factured or produced by the taxpayer, if during the taxable year the taxpayer is engaged in substantial manufacturing or production of tangible personal property of the same type."

(b) TECHNICAL AMENDMENTS.—

(1) Section 543(a)(2) (relating to adjusted income from rents included in personal holding company income) is amended by striking out the last sentence thereof. 78 Stat. 81. 26 USC 543.

(2) Section 543(b)(2) (relating to definition of adjusted ordinary gross income) is amended by adding at the end thereof the following new subparagraph:

"(D) CERTAIN EXCLUDED RENTS.—From the gross income consisting of compensation described in subparagraph (D) of paragraph (3) subtract the amount allowable as deductions for the items described in clauses (i), (ii), (iii), and (iv) of subparagraph (A) to the extent allocable, under regulations prescribed by the Secretary or his delegate, to such gross income. The amount subtracted under this subparagraph shall not exceed such gross income."

(c) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) shall apply to taxable years beginning after the date of the enactment of this Act. Such amendments shall also apply, at the election of the taxpayer (made at such time and in such manner as the Secretary or his delegate may prescribe), to taxable years beginning on or before such date and ending after December 31, 1965.

SEC. 207. PERCENTAGE DEPLETION RATE FOR CERTAIN CLAY BEARING ALUMINA.

(a) 23 PERCENT RATE.—Section 613(b) (relating to percentage depletion rates) is amended— 68A Stat. 208; 74 Stat. 291. 26 USC 613.

(1) by inserting "clay, laterite, and nephelite syenite" after "anorthosite" in paragraph (2)(B); and

(2) by striking out "if paragraph (5)(B) does not apply" in paragraph (3)(B) and inserting in lieu thereof "if neither paragraph (2)(B) nor (5)(B) applies".

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. 208. PERCENTAGE DEPLETION RATE FOR CLAM AND OYSTER SHELLS.

(a) 15 PERCENT RATE.—Section 613(b) (relating to percentage depletion rates) is amended—

(1) by striking out "mollusk shells (including clam shells and oyster shells)," in paragraph (5)(A), and

(2) by inserting "mollusk shells (including clam shells and oyster shells)," after "marble," in paragraph (6).

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. 209. PERCENTAGE DEPLETION RATE FOR CERTAIN CLAY, SHALE, AND SLATE.

(a) 7½ PERCENT RATE.—Section 613(b) (relating to percentage depletion rates) is amended—

(1) by renumbering paragraphs (5) and (6) as (6) and (7), respectively, and by inserting after paragraph (4) the following new paragraph:

"(5) 7½ percent—clay and shale used or sold for use in the manufacture of sewer pipe or brick, and clay, shale, and slate used or sold for use as sintered or burned lightweight aggregates.";