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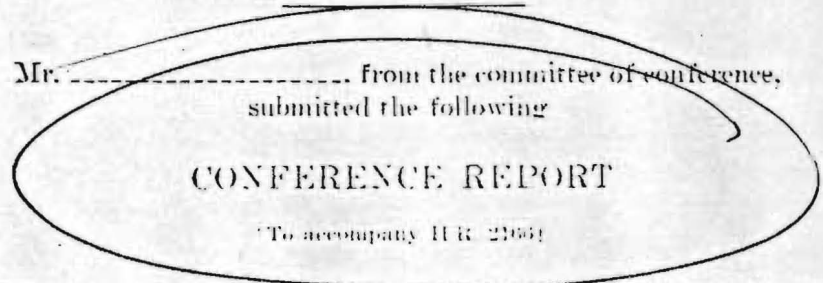
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94TH CONGRESS } HOUSE OF REPRESENTATIVES } REPORT
1st Session } } No. 94-

TAX REDUCTION ACT OF 1975

-----Ordered to be printed

Mr. ----- from the committee of conference,
submitted the following



CONFERENCE REPORT

To accompany H.R. 2964

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 2166) to amend the Internal Revenue Code of 1954 to provide for a refund of 1974 individual income taxes, to increase the low income allowance and the percentage standard deduction, to provide a credit for certain earned income, to increase the investment credit and the surtax exemption, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the "Tax Reduction Act of 1975".

(b) TABLE OF CONTENTS.—

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Revising section 45 in section 45 and by inserting after section 45 the

[COMMITTEE PRINT NO. 2]

SEC. 203. CREDIT FOR PURCHASE OF NEW PRINCIPAL RESIDENCE.

Subpart A of part IV of subchapter A of chapter 1 (relating to credits allowed) is amended by ~~inserting after section 203 the following new section:~~

SEC. 45. PURCHASE OF NEW PRINCIPAL RESIDENCE.

(a) GENERAL RULE.—In the case of an individual there is allowed, as a credit against the tax imposed by this chapter for the taxable year, an amount equal to 5 percent of the purchase price of a new principal residence purchased or constructed by the taxpayer.

(b) LIMITATIONS.—

(1) MAXIMUM CREDIT.—The credit allowed under subsection (a) may not exceed \$2,000.

(2) LIMITATION TO ONE RESIDENCE.—The credit under this section shall be allowed with respect to only one residence of the taxpayer.

(3) MARRIED INDIVIDUALS.—In the case of a husband and wife who file a joint return under section 6013 the amount specified under paragraph (1) applies to the joint return. In the case of a married individual filing a separate return, paragraph (1) shall be applied by substituting '\$1,000' for '\$2,000'.

(4) CERTAIN OTHER TAXPAYERS.—In the case of individuals to whom paragraph (3) does not apply who together purchase the same new principal residence, the amount of the credit allowed under subsection (a) shall be allocated among such individuals as prescribed by the Secretary or his delegate, but the sum of the amounts allowed to such individuals shall not exceed \$2,000 with respect to that residence.

(5) APPLICATION WITH OTHER CREDITS.—The credit allowed by subsection (a) shall not exceed the amount of the tax imposed by this chapter for the taxable year, reduced by the sum of the credits allowable under sections 23, 37, 38, 40, 41, 42, and 43.

(c) DEFINITIONS.—For purposes of this section—

(1) NEW PRINCIPAL RESIDENCE.—The term 'new principal residence' means a principal residence (within the meaning of section 1034) the original use of which commences with the taxpayer, and includes, without being limited to, a single family structure, a residential unit in a condominium or cooperative housing project, and a mobile home.

(2) PURCHASE PRICE.—The term 'purchase price' means the adjusted basis of the new principal residence on the date of acquisition thereof.

(3) PURCHASE.—The term 'purchase' means any acquisition of property, but only if—

(A) the property is not acquired from a person whose relationship to the person acquiring it would result in the disallowance of losses under section 267 or 707(b) (but, in applying section 267(b) and (c) for purposes of this section, paragraph (4) of section 267(c) shall be treated as providing that the family of an individual shall include only his spouse, ancestors, and lineal descendants), and

(B) the basis of the property in the hands of the person acquiring it is not determined—

(i) in whole or in part by reference to the adjusted basis of such property in the hands of the person from whom acquired, or

(ii) under section 1014(a) (relating to property acquired from a decedent).

(a) Source of Credit

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shall apply

(1) EFFECTIVE DATES.—The amendment made by paragraph (1) of this subsection ~~to~~ to property placed in service after January 21, 1975, in taxable years ending after January 21, 1975. The amendments made by paragraphs (2) and (3) apply to taxable years ending after December 31, 1974.

