

INCREASE IN CREDIT FOR CONTRIBUTIONS TO CANDIDATES FOR THE U.S. SENATE

JULY 13 (legislative day, MAY 18), 1977.—Ordered to be printed

Mr. PACKWOOD, from the Committee on Finance,
submitted the following

REPORT

[To accompany H.R. 3340]

The Committee on Finance, to which was referred the bill (H.R. 3340) to amend the Internal Revenue Code of 1954 to allow a deduction for expenses allocable to the use of any portion of a dwelling unit in the trade or business of providing day care services whether or not such portion is exclusively used in such trade or business, having considered the same, reports favorably with an amendment to the text and an amendment to the title and recommends that the bill as amended do pass.

I. SUMMARY

The committee's amendment to the text of H.R. 3340 strikes out the House-passed provisions (relating to day care services; similar provisions were enacted as sec. 306 of the Tax Reduction and Simplification Act of 1977, P.L. 95-30) and substitutes an increase in the income tax credit for contributions to candidates for the United States Senate.

The bill increases the 50-percent credit rate for political contributions to 75 percent in the case of contributions to candidates for nomination or election to the U.S. Senate (or to committees, etc., for such candidacies) and increases the maximum credit for all political contributions to \$100 (\$200 on joint returns), of which not more than \$25 (\$50 on joint returns) is allowable for contributions other than contributions to Senatorial campaigns. The bill also repeals the alternative itemized deduction for political contributions.

In addition, the bill provides a method by which a taxpayer may apply for the immediate allowance of the credit against income tax for the preceding taxable year. This immediate credit is to bear interest from the 61st day after receipt of the taxpayer's application for the credit until the date of the refund check.

II. GENERAL STATEMENT

Present law

Under present law, an individual is allowed, in the alternative—

(1) a nonrefundable *credit* (sec. 41) against income tax of 50 percent of his or her political contributions and newsletter fund contributions made during the taxable year, with a maximum credit of \$25 (\$50 on a joint return), or

(2) a *deduction* (sec. 218) for his or her political contributions and newsletter fund contributions, up to \$100 (\$200 on a joint return). This deduction is allowed only if the taxpayer itemizes deductions (“below the line”).

Eligible recipients of political contributions include political parties and individuals who are candidates for nomination or election to any Federal, State, or local elective public office.

Reasons for change

The present structure of tax incentives for political campaign contributions has served well as a start by providing a tax incentive for political contributions by large numbers of taxpayers. Since the initial enactment of these provisions in the Revenue Act of 1971, the maximum amounts of the credit and the deduction were increased once, by Congressional action in 1974.

Despite the promising start, experience has indicated the existence of the following shortcomings of the present law:

- the maximum credit (\$25, or \$50 on a joint return) is too small and the 50-percent credit rate is too low;
- the choice of a credit or a deduction creates unnecessary complexity and also provides greater benefits to taxpayers in higher tax brackets than to those in lower tax brackets; and
- the taxpayer must wait a substantial period of time (until the filing of the next income tax return) before receiving the tax benefit that arises from the contribution.

In order to meet these problems, the committee’s bill makes the following changes:

(1) In the case of contributions to U.S. Senate candidates (and their committees, etc.),¹ the maximum credit is quadrupled to \$100 (\$200 on a joint return). Also, the credit rate in the case of such contributions is increased to 75 percent of the amount of the contributions.

(2) The alternative of a deduction is eliminated in all cases, making the tax reduction the same for taxpayers in all brackets and simplifying the tax law in this respect.

(3) The taxpayer is given the option to apply for an immediate refund by treating the contribution generally as though it had been made in the preceding taxable year.

Explanation of the bill

Rate of credit (sec. 1(a) of the bill and sec. 41(a) of the Code)

The bill amends the Internal Revenue Code (sec. 41(a)) to increase from 50 percent to 75 percent the credit rate for contributions to can-

¹The bill applies only to U.S. Senatorial candidates (and their committees, etc.) in order to make it comparable to S. 926, relating to the public financing of U.S. Senate campaigns.

didates for public office, in the case of political contributions to (1) individuals who are candidates for nomination or election to the U.S. Senate or (2) committees, associations, or organizations which are organized and operated exclusively for the purpose of influencing or attempting to influence the nomination or election of such candidates. To be eligible for the 75-percent credit, the contribution not only must be to such a candidate or committee, etc., but also it must be for the use of such a recipient to further such a candidacy. A candidate is not to use such a contribution to further his or her candidacy for another public office. Similarly, a committee is not to use such a contribution to support a slate of candidates for several different offices.² The committee contemplates that the Internal Revenue Service will require the maintenance of records adequate to identify amounts so restricted. Any surplus of amounts so restricted must also be used for the requisite purpose. For example, an unsuccessful candidate for nomination to the Senate could transfer such a restricted surplus to a fund to further the election of the party's Senatorial nominee. Also, such amounts may be retained at the end of the campaign for use in the next Senatorial campaign.

