

7. *Percentage depletion rate for certain clay bearing alumina (sec. 207 of the act and sec. 613 of the code)*

This provision raises the percentage depletion rate from 15 to 23 percent in the case of domestic deposits of clay, laterite, and nephelite syenite (to the extent alumina or aluminum compounds are extracted therefrom). This is the same rate of percentage depletion which is now allowed to domestic deposits of bauxite.

This provision is applicable only to taxable years beginning after November 13, 1966.

8. *Percentage depletion rate for clam and oyster shells (sec. 208 of the act and sec. 613 of the code)*

The act provides that in the case of clam shells and oyster shells (as well as other mollusk shells), a percentage depletion rate of 15 percent generally is to apply (rather than the 5 percent rate of prior law). However, as is true under existing law in the case of limestone and other calcium carbonates, a 5-percent rate is applicable if the shells are used, or sold for use, as riprap, ballast, road material, rubble, concrete aggregates, or for similar purposes.

The provision is applicable to taxable years beginning after November 13, 1966.

9. *Percentage depletion rate for certain clay, shale, and slate (sec. 209 of the act and sec. 613 of the code)*

Under prior law a 5 percent depletion rate was provided for clay used or sold for use in the manufacture of brick or sewerpipe, for shale, and for clay or slate used or sold for use as concrete aggregate or for similar purposes.

The act raises the depletion rate to 7½ percent for clay or shale used or sold for use in the manufacture of sewerpipe and brick, and for clay, shale or slate used or sold for use as sintered or burned lightweight aggregates.

This provision applies to taxable years beginning after November 13, 1966.

10. *Income from the lapse of straddle options (sec. 210 of the act and sec. 1234(c) of the code)*

*Nature of straddles.*⁶—Straddles are one form of an option; namely, an offer both to purchase and to sell a specified amount of property at a stated price for a limited period of time. Options to sell securities are known as “puts”—i.e., the purchaser of the option can “put” his shares to the writer or issuer of the option at the stated price. Options to purchase are known as “calls”—i.e., the purchaser of the option can “call” the shares from the writer at the stated price. A “straddle” is a combination of a put and call, with respect to the same security, for the same quantity, at the same purchase or sale price and available for the same period of time.

Straddles are likely to be written by persons with holdings of a security who believe that in the long run, the price of the stock will not vary greatly from its present price. Their inducement for writing the straddle is the receipt of a premium. Straddles generally are

⁶ Much of the material presented in this part was derived from the “Report on Put and Call Options,” a report published in August 1961 by the Securities and Exchange Commission, on the basis of an extensive study by the SEC’s Division of Trading and Exchanges.