(shall

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(c) ~~Increase From \$50,000 to \$100,000 of Dollar Limitation on Used Property.~~

A)

(2) (1) ~~of~~ ~~Paragraph (2) of subsection 48 (c) (relating to dollar limitation in case of used section 38 property) is amended—~~

(A) by striking out “\$50,000” each place it appears and inserting in lieu thereof “\$100,000”, and

B)

(B) by striking out “\$25,000” and inserting in lieu thereof “\$50,000”.

(shall

(2) (A) EFFECTIVE DATE.—The amendments made by paragraph (1) apply only to taxable years beginning after December 31, 1974, and before January 1, 1977.

(d) PLAN REQUIREMENTS FOR TAXPAYERS ELECTING 11-PERCENT CREDIT.—

(in this subsection.

In order to meet the requirements of this subsection—

(1) A corporation (hereinafter referred to as the “employer”) must establish an employee stock ownership plan (described in paragraph (2)) which is funded by transfers of employer securities in accordance with the provisions of paragraph (3) and which meets all other requirements of this subsection.

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(2) The plan referred to in paragraph (1) must be a defined contribution plan established in writing which—

(A) is a stock bonus plan, a stock bonus and a money purchase pension plan, or a profit-sharing plan,

(B) is designed to invest primarily in employer securities, and

(C) meets such other requirements (similar to requirements applicable to employee stock ownership plans as defined in section 4975(a)(7) of the Internal Revenue Code of 1954) as the Secretary of the Treasury or his delegate may prescribe.

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crude oil or natural gas, as the case may be, during the year by the number of days in such taxable year, and

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"(B) in the case of a taxpayer holding a partial interest in the production from any property (including an interest held in a partnership) such taxpayer's production shall be considered to be that amount of such production determined by multiplying the total production of such property by the taxpayer's percentage participation in the revenues from such property.

In applying this paragraph, there shall not be taken into account the production of natural gas ~~with respect to which subsection (b) applies.~~

(3) DEPLETABLE OIL QUANTITY.

"(A) IN GENERAL.—For purposes of paragraph (1), the taxpayer's depletable oil quantity for any calendar year shall be the greater of—

"(i) the tentative quantity for such calendar year determined under the table contained in subparagraph (B),

"(ii) if the taxpayer elects the provisions of this clause, the taxpayer's average daily stripper well production for such calendar year.

In election under clause (ii), the taxpayer shall determine such production in such manner as the Secretary or his delegate shall by regulation prescribe.

(B) PHASE-OUT TABLE.—For purposes of subsection (A)—

In the case of calendar year:

Year	The tentative quantity is
1975	2,000
1976	1,500
1977	1,200
1978	1,000
1979	1,200
1980	1,000
1981	1,000
1982	1,000
1983	1,000
1984	1,000
1985	1,000
1986	500
1987	500
1988	500

(C) AVERAGE DAILY STRIPPER WELL PRODUCTION.

"(i) For purposes of subparagraph (A), the taxpayer's average daily stripper well production for any taxable year shall be determined by dividing his aggregate production from stripper wells by the number of days in such calendar year.

crude oil or resulting from secondary or tertiary processes (as defined in regulations prescribed by the Secretary or his delegate)

subparagraph quantity in barrels

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average or tertiary production for the taxable year

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at the rate specified in paragraph (5) or (6), as the case may be.

depletable oil quantities

depletable natural gas quantity

(E) Secondary or tertiary production. If the taxpayer has production from secondary or tertiary recovery processes during the taxable year, this paragraph (under regulations prescribed by the Secretary or his delegate) shall be applied separately with respect to such production.

(3) SPECIAL RULES.—
“(A) PRODUCTION OF CRUDE OIL IN EXCESS OF DEPLETABLE OIL QUANTITY.—If the taxpayer's average daily production of domestic crude oil exceeds his depletable oil quantity under paragraph (1)(A) with respect to oil produced during the taxable year from each property in the United States shall be that amount which bears the same ratio to the amount of depletion which would have been allowable under section 613(a) for all of the taxpayer's oil production from such property during the taxable year (computed as if section 613 applied to all of such production) as his depletable oil quantity bears to the aggregate number of barrels representing the average daily production of domestic crude oil of the taxpayer for such year.

“(B) PRODUCTION OF NATURAL GAS IN EXCESS OF DEPLETABLE NATURAL GAS QUANTITY.—If the taxpayer's average daily production of domestic natural gas exceeds his depletable natural gas quantity, the allowance under paragraph (1)(B) with respect to natural gas produced during the taxable year from each property in the United States shall be that amount which bears the same ratio to the amount of depletion which would have been allowable under section 613(a) for all of the taxpayer's natural gas produced from such property during the taxable year (computed as if section 613 applied to all of such production) as the amount of his ~~depletable natural gas quantity~~ in cubic feet bears to the aggregate number of cubic feet representing the average daily production of domestic natural gas of the taxpayer for such year.

