

26 USC 1491. **"SEC. 1491. IMPOSITION OF TAX.**

"There is hereby imposed on the transfer of property by a citizen or resident of the United States, or by a domestic corporation or partnership, or by a trust which is not a foreign trust, to a foreign corporation as paid-in surplus or as a contribution to capital, or to a foreign trust, or to a foreign partnership, an excise tax equal to 35 percent of the excess of—

"(1) the fair market value of the property so transferred, over

"(2) the sum of—

"(A) the adjusted basis (for determining gain) of such property in the hands of the transferor, plus

"(B) the amount of the gain recognized to the transferor at the time of the transfer."

26 USC 1492. (b) **AMENDMENTS OF SECTION 1492.**—Section 1492 (relating to non-taxable transfers) is amended—

(1) by striking out in paragraph (3) "section 367(d) applies." and inserting in lieu thereof "section 367 applies; or" and

(2) by adding at the end thereof the following new paragraph:

"(4) To a transfer for which an election has been made under section 1057."

Infra.

(c) **ELECTION TO TREAT AS TAXABLE EXCHANGE.**—Part IV of subchapter O of chapter 1 (relating to special rules for determining gain or loss on disposition of property) is amended by redesignating section 1057 as section 1058 and by inserting after section 1056 the following new section:

Ante, p. 1545.

26 USC 1057. **"SEC. 1057. ELECTION TO TREAT TRANSFER TO FOREIGN TRUST, ETC., AS TAXABLE EXCHANGE.**

Supra.

"In lieu of payment of the tax imposed by section 1491, the taxpayer may elect (for purposes of this subtitle), at such time and in such manner as the Secretary may prescribe, to treat a transfer described in section 1491 as a sale or exchange of property for an amount equal in value to the fair market value of the property transferred and to recognize as gain the excess of—

"(1) the fair market value of the property so transferred, over

"(2) the adjusted basis (for determining gain) of such property in the hands of the transferor."

(c) **CLERICAL AMENDMENT.**—The table of sections for part IV of subchapter O of chapter 1 is amended by striking out the last item thereof and inserting in lieu thereof:

"Sec. 1057. Election to treat transfer to foreign trust, etc., as taxable exchange.

"Sec. 1058. Cross references."

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note.

(d) **EFFECTIVE DATE.**—The amendments made by this section shall apply to transfers of property after October 2, 1975.

PART II—AMENDMENTS AFFECTING TAX TREATMENT OF CONTROLLED FOREIGN CORPORATIONS AND THEIR SHAREHOLDERS

SEC. 1021. AMENDMENT OF PROVISION RELATING TO INVESTMENT IN UNITED STATES PROPERTY BY CONTROLLED FOREIGN CORPORATIONS.

(a) **EXCEPTIONS TO DEFINITION OF UNITED STATES PROPERTY.**—Section 956(b)(2) (relating to exceptions to definition of United States property) is amended by striking out "and" at the end of sub-

26 USC 956.