

VI. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

SECTION 1234 OF THE INTERNAL REVENUE CODE OF 1954

SEC. 1234. OPTIONS TO BUY OR SELL

(a) **TREATMENT OF GAIN OR LOSS.**—Gain or loss attributable to the sale or exchange of, or loss attributable to failure to exercise, a privilege or option to buy or sell property shall be considered gain or loss from the sale or exchange of property which has the same character as the property to which the option or privilege relates has in the hands of the taxpayer (or would have in the hands of the taxpayer if acquired by him).

(b) **SPECIAL RULE FOR LOSS ATTRIBUTABLE TO FAILURE TO EXERCISE OPTION.**—For purposes of subsection (a), if loss is attributable to failure to exercise a privilege or option, the privilege or option shall be deemed to have been sold or exchanged on the day it expired.

(c) **SPECIAL RULE FOR GRANTORS OF STRADDLES.**—

(1) *GAIN ON LAPSE.*—*In the case of gain on lapse of an option granted by the taxpayer as part of a straddle, the gain shall be deemed to be gain from the sale or exchange of a capital asset held for not more than 6 months on the day that the option expired.*

(2) *EXCLUSION OF DEALERS.*—*This subsection shall not apply to any person who holds securities for sale to customers in the ordinary course of his trade or business.*

(3) *DEFINITIONS.*—*For purposes of this subsection—*

(A) *The term “straddle” means a simultaneously granted combination of an option to buy, and an option to sell, the same quantity of a security at the same price during the same period of time.*

(B) *The term “security” has the meaning assigned to such term by section 1236(c).*

[(c)] (d) **NON-APPLICATION OF SECTION.**—This section shall not apply to—

(1) a privilege or option which constitutes property described in paragraph (1) of section 1221;

(2) in the case of gain attributable to the sale or exchange of a privilege or option, any income derived in connection with such privilege or option which, without regard to this section, is treated as other than gain from the sale or exchange of a capital asset;

(3) a loss attributable to failure to exercise an option described in section 1233(c); or

(4) gain attributable to the sale or exchange of a privilege or option acquired by the taxpayer before March 1, 1954, if in the hands of the taxpayer such privilege or option is a capital asset.