[CHAPTER 168]

AN ACT

April 2, 1948
[H. R. 4790]
[Public Law 471]

To reduce individual income tax payments, and for other purposes.

Revenue Act of 1948.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act, divided into titles and sections according to the following Table of Contents, may be cited as the "Revenue Act of 1948":

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TITLE I—INCOME TAX REDUCTION

SEC. 101. REDUCTION OF NORMAL TAX AND SURTAX.

Section 12 (c) of the Internal Revenue Code is hereby amended to read as follows:

53 Stat. 6.
26 U. S. C. § 12 (c).

"(c) REDUCTION OF TENTATIVE NORMAL TAX AND TENTATIVE SURTAX.—

"(1) The combined normal tax and surtax under section 11 and subsection (b) of this section shall be the aggregate of the tentative normal tax and tentative surtax, reduced as follows:

53 Stat. 5.
26 U. S. C. §§ 11, 12 (b).
Infra.

If the aggregate is:	The reduction shall be:
Not over $400	17% of the aggregate.
Over $400 but not over $100,000	$68 plus 12% of excess over $400.
Over $100,000	$12,020 plus 9.75% of excess over $100,000.

"(2) In no event shall the combined normal tax and surtax exceed 77 per centum of the net income."

SEC. 102. REDUCTION IN SUPPLEMENT T TAX.

For reduction in the tax under Supplement T of Chapter 1 of the Internal Revenue Code (tax table which may be used by taxpayer at his election if his adjusted gross income is less than $5,000), see section 401.

55 Stat. 689.
26 U. S. C. §§ 400-404.
Post, p. 128.

SEC. 103. INCOME OF HUSBAND AND WIFE.

For tax in case of joint return of husband and wife (the so-called "splitting of income"), see section 301.

Post, p. 114.

SEC. 104. TECHNICAL AMENDMENTS.

(a) Section 11 of the Internal Revenue Code (relating to the normal tax on individuals) is hereby amended by striking out "by 5 per centum thereof" and inserting in lieu thereof "as provided in section 12 (c)".

59 Stat. 557.
26 U. S. C. § 11.
Supra.

(b) Section 12 (b) of the Internal Revenue Code (relating to the rate of surtax on individuals) is hereby amended by striking out "by 5 per centum thereof" and inserting in lieu thereof "as provided in subsection (c) of this section".

59 Stat. 557.
26 U. S. C. § 12 (b).
Supra.

(c) Subsections (d), (e), (f), (g), and (h) of section 12 of the Internal Revenue Code are amended to read as follows:

53 Stat. 6; 58 Stat. 232.
26 U. S. C. § 12 (d)-(h).

"(e) COMPUTATION OF TAX WITHOUT REGARD TO CREDITS AGAINST TAX.—In the application of this section, the combined normal tax and surtax shall be computed without regard to the credits provided in sections 31, 32, and 35.

53 Stat. 24; 56 Stat. 893.
26 U. S. C. §§ 31, 32, 35.

"(f) ASCERTAINMENT OF NORMAL TAX AND SURTAX SEPARATELY.—Whenever it is necessary to ascertain the normal tax and the surtax separately, the surtax shall be an amount which is the same proportion of the combined normal tax and surtax as the tentative surtax is of the aggregate of the tentative normal tax and tentative surtax; and the normal tax shall be the remainder of such combined normal tax and surtax.

"(g) CROSS REFERENCES.—

"(1) ALTERNATIVE TAX.—For alternative tax which may be elected if adjusted gross income is less than $5,000, see Supplement T.

55 Stat. 689.
26 U. S. C. §§ 400-404.
Post, p. 128.

"(2) TAX IN CASE OF CAPITAL GAINS.—For rate and computation of alternative tax in lieu of normal tax and surtax in the case of capital gain from the sale or exchange of capital assets held for more than 6 months, see section 117 (c).

53 Stat. 51.
26 U. S. C. § 117 (c).

"(3) TAX ON PERSONAL HOLDING COMPANIES.—For surtax on personal holding companies, see section 500.

53 Stat. 104.
26 U. S. C. § 500.

"(4) AVOIDANCE OF SURTAXES BY INCORPORATION.—For surtax on corporations which accumulate surplus to avoid surtax on shareholders, see section 102.

53 Stat. 35. 26 U. S. C. § 102.

"(5) SALE OF OIL OR GAS PROPERTIES.—For limitation of surtax attributable to the sale of oil or gas properties, see section 105."

53 Stat. 36. 26 U. S. C. § 105.

SEC. 105. TAXABLE YEARS TO WHICH AMENDMENTS APPLICABLE.