The 50-percent rate of present law will continue to apply to other political contributions (for example, to contributions for a slate which includes one or more candidates for positions other than U.S. Senator) and to all newsletter fund contributions.

It should be noted that the bill does not change the requirements for a payment to qualify as a political contribution or newsletter fund contribution, it does not change the definition of a candidate, and it does not change the nonrefundable characteristic of this credit.

Maximum credit limitation (sec. 1(b) of the bill and sec. 41(b) of the Code)

The bill also increases the maximum credit allowed for political contributions in a taxable year to \$100 (\$200 on a joint return), of which not more than \$25 (\$50 on a joint return) is allowed (at the 50-percent rate) for all newsletter fund contributions and for all political contributions other than those to candidates for nomination or election to the U.S. Senate or to committees, etc., for such candidates. In effect, this provision retains present law for all contributions other than those to Senate candidates or their committees, etc., and allows a credit of up to \$100 (\$200 on a joint return), less the amount of credit allowed for other political contributions and for newsletter fund contributions, for contributions to Senate candidates or their committees.

Under the bill, the \$200 maximum credit on a joint return for a year could be produced by Senatorial contributions of \$266.67. The maximum credit also could be produced by Senatorial contributions of \$200 (for a credit of \$150) and other contributions of \$100 (for a credit of \$50).

² A committee, association, or organization for a slate may qualify as a recipient of such contributions and such contributions may be for the use of several candidacies but only if all the candidacies are for the United States Senate. For example, organizations such as the existing Democratic and Republican Senatorial Campaign Committees could normally be expected to qualify under these provisions.

Repeal of alternative deductions for political contributions (sec. 1(e) of the bill and sec. 218 of the Code)

The bill repeals section 218 of the Internal Revenue Code which allows an itemized deduction for political contributions or newsletter fund contributions made during a taxable year by an individual who does not elect to take the credit for political contributions for that year. The repeal of this section eliminates an element of complexity in present law by relieving taxpayers of the necessity to calculate each year whether the credit or the deduction would be more advantageous.

Immediate credit (sec. 1(c) of the bill and new sec. 41(d) of the Code)

In order to further encourage taxpayers to make political contributions, the bill provides a system by which a taxpayer may obtain the section 41 credit without waiting until the filing of his or her income tax return for the year in which the contribution was made.

The bill permits the taxpayer to elect to apply the credit against the tax imposed for the preceding taxable year. Although the determination as to whether a payment is an allowable political contribution will continue to be made on the basis of the taxable year in which the payment was made,³ the amount of the credit allowed will be determined as if the payment had been made in the preceding taxable year. In other words, the amount of the credit to be allowed in the case of such an election will be determined by taking into account the other political and newsletter fund contributions treated as having been made in the preceding taxable year, the taxpayer's income tax liability for the preceding taxable year (since this credit is not refundable), and the taxpayer's return filing status for the preceding taxable year (separate return or joint return).

Under present law, a credit for a political contribution made in June, for example, generally is not allowed except on the tax return filed for the taxable year in which the contribution is made, and that return might not be filed until ten months after the contribution. Under this provision of the bill, the taxpayer may, by application, elect to have the payment treated as if it were made in the preceding taxable year and allowed against the tax imposed for this preceding year. As a result, the taxpayer generally may obtain the tax benefit of the credit within 60 days, instead of having to wait ten months, as in this example.

The election of an immediate credit may be made separately for each political or newsletter fund contribution, although a single contribution may not be split by electing an immediate credit for less than the entire amount.

If the taxpayer makes a political contribution and has not yet filed the return for the preceding taxable year, the taxpayer may apply for an immediate credit by claiming it on that return. No separate application is allowed at this time, because, as indicated above, the Service generally cannot determine the amount of the allowable credit unless it has the taxpayer's return for the preceding taxable year.

³ For example, a contribution made in 1978 to John Doe for his 1980 U.S. Senate campaign will qualify (if the other necessary conditions are present) if John Doe announces his candidacy by the end of 1979 (sec. 41(c)(2)(A)), even though the taxpayer seeks a 1977 credit on account of the contribution.

