

INCOME TAX TREATMENT OF NONREFUNDABLE CAPITAL CONTRIBUTIONS TO FEDERAL NATIONAL MORTGAGE ASSOCIATION

APRIL 21, 1960.—Ordered to be printed

Mr. MILLS, from the committee of conference, submitted the following

CONFERENCE REPORT

[To accompany H.R. 7947]

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 7947) relating to the income tax treatment of nonrefundable capital contributions to Federal National Mortgage Association, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendments of the Senate numbered 1 and 2 and agree to the same.

W. D. MILLS,
AIME J. FORAND,
CECIL R. KING,
N. M. MASON,
JOHN W. BYRNES,

Managers on the Part of the House.

HARRY F. BYRD,
ROBT. S. KERR,
J. ALLEN FREAR, Jr.,
JOHN J. WILLIAMS,
FRANK CARLSON,

Managers on the Part of the Senate.

STATEMENT OF THE MANAGERS ON THE PART OF THE HOUSE

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 7947) relating to the income tax treatment of nonrefundable capital contributions to Federal National Mortgage Association, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

Amendment No. 1: This is a clerical amendment. The House recedes.

Amendment No. 2: The bill as passed by both the House and the Senate would add a new subsection (d) to section 162 of the Internal Revenue Code of 1954 to provide, for purposes of the Federal income tax, that whenever the amount of capital contributions evidenced by a share of stock issued pursuant to section 303(c) of the Federal National Mortgage Association Charter Act exceeds the fair market value of the stock as of the issue date of such stock, the initial holder of the stock shall treat the excess as ordinary and necessary expenses paid or incurred during the taxable year in carrying on a trade or business. The bill also adds a new section 1054 to the code to provide that the basis of such stock is to be reduced by the amount required by the new section 162(d) to be treated as ordinary and necessary expenses paid or incurred in carrying on a trade or business.

Section 3 of the bill as passed by the House provided that the amendments made by the bill shall apply with respect to taxable years beginning after December 31, 1958.

Under Senate amendment No. 2, the amendment made by the first section of the bill is to apply with respect to taxable years beginning after December 31, 1959. In addition, in the case of any taxable year beginning before January 1, 1960, to which the 1954 code applies (that is, a taxable year beginning after December 31, 1953, and ending after August 16, 1954), the new section 162(d) is to apply if the conditions of either paragraph (1) or paragraph (2) of the new section 3(a) are satisfied.

Under paragraph (1), the taxpayer in computing his taxable income for such taxable year (as shown on his return filed not later than the time prescribed by law, including any extension thereof) must have—

(A) Claimed a deduction, with respect to the sale of a mortgage to the Federal National Mortgage Association, in respect of any amount of capital contributions evidenced by a share of stock issued pursuant to section 303(c) of the Federal National Mortgage Association Charter Act, or

(B) Computed the proceeds from such a sale by treating the value of any such share received for any such capital contributions as an amount less than the issue price of such share.

Also, before the date of the enactment of the bill, such deduction or treatment must not have been disallowed, or, if disallowed, the deficiency attributable thereto must not have been paid and must not have been used to reduce an overpayment the balance of which (if any) has been refunded or credited.

Under paragraph (2) of section 3(a) of the bill, after the time prescribed by law for filing the taxpayer's return for the taxable year (including any extension thereof) and before the date of the enactment of the bill—

(A) The taxpayer must have claimed the deduction or treatment described above (whether by filing a claim for refund or credit in respect of an overpayment, or otherwise), and

(B) Such deduction or treatment must have been allowed and either (i) an overpayment resulting from such allowance has been refunded or credited, or (ii) a deficiency for such taxable year has been reduced as a result of such allowance and the balance of such deficiency (if any) has been paid.

Under Senate amendment No. 2, the amendment made by section 2 of the bill is to apply, in the case of any taxpayer, with respect to any taxable year (including a taxable year beginning before January 1, 1960), in respect of any share of stock issued pursuant to section 303(c) of the Federal National Mortgage Association Charter Act, only if the amendment made by the first section of the bill applies with respect to the taxable year in which such share was issued.

The House recedes.

W. D. MILLS,
AIME J. FORAND,
CECIL R. KING,
N. M. MASON,
JOHN W. BYRNES,

Managers on the Part of the House.