The amendments made by this title shall be applicable with respect to taxable years beginning after December 31, 1947. For treatment of taxable years beginning in 1947 and ending in 1948, see section 601.

Post, p. 136.

TITLE II—CREDITS AGAINST NET INCOME FOR NORMAL TAX AND SURTAX

SEC. 201. ADDITIONAL CREDITS AGAINST NET INCOME FOR NORMAL TAX AND SURTAX.

53 Stat. 18. 26 U. S. C. § 25 (b) (1), (2).

Paragraphs (1) and (2) of section 25 (b) of the Internal Revenue Code are hereby amended to read as follows:

"(1) CREDITS.—There shall be allowed for the purposes of both the normal tax and the surtax, the following credits against net income:

"(A) An exemption of $600 for the taxpayer; and an additional exemption of $600 for the spouse of the taxpayer if a separate return is made by the taxpayer, and if the spouse, for the calendar year in which the taxable year of the taxpayer begins, has no gross income and is not the dependent of another taxpayer;

"(B) (i) An additional exemption of $600 for the taxpayer if he has attained the age of 65 before the close of his taxable year; and

"(ii) An additional exemption of $600 for the spouse of the taxpayer if a separate return is made by the taxpayer, and if the spouse has attained the age of 65 before the close of such taxable year, and, for the calendar year in which the taxable year of the taxpayer begins, has no gross income and is not the dependent of another taxpayer;

"(C) (i) An additional exemption of $600 for the taxpayer if he is blind at the close of his taxable year; and

"(ii) An additional exemption of $600 for the spouse of the taxpayer if a separate return is made by the taxpayer, and if the spouse is blind and, for the calendar year in which the taxable year of the taxpayer begins, has no gross income and is not the dependent of another taxpayer. For the purposes of this clause the determination of whether the spouse is blind shall be made as of the close of the taxable year of the taxpayer, unless the spouse dies during such taxable year, in which case such determination shall be made as of the time of such death;

"(iii) For the purposes of this subparagraph an individual is blind only if either: his central visual acuity does not exceed 20/200 in the better eye with correcting lenses, or his visual acuity is greater than 20/200 but is accompanied by a limitation in the fields of vision such that the widest diameter of the visual field subtends an angle no greater than 20 degrees;

"(D) An exemption of $600 for each dependent whose gross income for the calendar year in which the taxable year of the taxpayer begins is less than $500, except that the exemption shall not be allowed in respect of a dependent who has made a joint return with his spouse under section 51 for the taxable year beginning in such calendar year.

"(2) DETERMINATION OF STATUS.—For the purposes of this subsection—

"(A) the determination of whether an individual is married shall be made as of the close of his taxable year, unless his spouse dies during his taxable year, in which case such determination shall be made as of the time of such death; and

"(B) an individual legally separated from his spouse under a decree of divorce or of separate maintenance shall not be considered as married."

SEC. 202. TECHNICAL AMENDMENTS.

(a) DECLARATION OF ESTIMATED TAX.—Section 58 (a) of the Internal Revenue Code (relating to requirement of declaration of estimated tax) is hereby amended to read as follows: 57 Stat. 141. 26 U. S. C. § 58 (a).

"(a) REQUIREMENT OF DECLARATION.—Every individual (other than an estate or trust and other than a nonresident alien with respect to whose wages, as defined in section 1621 (a), withholding under Subchapter D of Chapter 9 is not made applicable) shall, at the time prescribed in subsection (d), make a declaration of his estimated tax for the taxable year if— 57 Stat. 126. 26 U. S. C. §§ 1621-1627; Supp, I, § 1621. *Post*, p. 130. 57 Stat. 142. 26 U. S. C. § 58 (d).

"(1) his gross income from wages (as defined in section 1621) can reasonably be expected to exceed the sum of $4,500 plus $600 with respect to each exemption provided in section 25 (b); or 53 Stat. 18. 26 U. S. C. § 25 (b).

"(2) his gross income from sources other than wages (as defined in section 1621) can reasonably be expected to exceed $100 for the taxable year and his gross income to be $600 or more." *Ante*, p. 112. 57 Stat. 126. 26 U. S. C. § 1621; Supp. I, § 1621.

(b) WITHHOLDING EXEMPTIONS.—

(1) IN GENERAL.—Section 1622 (h) (1) of the Internal Revenue Code is hereby amended to read as follows: 57 Stat. 136. 26 U. S. C. § 1622 (h) (1).

