

B. Other amendments to the Internal Revenue Code (added by your committee)

1. *Application of the investment credit to certain property in U.S. possessions.*—The investment credit is extended to property located in U.S. possessions provided the property is owned by a U.S. company or citizen, subject to U.S. tax on its income from possessions, would otherwise have qualified for the investment credit, and is not owned or used by U.S. persons who are presently exempt from U.S. tax. This amendment is effective with respect to property placed in service after December 31, 1965.

2. *Medical expense deductions of persons 65 and over.*—The amendment repeals the provisions with respect to a taxpayer age 65 or over, his spouse age 65 or over, and dependent mothers or fathers who are age 65 or over, which, beginning in 1967, would limit their medical deductions to medical care expenses in excess of 3 percent of adjusted gross income and define their medical care expenses to include only those medicine and drug expenses in excess of 1 percent of adjusted gross income.

3. *Corporate acquisition of assets of another corporation.*—(a) *Purchase of stock.*—Under present law, the purchase from an unrelated party by one corporation of at least 80 percent of the stock of another corporation followed by the liquidation of the acquired corporation within 2 years is treated as a purchase of the assets of the acquired corporation. These amendments expand the definition of “purchase” to include the purchase of stock from a 50-percent owned subsidiary if stock in the 50-percent owned subsidiary was also acquired by purchase. The change is to be effective with respect to acquisitions of stock made after December 31, 1965.

(b) *Installment notes.*—This amendment provides that when installment notes are transferred in the type of purchase and liquidation described above, gain is to be recognized to the distributing corporation in the same manner as if it had sold the notes. This amendment is to be effective with respect to distributions made after the date of enactment of this act.

4. *Swap funds.*—The amendment sets aside certain Treasury regulations proposing to tax the exchange of appreciated securities for shares in a mutual investment fund.

5. *Self-employed persons retirement plans: minimum amount treated as earned income.*—This amendment raises from \$2,500 to \$6,600 the minimum amount of earnings from a trade or business, in which both personal services and capital are material income-producing factors, which a self-employed person may treat as earned income regardless of the general rule that only 30 percent of the net profits of the trade or business may be treated as a self-employed person's earned income. This amendment applies to taxable years beginning after December 31, 1965.

6. *Self-employed persons retirement plans: certain income of authors, inventors, and so forth.*—The bill amends present law relating to self-employed individuals' retirement plans to permit authors, inventors, and so forth, to include gains (other than capital gains) from sales and other transfers of their works in their earned income base for