If the income tax return for the preceding taxable year has already been filed, the taxpayer may apply for an immediate credit on a separate form which is to be made available by the Service for that purpose.

Since the purpose of the immediate credit provision is to make the credit available to the taxpayer earlier than the filing of the income tax return for the year in which the payment is made, the application for an immediate credit may not be made on or after the due date (determined without regard to any extension of time for filing the return) for the filing of the tax return for the year in which the payment was made, or the day on which the return for this year is filed, whichever is earlier.

The application for an immediate credit is to be treated as a claim for refund, except to the extent that such treatment is inconsistent with this provision. For example, the last day for filing an application for an immediate credit is determined by the rule described above (new sec. 41(d)(3)(B)), and not by the rules applying generally to claims for refund. As is the case with other claims for refund, the allowance of the immediate credit may, of course, affect other items on the return for the year in question, such as minimum tax liability or the carryover of the WIN credit.

If the taxpayer files a separate application for the immediate credit (as would normally be the case if the election is made after the return for the preceding taxable year has been filed), then the Internal Revenue Service will have to relate this application to the taxpayer's return for the preceding taxable year. It is contemplated that the Service will require the taxpayer to indicate sufficient information on the application to enable the Service to quickly search its files with respect to the income tax liability for the preceding taxable year. Also, the Service is expected to establish a record-keeping system to enable it to determine whether other applications have been made during the year. However, the committee wishes to make it clear that the application form is to be kept simple and be made readily available, so as to make this immediate refund system a practical mechanism for encouraging taxpayers to make political contributions and to receive the tax benefits for those contributions promptly and with a minimum of red tape.

Interest on immediate credit (sec. 1(d) of the bill and sec. 6611 of the Code)

The committee intends that the Service normally will process claims for immediate credits and, where the credits are allowable, send refund checks to taxpayers within 60 days after receipt of the claims. To carry out this policy, the bill provides that interest shall be allowed and paid on the immediate credit from the 61st day after the receipt by the Internal Revenue Service of the application for the credit until the date of the refund check. Where there is an underpayment of taxes for the taxable year against which the credit is allowable, the credit will have the same effect as a tax payment made on the date the application is received by the Service. In effect, in such a case, the taxpayer will have an immediate credit on the date the Service receives the application.

Effective dates (sec. 2 of the bill)

The provisions of this bill apply with respect to taxable years beginning after December 31, 1976, except that the provisions for the immediate credit (and interest on the immediate credit) apply to taxable years beginning after December 31, 1976, but only with respect to political contributions made in taxable years beginning after December 31, 1977. In effect, the immediate credit provisions thus apply starting with 1978, but the immediate credit will be available against tax liabilities for 1977.

III. COSTS OF CARRYING OUT THE BILL AND VOTE OF THE COMMITTEE IN REPORTING H.R. 3340, AS AMENDED

Budget effect

In compliance with section 252(a) of the Legislative Reorganization Act of 1970, the following statement is made relative to the costs incurred in carrying out H.R. 3340, as amended by the committee. The committee estimates that the budget effects of the bill, as amended, are to reduce receipts by \$21 million in fiscal 1978, \$15 million in fiscal 1979, \$30 million in fiscal 1980, and \$12 million in fiscal 1981.

Consultation with Congressional Budget Office on budget estimates

In accordance with section 403 of the Budget Act, the committee advises that the Director of the Congressional Budget Office has examined the committee's budget estimates and agrees with the methodology used and the resulting dollar estimates.

New budget authority

In compliance with section 308(a)(1) of the Budget Act, and after consultation with the Director of the Congressional Budget Office, the committee makes the following statement with respect to new budget authority in this bill. The changes made by this bill involve no new budget authority.

Tax expenditures

In compliance with section 308(a)(2) of the Budget Act with respect to tax expenditures, and after consultation with the Director of the Congressional Budget Office, the committee makes the following statement. The changes made by this bill involve increased tax expenditures for political contributions. The increased tax expenditures are estimated to be \$21 million in fiscal 1978, \$15 million in fiscal 1979, \$30 million in fiscal 1980, and \$12 million in fiscal 1981.

Vote of the Committee

In compliance with section 133 of the Legislative Reorganization Act of 1946, the following statement is made relative to the vote by the committee on the motion to report the bill. H.R. 3340, as amended by the committee, was ordered favorably reported by voice vote.

