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amendments

The change is to be effective with respect to acquisitions of stock made after December 31, 1965.

These amendments also provide 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 at fair market value. This amendment is to be effective with respect to distributions made after the date of enactment of this act.

Section 204. TRANSFERS OF STOCK AND SECURITIES TO CORPORATIONS CONTROLLED BY TRANS- FERORS.

- P. 189* This amendment provides that section 351 of present law applies to corporate investment funds. Under section 351, the transfer of property to a corporation by one or more persons in exchange for stock in the corporation is not to result in gain or loss if immediately after the exchange, the person or persons are in control of the corporation. Proposed Treasury regulations issued on July 14, 1966 took the position that the exchange of appreciated securities for shares in a mutual investment fund is not tax free. In 1960 the Service issued several rulings that such exchanges—to so-called swap funds—were tax free. The proposed regulations would hold these transfers taxable.

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

- P. 189* 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 (for self-employed retirement income purposes) regardless of the general rule that only 30 percent of the net profits of the trade or business may be treated as earned income. This amendment applies to taxable years beginning after December 31, 1965.

Section 206. REMOVAL OF SPECIAL LIMITATIONS WITH RESPECT TO DEDUCTIBILITY OF CON- TRIBUTIONS TO PENSION PLANS BY SELF- EMPLOYED INDIVIDUALS.

- P. 190* The Senate adopted as a floor amendment offered by Senator Hartke, the provisions of the House passed version of H.R. 10. The amendment provides for the repeal of two limitations on the deduction from gross income a self-employed individual may take with respect to contributions on his own behalf to a retirement plan. First, it