

press release dated January 27, 1965. This staff has consulted with Treasury staff on this bill. This bill, reported unanimously by the Ways and Means Committee, is consistent with the suggestions of the joint committee staff; and the Treasury does not object to the bill.

The joint committee staff report on this bill stated:

Since Rev. Rul. 65-31 applies only to transactions entered into after January 25, 1965, and since the staff study of the problems arising out of the ruling began at about that time, it is suggested that any legislation along the lines suggested probably should apply to straddles written after January 25, 1965. This will minimize the number of changes in applicable law.

This bill specifically adopts that suggestion.

This bill is not expected to have any appreciable effect on revenues. However, this bill will bring the tax laws into greater conformity with the economic considerations that move people to write straddles and buy options. It will remedy an unfair quirk in the tax laws. It should be adopted.

Mr. CURTIS. Mr. Speaker, I thank the gentleman. I withdraw my reservation.

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The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

The Clerk read the bill, as follows:

H.R. 11765

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 1234 of the Internal Revenue Code of 1954, relating to options, is amended as follows:

Subsection (c) is redesignated as subsection (d) and the following new subsection (c) is added at the end of subsection (b).

“(c) SPECIAL RULE FOR CREATORS OF STRADDLE.—

“(1) GAIN ON LAPSE.—In the case of gain on lapse of an option that was granted as part of a straddle (as defined in paragraph 2), the gain shall be deemed to be gain from the sale or exchange of a capital asset held for less than six months on the day that the option expires.

“(2) DEFINITIONS.—

“(A) For purposes of this section a ‘straddle’ is defined as a combination of an option to buy and an option to sell, giving the holder the right to both buy and sell a speci-

fied quantity of a security at a fixed price for a stated period of time.

“(B) For purposes of this paragraph ‘security’ shall not include contracts to buy or sell commodities.

“(3) 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.”

EFFECTIVE DATE

SEC. 2. This Act shall apply to options granted after January 25, 1965.

With the following committee amendment:

Strike out all after the enacting clause and insert the following:

“That section 1234 of the Internal Revenue Code of 1954 (relating to options) is amended by redesignating subsection (c) as subsection (d) and by inserting after subsection (b) the following new subsection:

“(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).”

SEC. 2. The amendments made by the first section of this Act shall apply to straddle transactions entered into after January 25, 1965, in taxable years ending after such date.”

Mr. MILLS (interrupting the reading). Mr. Speaker, I ask unanimous consent that further reading of the amendment be dispensed with and that it be printed in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.