"(1) IN GENERAL.—An employee receiving wages shall on any day be entitled to the following withholding exemptions:

"(A) An exemption for himself.

"(B) One additional exemption for himself if, on the basis of facts existing at the beginning of such day, there may reasonably be expected to be allowable an exemption under section 25 (b) (1) (B) (i) (relating to old age) for the taxable year under Chapter 1 in respect of which amounts deducted and withheld under this subchapter in the calendar year in which such day falls are allowed as a credit. *Ante*, p. 112. 53 Stat. 4. 26 U. S. C. §§ 1-421; Supp. I, § 22 *et seq.* *Ante*, p. 111 *et seq.*

"(C) One additional exemption for himself if, on the basis of facts existing at the beginning of such day, there may reasonably be expected to be allowable an exemption under section 25 (b) (1) (C) (i) (relating to the blind) for the taxable year under Chapter 1 in respect of which amounts deducted and withheld under this subchapter in the calendar year in which such day falls are allowed as a credit. *Ante*, p. 112. 53 Stat. 4. 26 U. S. C. §§ 1-421; Supp. I, § 22 *et seq.* *Ante*, p. 111 *et seq.*

"(D) If the employee is married, any exemption to which his spouse is entitled, or would be entitled if such spouse were an employee receiving wages, under subparagraph (A), (B), or (C), but only if such spouse does not have in effect a withholding exemption certificate claiming such exemption.

"(E) An exemption for each individual with respect to whom, on the basis of facts existing at the beginning of such day, there may reasonably be expected to be allowable an exemption under section 25 (b) (1) (D) for the taxable year under Chapter 1 in respect of which amounts deducted and withheld under this subchapter in the calendar year in which such day falls are allowed as a credit." *Ante*, p. 112. 53 Stat. 4. 26 U. S. C. §§ 1-421; Supp. I, § 22 *et seq.* *Ante*, p. 111 *et seq.*

(2) STATUS DETERMINATION DATE.—In the case of an individual entitled to an additional withholding exemption under section 1622 (h) (1) of the Internal Revenue Code by reason of the amendment made thereto by paragraph (1) of this subsection, the term "status determination date" as used in section 1622 (h) (3) (B) of such Code includes also the ninetieth day after the date of the enactment of this Act.

Ante, p. 113.

58 Stat. 254.
26 U. S. C. §1622 (h) (3) (B).

(c) REQUIREMENT OF RETURNS.—

(1) INDIVIDUAL RETURNS.—Section 51 (a) of the Internal Revenue Code (relating to the requirement of individual returns) is hereby amended by striking out "$500" and inserting in lieu thereof "$600".

53 Stat. 27; 56 Stat. 828.
26 U. S. C. §51 (a).

(2) FIDUCIARY RETURNS.—Section 142 (a) of such Code (relating to the requirement of fiduciary returns) is hereby amended by striking out "$500" wherever appearing therein and inserting in lieu thereof "$600".

53 Stat. 60; 56 Stat. 828.
26 U. S. C. §142 (a).

(3) INFORMATION RETURNS.—Section 147 (a) of such Code (relating to returns of information) is hereby amended by striking out "$500" wherever appearing therein and inserting in lieu thereof "$600".

53 Stat. 64; 56 Stat. 828.
26 U. S. C. §147 (a).

(d) CREDIT OF ESTATE AGAINST NET INCOME.—Section 163 (a) (1) of such Code (relating to credits against net income of an estate) is hereby amended by striking out "$500" and inserting in lieu thereof "$600".

53 Stat. 67; 59 Stat. 559.
26 U. S. C. §163 (a) (1).

(e) REPEAL OF DEDUCTION FOR BLIND INDIVIDUALS.—Effective with respect to taxable years beginning after December 31, 1947, section 23 (y) of such Code (relating to special deduction for blind individuals) is repealed.

58 Stat. 36.
26 U. S. C. §23 (y).

SEC. 203. TAXABLE YEARS TO WHICH AMENDMENTS APPLICABLE.

The amendments made by this title shall be applicable with respect to taxable years beginning after December 31, 1947. For treatment of taxable years beginning in 1947 and ending in 1948, see section 601.

Post, p. 136.

TITLE III—HUSBAND AND WIFE

PART I—INCOME TAX

SEC. 301. SPLITTING OF INCOME.

