

(b) (3) (relating to definition of purchase) is amended by adding at the end thereof the following new sentence:

"Notwithstanding subparagraph (C) of this paragraph, for purposes of paragraph (2) (B), the term 'purchase' also means an acquisition of stock from a corporation when ownership of such stock would be attributed under section 318(a) to the person acquiring such stock, if the stock of such corporation by reason of which such ownership would be attributed was acquired by purchase (within the meaning of the preceding sentence)."

(b) PERIOD OF ACQUISITION.—Section 334 (b) (2) (B) (relating to exception) is amended by striking out "during a period of not more than 12 months," and inserting in lieu thereof "during a 12-month period beginning with the earlier of—

"(i) the date of the first acquisition by purchase of such stock, or

"(ii) if any of such stock was acquired in an acquisition which is a purchase within the meaning of the second sentence of paragraph (3), the date on which the distributee is first considered under section 318(a) as owning stock owned by the corporation from which such acquisition was made,".

(c) DISTRIBUTION OF INSTALLMENT OBLIGATIONS.—Section 453(d) (4) (A) (relating to distribution of installment obligations in certain liquidations) is amended to read as follows:

"(A) LIQUIDATIONS TO WHICH SECTION 332 APPLIES.—If—

"(i) an installment obligation is distributed in a liquidation to which section 332 (relating to complete liquidations of subsidiaries) applies, and

"(ii) the basis of such obligation in the hands of the distributee is determined under section 334(b) (1),

then no gain or loss with respect to the distribution of such obligation shall be recognized by the distributing corporation."

(d) EFFECTIVE DATES.—The amendment made by subsection (a) shall apply only with respect to acquisitions of stock after December 31, 1965. The amendments made by subsections (b) and (c) shall apply only with respect to distributions made after the date of the enactment of this Act.

SEC. 204. TRANSFERS OF STOCK AND SECURITIES TO CORPORATIONS CONTROLLED BY TRANSFERORS.

(a) TRANSFERS TO INVESTMENT COMPANIES.—The first sentence of section 351(a) (relating to transfers to corporations controlled by transferor) is amended by striking out "to a corporation" and inserting in lieu thereof "to a corporation (including an investment company)".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to transfers of property whether made before, on, or after the date of the enactment of this Act.

SEC. 205. MINIMUM AMOUNT TREATED AS EARNED INCOME FOR RETIREMENT PLANS OF CERTAIN SELF-EMPLOYED INDIVIDUALS.

(a) INCREASE TO \$6,600.—Section 401(c) (2) (B) (relating to earned income when both personal services and capital are material income-producing factors) is amended by striking out "\$2,500" each place it appears therein and inserting in lieu thereof "\$6,600".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to tax-

able years beginning after December 31, 1965.

SEC. 206. TREATMENT OF CERTAIN INCOME OF AUTHORS, INVENTORS, ETC., AS EARNED INCOME FOR RETIREMENT PLAN PURPOSES

(a) INCOME FROM DISPOSITION OF PROPERTY CREATED BY TAXPAYER.—Section 401(c) (2) (relating to definition of earned income) is amended by adding at the end thereof the following new subparagraph:

"(C) INCOME FROM DISPOSITION OF CERTAIN PROPERTY.—For purposes of this section, the term 'earned income' includes gains (other than any gain which is treated under any provision of this chapter as gain from the sale or exchange of a capital asset) and net earnings derived from the sale or other disposition of, the transfer of any interest in, or the licensing or the use of property (other than good will) by an individual whose personal efforts created such property."

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

SEC. 207. EXCLUSION OF CERTAIN RENTS FROM PERSONAL HOLDING COMPANY INCOME.

(a) RENTS FROM LEASES OF CERTAIN TANGIBLE PERSONAL PROPERTY.—Section 543(b) (3) (relating to adjusted income from rents) is amended by striking out "but does not include amounts constituting personal holding company income under subsection (a) (6), nor copyright royalties (as defined in subsection (a) (4) nor produced film rents) (as defined in subsection (a) (5) (B))." and inserting in lieu thereof the following: but such term does not include—

"(A) amounts constituting personal holding company income under subsection (a) (6),

"(B) copyright royalties (as defined in subsection (a) (4)),

"(C) produced film rents (as defined in subsection (a) (5) (B)), or

"(D) compensation, however designated for the use of, or the right to use, any tangible personal property manufactured 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.

(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