IV. REGULATORY IMPACT OF THE BILL

In compliance with paragraph (5) of Rule XXIX of the Standing Rules of the Senate, the committee makes the following statement concerning the regulatory impact that might be incurred in carrying out the provisions of H.R. 3340, as amended.

A. Numbers of individuals and businesses who would be regulated.—The provisions of this bill will affect those taxpayers who make political campaign contributions or newsletter fund contributions, if they seek income tax credits on account of those contributions. No businesses will be directly affected.

B. Economic impact of regulation on individuals, consumers, and business affected.—Those taxpayers who seek income tax credits on account of the contributions referred to above will in many cases be entitled to greater tax benefits, and will be able to receive the benefits sooner, than under present law. Of those taxpayers who take deductions for such contributions under present law, some will obtain less income tax benefits than under present law. No consumers or businesses will be directly affected.

C. Impact on personal privacy.—The provisions of this bill make negligible changes in those provisions of Federal law affecting the personal privacy of taxpayers.

D. Determination of the amount of paperwork.—In the case of taxpayers who claim the credits on their income tax returns, no additional paperwork will be required. Many of those taxpayers will find it simpler to fill out their returns because they no longer will have to calculate both a credit and a deduction in order to compare the relative tax benefits.

Taxpayers who choose the "immediate credit" after having filed their income tax returns, will have to fill out a simple form, which is to be made generally available by the Internal Revenue Service. The Service will have to establish a recordkeeping system so as to associate those forms with the necessary information from the taxpayers' returns; the Service also will have to establish a system for processing those forms and paying allowable refunds generally within 60 days.

V. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with section 4 of Rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, H.R. 3340, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman) :

INTERNAL REVENUE CODE OF 1954

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Subtitle A—Income Taxes

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CHAPTER 1—NORMAL TAXES AND SURTAXES

Subchapter A—Determination of Tax Liability

PART IV—CREDITS AGAINST TAX

Subpart A—Credits Allowable

SEC. 41. CONTRIBUTIONS TO CANDIDATES FOR PUBLIC OFFICE

[(a) **GENERAL RULE.**—In the case of an individual, there shall be allowed, subject to the limitations of subsection (b), as a credit against the tax imposed by this chapter for the taxable year, an amount equal to one-half of all political contributions and all newsletter fund contributions, payment of which is made by the taxpayer within the taxable year.]

(a) **GENERAL RULE.**—*In the case of an individual, there shall be allowed, subject to the limitations of subsection (b), as a credit against the tax imposed by this chapter for the taxable year, an amount equal to the sum of—*

(1) *one-half of all political contributions (other than those described in paragraph (2)) and all newsletter fund contributions, and*

(2) *75 percent of the sum of all political contributions to—*

(A) *individuals who are candidates for nomination or election to the United States Senate for use by any such individual to further his candidacy for nomination or election to the United States Senate, and*

(B) *committees, associations, or organizations (whether or not incorporated) organized and operated exclusively for the purpose of influencing, or attempting to influence, the nomination or election of one or more individuals who are candidates for nomination or election to the United States Senate for use by any such committee, association, or organization to further the candidacy of such individual or individuals for nomination or election to the United States Senate,*

payment of which is made by the taxpayer within the taxable year.

(b) **LIMITATIONS.**—

(1) **MAXIMUM CREDIT.**—The credit allowed by subsection (a) for a taxable year shall not exceed [\$25 (\$50 in the case of a joint return under section 6013).] \$100 (\$200 in the case of a joint return under section 6013) of which not more than \$25 (\$50 in the case of a joint return under section 6013) shall be determined under paragraph (1) of subsection (a).

(2) **APPLICATION WITH OTHER CREDITS.**—The credit allowed by subsection (a) shall not exceed the amount of the tax imposed by this chapter for the taxable year reduced by the sum of the credits allowable under section 33 (relating to foreign tax credit), section 37 (relating to credit for the elderly), and section 38 (relating to investment in certain depreciable property).

(3) **VERIFICATION.**—The credit allowed by subsection (a) shall be allowed, with respect to any political contribution or newsletter fund contribution, only if such contribution is verified in such manner as the Secretary shall prescribe by regulations.