Section 12 of the Internal Revenue Code (relating to surtax of individuals) is hereby amended by adding after subsection (c) of such section the following new subsection:

53 Stat. 5.
26 U. S. C. §12.
Ante, p. 111.

"(d) TAX IN CASE OF JOINT RETURN.—In the case of a joint return of husband and wife under section 51 (b), the combined normal tax and surtax under section 11 and subsection (b) of this section shall be twice the combined normal tax and surtax that would be determined if the net income and the applicable credits against net income provided by section 25 were reduced by one-half."

Post, p. 115.
53 Stat. 5.
26 U. S. C. §§11, 12 (b).
Ante, p. 111.
53 Stat. 17.
26 U. S. C. §25.
Ante, p. 112.

SEC. 302. STANDARD DEDUCTION.

(a) INCREASE OF STANDARD DEDUCTION IN CASE OF JOINT RETURN OR RETURN BY UNMARRIED PERSON.—Section 23 (aa) (1) (A) of the Internal Revenue Code (relating to the standard deduction) is hereby amended to read as follows:

58 Stat. 236.
26 U. S. C. §23 (aa) (1) (A).

"(A) Adjusted Gross Income $5,000 or More.—If his adjusted gross income is $5,000 or more, the standard deduction shall be $1,000 or an amount equal to 10 per centum of the adjusted gross income, whichever is the lesser, except that

in the case of a separate return by a married individual, the standard deduction shall be $500."

(b) ELECTION BY HUSBAND AND WIFE.—Section 23 (aa) (4) of such Code is hereby amended to read as follows: 58 Stat. 237. 26 U. S. C. § 23 (aa) (4).

"(4) HUSBAND AND WIFE.—In the case of husband and wife, the standard deduction shall not be allowed to either if the net income of one of the spouses is determined without regard to the standard deduction."

(c) DETERMINATION OF STATUS.—Section 23 (aa) of such Code is hereby amended by adding at the end thereof the following new paragraph: 58 Stat. 236. 26 U. S. C. § 23 (aa).

"(6) DETERMINATION OF STATUS.—For the purposes of this subsection—

"(A) the determination of whether an individual is married shall be made as of the close of his taxable year, unless his spouse dies during his taxable year, in which case such determination shall be made as of the time of such death; and

"(B) an individual legally separated from his spouse under a decree of divorce or of separate maintenance shall not be considered as married."

SEC. 303. JOINT RETURNS OF HUSBAND AND WIFE.

Section 51 (b) of the Internal Revenue Code (relating to joint returns) is hereby amended to read as follows: 53 Stat. 27. 26 U. S. C. § 51 (b).

"(b) HUSBAND AND WIFE.—

"(1) IN GENERAL.—A husband and wife may make a single return jointly. Such a return may be made even though one of the spouses has neither gross income nor deductions. If a joint return is made the tax shall be computed on the aggregate income and the liability with respect to the tax shall be joint and several.

"(2) NONRESIDENT ALIEN.—No joint return may be made if either the husband or wife at any time during the taxable year is a nonresident alien.

"(3) DIFFERENT TAXABLE YEARS.—No joint return shall be made if the husband and wife have different taxable years; except that if such taxable years begin on the same day and end on different days because of the death of either or of both, then the joint return may be made with respect to the taxable year of each. The above exception shall not apply if the surviving spouse remarries before the close of his taxable year, nor if the taxable year of either spouse is a fractional part of a year under section 47 (a). 53 Stat. 26. 26 U. S. C. § 47 (a).

"(4) JOINT RETURN AFTER DEATH.—In the case of the death of one spouse or both spouses the joint return with respect to the decedent may be made only by his executor or administrator; except that in the case of the death of one spouse the joint return may be made by the surviving spouse with respect to both himself and the decedent if (A) no return for the taxable year has been made by the decedent, (B) no executor or administrator has been appointed, and (C) no executor or administrator is appointed before the last day prescribed by law for filing the return of the surviving spouse. If an executor or administrator of the decedent is appointed after the making of the joint return by the surviving spouse, the executor or administrator may disaffirm such joint return by making, within one year after the last day prescribed by law for filing the return of the surviving spouse, a separate return for the taxable year of the decedent with respect to which the joint return was made, in which case the return made by the survivor shall constitute his separate return.

"(5) DETERMINATION OF STATUS.—For the purposes of this section—

"(A) the status as husband and wife of two individuals having taxable years beginning on the same day shall be determined—

"(i) if both have the same taxable year—as of the close of such year; and

"(ii) if one dies before the close of the taxable year of the other—as of the time of such death; and

"(B) an individual who is legally separated from his spouse under a decree of divorce or of separate maintenance shall not be considered as married.

