

“(A) which owns stock in 1 or more electing small business corporations,

“(B) all of the income of which is distributed currently to one individual who is a citizen or resident of the United States, and

“(C) the terms of which require that—

“(i) at any time, there shall be only one income beneficiary of the trust,

“(ii) any corpus distributed during the term of the trust may be distributed only to the current income beneficiary thereof,

“(iii) each income interest in the trust shall terminate on the earlier of the death of the income beneficiary or the termination of the trust, and

“(iv) upon the termination of the trust during the life of an income beneficiary, the trust shall distribute all of its assets to such income beneficiary.

“(4) TRUST CEASING TO BE QUALIFIED.—If a qualified subchapter S trust ceases to meet any requirement under paragraph (3), the provisions of this subsection shall not apply to such trust as of the date it ceases to meet such requirements.”

26 USC 1371  
note.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1981.

**SEC. 235. SIMPLIFICATION OF LIFO BY USE OF GOVERNMENT INDEXES TO BE PROVIDED BY REGULATIONS.**

26 USC 472.

Section 472 is amended by adding at the end thereof the following new subsection:

“(f) USE OF GOVERNMENT PRICE INDEXES IN PRICING INVENTORY.—The Secretary shall prescribe regulations permitting the use of suitable published governmental indexes in such manner and circumstances as determined by the Secretary for purposes of the method described in subsection (b).”

**SEC. 236. 3-YEAR AVERAGING PERMITTED FOR INCREASES IN INVENTORY VALUE.**

(a) GENERAL RULE.—Subsection (d) of section 472 is amended to read as follows:

“(d) 3-YEAR AVERAGING FOR INCREASES IN INVENTORY VALUE.—The beginning inventory for the first taxable year for which the method described in subsection (b) is used shall be valued at cost. Any change in the inventory amount resulting from the application of the preceding sentence shall be taken into account ratably in each of the 3 taxable years beginning with the first taxable year for which the method described in subsection (b) is first used.”

26 USC 472  
note.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 1981.

**SEC. 237. ELECTION BY SMALL BUSINESS TO USE ONE INVENTORY POOL WHEN LIFO IS ELECTED.**

(a) IN GENERAL.—Subpart D of part II of subchapter E of chapter 1 (relating to inventories) is amended by adding at the end thereof the following new section:

26 USC 474.

**“SEC. 474. ELECTION BY CERTAIN SMALL BUSINESSES TO USE ONE INVENTORY POOL.**

“(a) IN GENERAL.—A taxpayer which is an eligible small business and which uses the dollar-value method of pricing inventories under