(c) **DEFINITIONS.**—For the purposes of this section—

(1) **POLITICAL CONTRIBUTION.**—The term “political contribution” means a contribution or gift of money to—

(A) an individual who is a candidate for nomination or election to any Federal, State, or local elective public office in any primary, general, or special election, for use by such individual to further his candidacy for nomination or election to such office;

(B) any committee, association, or organization (whether or not incorporated) organized and operated exclusively for the purpose of influencing, or attempting to influence, the nomination or election of one or more individuals who are candidates for nomination or election to any Federal, State, or local elective public office, for use by such committee, association, or organization to further the candidacy of such individual or individuals for nomination or election to such office;

(C) the national committee of a national political party;

(D) the State committee of a national political party as designated by the national committee of such party; or

(E) a local committee of a national political party as designated by the State committee of such party designated under subparagraph (D).

(2) **CANDIDATE.**—The term “candidate” means, with respect to any Federal, State, or local elective public office, an individual who—

(A) publicly announces before the close of the calendar year following the calendar year in which the contribution or gift is made that he is a candidate for nomination or election to such office; and

(B) meets the qualifications prescribed by law to hold such office.

(3) **NATIONAL POLITICAL PARTY.**—The term “national political party” means—

(A) in the case of contributions made during a taxable year of the taxpayer in which the electors of President and Vice President are chosen, a political party presenting candidates or electors for such offices on the official election ballot of ten or more States, or

(B) in the case of contributions made during any other taxable year of the taxpayer, a political party which met the qualifications described in subparagraph (A) in the last preceding election of a President and Vice President.

(4) **STATE AND LOCAL.**—The term “State” means the various States and the District of Columbia; and the term “local” means a political subdivision or part thereof, or two or more political subdivisions or parts thereof, of a State.

(5) **NEWSLETTER FUND CONTRIBUTION.**—The term “newsletter fund contribution” means a contribution or gift of money to a fund established and maintained by an individual who holds, has been elected to, or is a candidate for nomination or election to, any Federal, State, or local elective public office for use by such individual exclusively for the preparation and circulation of a newsletter.

[(d) CROSS REFERENCES.—

For disallowance of credits to estates and trusts, see section 642

(a) (2).]

(a) IMMEDIATE CREDIT.—

(1) **IN GENERAL.**—*Notwithstanding the provisions of subsection (a), the credit allowed by subsection (a) with respect to any political contribution shall, upon application by the taxpayer, be allowed against the tax imposed by this chapter for the taxable year immediately preceding the taxable year in which payment of the political contribution was made.*

(2) **AMOUNT OF CREDIT AND DETERMINATION OF POLITICAL CONTRIBUTION.—**

(A) **AMOUNT OF CREDIT.**—*Except as provided in subparagraph (B), the determination of the amount of any credit allowed under paragraph (1) for the immediately preceding taxable year with respect to any political contribution shall be made as if the payment of such contribution was made in such preceding taxable year.*

(B) **DETERMINATION OF POLITICAL CONTRIBUTION.**—*Any determination as to whether any contribution with respect to which a taxpayer is claiming the credit allowed under paragraph (1) is a political contribution shall be made on the basis of the taxable year in which the payment of such contribution was made.*

(3) **TIME FOR MAKING APPLICATION.—**

(A) **EARLIEST DATE.**—*A taxpayer may not file an application under paragraph (1) before the day on which the taxpayer filed his return of tax for the immediately preceding taxable year.*

(B) **LATEST DATE.**—*A taxpayer may not file an application under (1) on or after the earlier of—*

(i) the due date for the filing of the return of tax for the taxable year in which the payment of the political contribution was made (determined without regard to any extension of time for filing the return), or

(ii) the day on which the taxpayer filed his return of tax for such taxable year.

(4) **INCLUSION IN EARLIER RETURN.**—*In lieu of making an application under paragraph (1), a taxpayer may elect to claim the credit allowed under paragraph (1) for the immediately preceding taxable year on his return of tax for that year if the payment*

of the political contribution for which the credit is claimed was made before the filing of that return.

(5) *IN LIEU OF ANY OTHER CREDIT.*—No credit shall be allowed for any other taxable year for any political contribution for which any credit is allowed under this subsection.

(6) *TREATMENT AS CLAIM FOR REFUND.*—For purposes of this title, any application filed under paragraph (1) shall be treated as a claim for refund except to the extent that such treatment is inconsistent with the provisions of this subsection.

(e) *CROSS REFERENCES.*—

(1) For disallowance of credits to estates and trusts, see section 642(a)(2).

(2) For interest on immediate credit, see section 6611(b)(3).

Subchapter B—Computation of Taxable Income

PART VII—ADDITIONAL ITEMIZED DEDUCTIONS FOR INDIVIDUALS

Sec. 211. Allowance of deductions.