"(6) TAX IN CASE OF JOINT RETURN.—For determination of combined normal tax and surtax under section 11 and section 12 (b) in case of joint return under this subsection, see section 12 (d). For tax in case of joint return of husband and wife electing to pay the tax under Supplement T, see section 400."

53 Stat. 5.
26 U. S. C. §§ 11, 12 (b) (d).
Ante, p. 111.
55 Stat. 689.
26 U. S. C. §§ 400-404.
Post, p. 128.

SEC. 304. DEDUCTION FOR MEDICAL EXPENSES.

56 Stat. 825.
26 U. S. C. § 23 (x).

Section 23 (x) of the Internal Revenue Code (relating to deduction of medical, etc., expenses) is hereby amended by striking out the second and third sentences thereof and inserting in lieu thereof the following: "The deduction shall not be in excess of $1,250 multiplied by the number of exemptions allowed under section 25 (b) for the taxable year (exclusive of exemptions allowed under section 25 (b) (1) (B) or (C)), with a maximum deduction of $2,500, except that the maximum deduction shall be $5,000 in the case of a joint return of husband and wife under section 51 (b)."

53 Stat. 18.
26 U. S. C. § 25 (b).
Ante, p. 112.
Ante, p. 115.

SEC. 305. TAXABLE YEARS TO WHICH AMENDMENTS APPLICABLE.

Ante, pp. 114, 115; *supra*.

The amendments made by sections 301, 302, 303, and 304 shall be applicable with respect to taxable years beginning after December 31, 1947. The amendment made by section 303 shall also be applicable to taxable years of both husband and wife beginning on the same day in 1947 if at least one of such taxable years ends in 1948. For treatment of taxable years beginning in 1947 and ending in 1948, see section 601.

Post, p. 136.

PART II—ESTATE TAX

Subpart 1—Repeal of 1942 Community Property Amendments

SEC. 351. REPEAL OF COMMUNITY PROPERTY ESTATE TAX AMENDMENTS.

56 Stat. 941, 942, 945.
26 U. S. C. § 811 (d) (5), (e) (2), (g) (4); Supp. I, § 811 note.

(a) Effective with respect to estates of decedents dying after December 31, 1947, sections 811 (d) (5), 811 (e) (2) and 811 (g) (4) of the Internal Revenue Code (relating to community property) are hereby repealed.

(b) Such section 811 (e) is further amended—

(1) by striking out of the heading of such subsection the words "AND COMMUNITY"; and

(2) by striking out of paragraph (1) the following: "JOINT INTERESTS.—".

53 Stat. 118.
26 U. S. C. §§ 800-938; Supp. I, §§ 811, 812, 861.
Post, p. 117 *et seq.*

(c) Notwithstanding the repeal of sections 811 (d) (5), 811 (e) (2), and 811 (g) (4) provided in subsection (a), the taxes imposed under chapter 3 of the Internal Revenue Code upon the transfer of the net

estate of any decedent dying after December 31, 1947, and on or before the date of the enactment of this Act shall not exceed the taxes which would have been imposed under such chapter 3 upon such transfer if this section had not been enacted.

Subpart 2—Marital Deduction for Bequests, Etc., to Spouse

SEC. 361. MARITAL DEDUCTION.

(a) Section 812 of the Internal Revenue Code (relating to deductions in computing net estate in the case of a citizen or resident of the United States) is hereby amended by adding at the end thereof a new subsection to read as follows:

53 Stat. 123. 26 U. S. C. § 812; Supp. I, § 812. *Post*, pp. 121, 1214.

"(e) BEQUESTS, ETC., TO SURVIVING SPOUSE.—

"(1) ALLOWANCE OF MARITAL DEDUCTION.—

"(A) In General.—An amount equal to the value of any interest in property which passes or has passed from the decedent to his surviving spouse, but only to the extent that such interest is included in determining the value of the gross estate.

"(B) Life Estate or Other Terminable Interest.—Where, upon the lapse of time, upon the occurrence of an event or contingency, or upon the failure of an event or contingency to occur, such interest passing to the surviving spouse will terminate or fail, no deduction shall be allowed with respect to such interest—

"(i) if an interest in such property passes or has passed (for less than an adequate and full consideration in money or money's worth) from the decedent to any person other than such surviving spouse (or the estate of such spouse); and

"(ii) if by reason of such passing such person (or his heirs or assigns) may possess or enjoy any part of such property after such termination or failure of the interest so passing to the surviving spouse;

and no deduction shall be allowed with respect to such interest (even if such deduction is not disallowed under clauses (i) and (ii))—

"(iii) if such interest is to be acquired for the surviving spouse, pursuant to directions of the decedent, by his executor or by the trustee of a trust.

