nothing in this Act shall prevent the making of payments in lieu of taxes by the State Corporation for services provided in connection with the settlement lands.

“DEFERRAL OF CAPITAL GAINS

“SEC. 202. For purposes of the Internal Revenue Code of 1954, any sale or disposition of private settlement lands pursuant to the terms and conditions of the settlement agreement shall be treated as an involuntary conversion within the meaning of section 1033 of the Internal Revenue Code of 1954.”

25 USC 1716.
26 USC 1.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on September 30, 1978.

26 USC 1033.
25 USC 1715 note.

Approved December 24, 1980.

LEGISLATIVE HISTORY:

HOUSE REPORT No. 96-545 (Comm. on Ways and Means).

SENATE REPORT No. 96-1033 (Comm. on Finance).

CONGRESSIONAL RECORD:

Vol. 125 (1979): Oct. 30, considered and passed House.

Vol. 126 (1980): Dec. 13, considered and passed Senate, amended; House agreed to Senate amendments with amendments; Senate agreed to House amendments.