Sec. 212. Expenses for production of income.

Sec. 213. Medical, dental, etc., expenses.

Sec. 215. Alimony, etc., payments.

Sec. 216. Deduction of taxes, interest, and business depreciation by cooperative housing corporation tenant-stockholder.

Sec. 217. Moving expenses.

[Sec. 218. Contributions to candidates for public office.]

Sec. 219. Retirement savings.

Sec. 220. Retirement savings for certain married individuals.

Sec. 221. Cross references.

[SEC. 218. CONTRIBUTIONS TO CANDIDATES FOR PUBLIC OFFICE

[(a) *ALLOWANCE OF DEDUCTION.*—In the case of an individual, there shall be allowed as a deduction any political contribution (as defined in section 41(c)(1)) or newsletter fund contribution (as defined in section 41(c)(5)) payment of which is made by such individual within the taxable year.

[(b) *LIMITATIONS.*—

[(1) *AMOUNT.*—The deduction under subsection (a) shall not exceed \$100 (\$200 in the case of a joint return under section 6013).

[(2) *VERIFICATION.*—The deduction under subsection (a) shall be allowed, with respect to any political contribution or newsletter fund contribution, only if such contribution is verified in such manner as the Secretary shall prescribe by regulations.

[(c) *ELECTION TO TAKE CREDIT IN LIEU OF DEDUCTION.*—This section shall not apply in the case of any taxpayer who, for the taxable year, elects to take the credit against tax provided by section 41 (relating to credit against tax for contributions to candidates for public office). Such election shall be made in such manner and at such time as the Secretary shall prescribe by regulations.

[(d) CROSS REFERENCE.—

[For disallowance of deduction to estates and trusts, see section 642(i).]

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**Subchapter J—Estates, Trusts, Beneficiaries,
and Decedents**

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PART I—ESTATES, TRUSTS, AND BENEFICIARIES

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Subpart A—General Rules for Taxation of Estates and Trusts

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SEC. 642. SPECIAL RULES FOR CREDITS AND DEDUCTIONS

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[(i) POLITICAL CONTRIBUTIONS.—An estate or trust shall not be allowed the deduction for contributions to candidates for public office provided by section 218.]

[(j) (i) CERTAIN DISTRIBUTIONS BY CEMETERY PERPETUAL CARE FUNDS.—In the case of a cemetery perpetual care fund which—

(1) was created pursuant to local law by a taxable cemetery corporation for the care and maintenance of cemetery property, and

(2) is treated for the taxable year as a trust for purposes of this subchapter,

any amount distributed by such fund for the care and maintenance of gravesites which have been purchased from the cemetery corporation before the beginning of the taxable year of the trust and with respect to which there is an obligation to furnish care and maintenance shall be considered to be a distribution solely for purposes of sections 651 and 661, but only to the extent that the aggregate amount so distributed during the taxable year does not exceed \$5 multiplied by the aggregate number of such gravesites.

[(k) (j) CROSS REFERENCES.—

(1) For disallowance of standard deduction in case of estates and trusts, see section 142(b) (4).

(2) For special rule for determining the time of receipt of dividends by a beneficiary under section 652 or 662, see section 116(c) (3).

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Subtitle F—Procedure and Administration

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CHAPTER 67—INTEREST

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Subchapter B—Interest on Overpayments

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SEC. 6611. INTEREST ON OVERPAYMENTS.

(a) **RATE.**—Interest shall be allowed and paid upon any overpayment in respect of any internal revenue tax at an annual rate established under section 6621.

(b) **PERIOD.**—Such interest shall be allowed and paid as follows:

(1) **CREDITS.**—In the case of a credit, from the date of the overpayment to the due date of the amount against which the credit is taken.

(2) **REFUNDS.**—In the case of a refund, from the date of the overpayment to a date (to be determined by the Secretary) preceding the date of the refund check by not more than 30 days, whether or not such refund check is accepted by the taxpayer after tender of such check to the taxpayer. The acceptance of such check shall be without prejudice to any right of the taxpayer to claim any additional overpayment and interest thereon.

(3) **SECTION 41(d) CREDIT.**—*In the case of a credit allowed under section 41(d) for which an application has been filed under section 41(d)(1), from the 61st day after the receipt of such application by the Secretary to the date of the refund check, whether or not such refund check is accepted by the taxpayer after the tender of the check to him. The acceptance of the check shall be without prejudice to any right of the taxpayer to claim any additional overpayment and interest thereon.*

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