For the purposes of this subparagraph, an interest shall not be considered as an interest which will terminate or fail merely because it is the ownership of a bond, note, or similar contractual obligation, the discharge of which would not have the effect of an annuity for life or for a term.

"(C) Interest In Unidentified Assets.—Where the assets (included in the decedent's gross estate) out of which, or the proceeds of which, an interest passing to the surviving spouse may be satisfied include a particular asset or assets with respect to which no deduction would be allowed if such asset or assets passed from the decedent to such spouse, then the value of such interest passing to such spouse shall, for the purposes of subparagraph (A), be reduced by the aggregate value of such particular assets.

"(D) Interest of Spouse Conditional on Survival For Limited Period.—For the purposes of subparagraph (B) an interest passing to the surviving spouse shall not be considered as

an interest which will terminate or fail upon the death of such spouse if—

"(i) such death will cause a termination or failure of such interest only if it occurs within a period not exceeding six months after the decedent's death, or only if it occurs as a result of a common disaster resulting in the death of the decedent and the surviving spouse, or only if it occurs in the case of either such event; and

"(ii) such termination or failure does not in fact occur.

"(E) Valuation Of Interest Passing To Surviving Spouse.—In determining for the purposes of subparagraph (A) the value of any interest in property passing to the surviving spouse for which a deduction is allowed by this subsection—

"(i) there shall be taken into account the effect which a tax imposed by this chapter, or any estate, succession, legacy, or inheritance tax, has upon the net value to the surviving spouse of such interest; and

"(ii) where such interest or property is incumbered in any manner, or where the surviving spouse incurs any obligation imposed by the decedent with respect to the passing of such interest, such incumbrance or obligation shall be taken into account in the same manner as if the amount of a gift to such spouse of such interest were being determined.

"(F) Trust With Power Of Appointment In Surviving Spouse.—In the case of an interest in property passing from the decedent in trust, if under the terms of the trust his surviving spouse is entitled for life to all the income from the corpus of the trust, payable annually or at more frequent intervals, with power in the surviving spouse to appoint the entire corpus free of the trust (exercisable in favor of such surviving spouse, or of the estate of such surviving spouse, or in favor of either, whether or not in each case the power is exercisable in favor of others), and with no power in any other person to appoint any part of the corpus to any person other than the surviving spouse—

"(i) the interest so passing shall, for the purposes of subparagraph (A), be considered as passing to the surviving spouse, and

"(ii) no part of the interest so passing shall, for the purposes of subparagraph (B) (i), be considered as passing to any person other than the surviving spouse.

This subparagraph shall be applicable only if, under the terms of the trust, such power in the surviving spouse to appoint the corpus, whether exercisable by will or during life, is exercisable by such spouse alone and in all events.

"(G) Life Insurance With Power of Appointment in Surviving Spouse.—In the case of proceeds of insurance upon the life of the decedent receivable in annual or more frequent installments commencing within one year after the decedent's death, if under the terms of the policy all amounts payable during the life of the surviving spouse are payable only to such spouse, and if such spouse has the power to appoint all amounts payable after such spouse's death (exercisable in

favor of the estate of such spouse, whether or not the power is exercisable in favor of others)—

"(i) such proceeds shall, for the purposes of subparagraph (A), be considered as passing to the surviving spouse, and

Ante, p. 117.

"(ii) no part of such proceeds shall, for the purposes of subparagraph (B) (i), be considered as passing to any person other than the surviving spouse.

Ante, p. 117.

This subparagraph shall be applicable only if, under the terms of the policy, such power in the surviving spouse to appoint, whether exercisable by will or during life, is exercisable by such spouse alone and in all events.

"(H) Limitation On Aggregate Of Deductions.—The aggregate amount of the deductions allowed under this paragraph (computed without regard to this subparagraph) shall not exceed 50 per centum of the value of the adjusted gross estate, as defined in paragraph (2).

Infra.

"(2) COMPUTATION OF ADJUSTED GROSS ESTATE.—

"(A) General Rule.—Except as provided in subparagraph (B) of this paragraph the adjusted gross estate shall, for the purposes of paragraph (1) (H), be computed by subtracting from the entire value of the gross estate the aggregate amount of the deductions allowed by subsection (b) of this section.

Supra.