“(C) TAXABLE INCOME FROM THE PROPERTY.—If both oil and gas are produced from the property during the taxable year, for purposes of subparagraphs (A) and (B) the taxable income from the property, in applying the 50-percent limitation in section 613(a), shall be allocated between the oil production and the gas production in proportion to the gross income during the taxable year from each.

“(D) PARTNERSHIPS.—In the case of a partnership, the depletion allowance in the case of oil and gas wells to which this subsection applies shall be computed separately by the partners and not by the partnership.

(6) BUSINESSES UNDER COMMON CONTROL; MEMBERS OF THE SAME FAMILY.—

“(A) Component members of controlled group treated as one taxpayer.—For purposes of this subsection, persons who are members of the same controlled group of corporations shall be treated as one taxpayer.

“(B) Aggregation of business entities under common control.—If 50 percent or more of the beneficial interest in two or more corporations, trusts, or estates is owned by the same or related persons (taking into account only persons who own at least 5 percent of such beneficial interest), the tentative quantity determined under the table in paragraph (3)(B) and the ~~2100 quantity~~ ~~determined in paragraph (3)(B)~~ shall be allocated among all such entities in proportion to the respective production of domestic crude oil during the period in question by such entities.

“(C) Allocation among members of the same family.—In the case of individuals who are members of the same family, the tentative quantity determined under the table in paragraph (3)(B) and the ~~2100 quantity~~ ~~determined in paragraph (3)(B)~~ shall be allocated among such individuals in proportion to the respective production of domestic crude oil during the period in question by such individuals.

“(D) Definition and special rules.—For purposes of this paragraph—

(i) the term 'controlled group of corporations' has the meaning given to such term by section 1563(a), except that section 1563(b)(2) shall not apply and except that 'at least 50 percent' shall be substituted for 'at least 80 percent' each place it appears in section 1563(a).

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"(ii) a person is a related person to another person if such persons are members of the same controlled group of corporations or if the relationship between such persons would result in a disallowance of losses under section 267 or 707(b), except that for this purpose the family of an individual includes only his spouse and minor children.

"(iii) the family of an individual includes only his spouse and minor children, and

"(iv) each 6,000 cubic feet of domestic natural gas shall be treated as 1 barrel of domestic crude oil.

"(X) TRANSFER OF OIL OR GAS PROPERTY.—

"(A) In the case of a transfer (including the subleasing of a lease) after December 31, 1974 of an interest (including an interest in a partnership) in any proven oil or gas property, paragraph (1) shall not apply to the transferee (or sublessee) with respect to production of crude oil or natural gas attributable to such interest, and such production shall not be taken into account for any computation by the transferee (or sublessee) under this subsection.

A property shall be treated as a proven oil or gas property if at the time of the transfer the principal value of the property has been demonstrated by prospecting or exploration or discovery work.

"(B) Subparagraph (A) shall not apply in the case of—

"(i) a transfer of property at death, or

"(ii) the transfer in an exchange to which section 351 applies if following the exchange the ~~property is~~ allocated under paragraph (X) between the transferor and transferee.

"(d) Limitations on Application of Subsection (c).—

"(1) Limitation based on taxable income.—The deduction for the taxable year attributable to the application of subsection (c) shall not exceed 65 percent of the taxpayer's taxable income for the year computed without regard to—

"(A) depletion with respect to production of oil and gas subject to the provisions of subsection (c),

"(B) any deduction for the taxable year under section 465 or 468(c) with respect to a nonproductive well which is completed and abandoned during such year, and

"(C) any net operating loss carryback to the taxable year under section 172, and

"(D) any capital loss carryback to the taxable year under section 1212.

If an amount is disallowed as a deduction for the taxable year by reason of application of the preceding sentence, the disallowed amount shall be treated as an amount allowable as a deduction under subsection (c) for the following taxable year, subject to the application of the preceding sentence to such taxable year. For purposes of basis adjustments and determining whether cost depletion exceeds percentage depletion with respect to the production from a property, any amount disallowed as a deduction on the application of this paragraph shall be allocated to the respective properties from which the oil or gas was produced in proportion to the percentage depletion otherwise allowable to such properties under subsection (c).

"(2) RETAILER EXEMPTION.—Subsection (c) shall not apply in the case of any taxpayer who directly, or through a related person, sells oil or natural gas, or any product derived from oil or natural gas—

"(A) through any retail outlet operated by the taxpayer or a related person, or

"(B) to any person—

"(i) obligated under an agreement or contract with the taxpayer or a related person to use a trademark, trade name, or service mark or name owned by such taxpayer or a related person, in marketing or distributing oil or natural gas or any product derived from oil or natural gas, or

"(ii) given authority, pursuant to an agreement or contract with the taxpayer or a related person, to occupy any retail outlet owned, leased, or in any way controlled by the taxpayer or a related person.

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This tentative quantity determined under the table contained in paragraph (1)(B)

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