

TRANSFERS OF PROPERTY TO INVESTMENT COMPANIES CONTROLLED
BY TRANSFERORS

Section 351(a) of the code, which provides a general rule for the transfer of property to a corporation controlled by the transferor, now reads as follows:

(a) GENERAL RULE.—No gain or loss shall be recognized if property is transferred to a corporation by one or more persons solely in exchange for stock or securities in such corporation and immediately after the exchange such person or persons are in control (as defined in section 368(c)) of the corporation. For purposes of this section, stock or securities issued for services shall not be considered as issued in return for property.

The Senate amendment (in proposed sec. 204(a)) amends the first sentence of section 351(a) by striking out "to a corporation" and inserting in lieu thereof "to a corporation (including an investment company)". Under the Senate amendment this amendment to section 351(a) was to apply with respect to transfers of property whether made before, on, or after the date of the enactment of the bill.

Under the action recommended in the accompanying conference report, the first sentence of section 351(a) of the code is amended by striking out "to a corporation" and inserting in lieu thereof "to a corporation (including, in the case of transfers made before July 1, 1967, an investment company)". The conference action also inserts a new subsection (d) in section 351 providing special rules relating to the application of section 351 in the case of investment companies which are required to file registration statements with the Securities and Exchange Commission. Under the conference action, these amendments to section 351 are to apply to transfers to investment companies whether made before, on, or after the date of the enactment of the bill.

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

The Senate amendment (in proposed sec. 205) raised 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 purposes of section 401 of the code, without regard to 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 provision was to apply to taxable years beginning after December 31, 1965.

This provision is not included in the action recommended in the accompanying conference report. For a related provision which is included in such section, however, see the explanation which immediately follows this paragraph.