53 Stat. 123.
26 U. S. C. § 812 (b).

"(B) Special Rule In Cases Involving Community Property.—If the decedent and his surviving spouse at any time held property as community property under the law of any State, Territory, or possession of the United States, or of any foreign country, then the adjusted gross estate shall, for the purposes of paragraph (1) (H), be determined by subtracting from the entire value of the gross estate the sum of:

"(i) the value of property which is at the time of the death of the decedent held as such community property; and

"(ii) the value of property transferred by the decedent during his life, if at the time of such transfer the property was held as such community property; and

"(iii) the amount receivable as insurance under policies upon the life of the decedent to the extent purchased with premiums or other consideration paid out of property held as such community property; and

"(iv) an amount which bears the same ratio to the aggregate of the deductions allowed under subsection (b) of this section which the value of the property included in the gross estate, diminished by the amount subtracted under clauses (i), (ii), and (iii) of this subparagraph, bears to the entire value of the gross estate.

For the purposes of clauses (i), (ii), and (iii) community property (except property which is considered as community property solely by reason of the provisions of subparagraph (C) of this paragraph) shall be considered as not 'held as such community property' as of any moment of time, if, in case of the death of the decedent at such moment, such property (and not merely one-half thereof) would be or would have been includible in determining the value of his gross estate without regard to the provisions of section 811 (e) (2). The amount

56 Stat. 942.
26 U. S. C. § 811 (e) (2).
Ante, p. 116.

to be subtracted under clause (i), (ii), or (iii) shall not exceed the value of the interest in the property described therein which is included in determining the value of the gross estate.

"(C) Same—Conversion Into Separate Property.—

"(i) If during the calendar year 1942 or after the date of the enactment of the Revenue Act of 1948, property held as such community property (unless considered by reason of subparagraph (B) of this paragraph as not so held) was by the decedent and the surviving spouse converted, by one transaction or a series of transactions, into separate property of the decedent and his spouse (including any form of co-ownership by them), the separate property so acquired by the decedent and any property acquired at any time by the decedent in exchange therefor (by one exchange or a series of exchanges) shall, for the purposes of clauses (i), (ii), and (iii) of subparagraph (B), be considered as 'held as such community property'.

Ante, p. 119.

Ante, p. 119.

"(ii) Where the value (at the time of such conversion) of the separate property so acquired by the decedent exceeded the value (at such time) of the separate property so acquired by the decedent's spouse, the rule in clause (i) shall be applied only with respect to the same portion of such separate property of the decedent as the portion which the value (as of such time) of such separate property so acquired by the decedent's spouse is of the value (as of such time) of the separate property so acquired by the decedent.

"(3) DEFINITION.—For the purposes of this subsection an interest in property shall be considered as passing from the decedent to any person if and only if—

"(A) such interest is bequeathed or devised to such person by the decedent; or

"(B) such interest is inherited by such person from the decedent; or

"(C) such interest is the dower or curtesy interest (or statutory interest in lieu thereof) of such person as surviving spouse of the decedent; or

"(D) such interest has been transferred to such person by the decedent at any time; or

"(E) such interest was, at the time of the decedent's death, held by such person and the decedent (or by them and any other person) in joint ownership with right of survivorship; or

"(F) the decedent had a power (either alone or in conjunction with any person) to appoint such interest and if he appoints or has appointed such interest to such person, or if such person takes such interest in default upon the release or nonexercise of such power; or

"(G) such interest consists of proceeds of insurance upon the life of the decedent receivable by such person.

Ante, p. 118.

Except as provided in subparagraph (F) or (G) of paragraph (1), where at the time of the decedent's death it is not possible to ascertain the particular person or persons to whom an interest in property may pass from the decedent, such interest shall, for the purposes of clauses (i) and (ii) of subparagraph (B) of paragraph (1), be considered as passing from the decedent to a person other than the surviving spouse.

Ante, p. 117.

"(4) DISCLAIMERS.—

"(A) By Surviving Spouse.—If under this subsection an interest would, in the absence of a disclaimer by the surviving spouse, be considered as passing from the decedent to such spouse, and if a disclaimer of such interest is made by such spouse, then such interest shall, for the purposes of this subsection, be considered as passing to the person or persons entitled to receive such interest as a result of the disclaimer.

"(B) Disclaimer By Any Other Person.—If under this subsection an interest would, in the absence of a disclaimer by any person other than the surviving spouse, be considered as passing from the decedent to such person, and if a disclaimer of such interest is made by such person and as a result of such disclaimer the surviving spouse is entitled to receive such interest, then such interest shall, for the purposes of this subsection, be considered as passing, not to the surviving spouse, but to the person who made the disclaimer, in the same manner as if the disclaimer had not been made."

(b) The amendment made by subsection (a) of this section shall be applicable only with respect to estates of decedents dying after December 31, 1947. *Ante*, p. 117.

SEC. 362. PROPERTY PREVIOUSLY TAXED.

(a) Section 812 (c) of the Internal Revenue Code (relating to the deduction for property previously taxed) is hereby amended by adding after the first paragraph two new paragraphs to read as follows: 53 Stat. 124. 26 U. S. C. § 812 (c).

"The following property shall not, for the purposes of this subsection, be considered as property with respect to which a deduction may be allowed: (A) property received from a prior decedent who died after December 31, 1947, and was at the time of such death the decedent's spouse, (B) property received by gift after the date of the enactment of the Revenue Act of 1948 from a donor who at the time of the gift was the decedent's spouse, and (C) property acquired in exchange for property described in clause (A) or (B).

"Where, under the provisions of section 1000 (f), a gift received by the decedent was considered as made one-half by the donor and one-half by the donor's spouse, one-half of the gift shall be considered as received by the decedent from each such spouse." *Post*, p. 127.

(b) Section 812 (c) is further amended by striking out "subsections (a) and (d)" and inserting in lieu thereof "subsections (a), (d), and (e)".

SEC. 363. CREDIT FOR GIFT TAX.

(a) Section 813 (a) (2) (A) of the Internal Revenue Code (relating to credit for gift tax) is hereby amended by inserting before the period at the end thereof the following: "reduced by the aggregate amount of the deductions allowed under subsections (d) and (e) of section 812". 53 Stat. 125. 26 U. S. C. § 813 (a) (2) (A). 53 Stat. 124. 26 U. S. C. § 812 (d). *Ante*, p. 117; *post*, p. 1214.

(b) Subparagraph (B) of section 813 (a) (2) of the Internal Revenue Code (relating to credit for gift tax) is hereby amended to read as follows: 53 Stat. 125. 26 U. S. C. § 813 (a) (2) (B).

"(B) In applying, with respect to any gift, the ratio stated in subparagraph (A), the value at the time of the gift or at the time of the death, referred to in such ratio, shall be reduced—

"(i) by such amount as will properly reflect the amount of such gift which was excluded in determining (for the

53 Stat. 146.
26 U. S. C. § 1003 (a).
47 Stat. 247.

purposes of section 1003 (a), or of section 504 (a) of the Revenue Act of 1932) the total amount of gifts made during the year in which the gift was made;

"(ii) if a deduction with respect to such gift is allowed under section 812 (e) (the so-called 'marital deduction')— then by an amount which bears the same ratio to such value (reduced as provided in clause (i) of this subparagraph) as the aggregate amount of the marital deductions allowed under section 812 (e) bears to the aggregate amount of such marital deductions computed without regard to subparagraph (H) of section 812 (e) (1); and

Ante, p. 117.

Ante, p. 119.

"(iii) if a deduction with respect to such gift is allowed under section 812 (d) (the so-called 'charitable deduction')—then by the amount of such value, reduced as provided in clause (i) of this subparagraph.

53 Stat. 124.
26 U. S. C., Supp. I, § 812 (d).

"(C) Where the decedent was the donor of the gift but, under the provisions of section 1000 (f), the gift was considered as made one-half by his spouse—

Post, p. 127.

"(i) the term 'the amount of the tax paid under chapter 4', as used in subparagraph (A) of this paragraph, includes the amounts paid with respect to each half of such gift, the amount paid with respect to each being computed in the manner provided in subparagraph (D); and

53 Stat. 125.
26 U. S. C. § 813 (a) (2) (A).

"(ii) in applying, with respect to such gift, the ratio stated in subparagraph (A) of this paragraph, the value at the time of the gift or at the time of the death, referred to in such ratio, includes such value with respect to each half of such gift, each such value being reduced as provided in clause (i) of subparagraph (B) of this paragraph.

53 Stat. 125.
26 U. S. C. § 813 (a) (2) (A).
Ante, p. 121.
53 Stat. 144.
26 U. S. C. §§ 1000-1031; Supp. I, §§ 1000, 1004.
Post, pp. 125, 127.
47 Stat. 245.

"(D) (i) For the purposes of subparagraph (A), the amount of tax paid under chapter 4, or under Title III of the Revenue Act of 1932, with respect to any gift shall be an amount which bears the same ratio to the total tax paid for the year in which the gift was made as the amount of such gift bears to the total amount of net gifts (computed without deduction of the specific exemption) for such year.

"(ii) For the purposes of clause (i) the 'amount of such gift' shall be the amount included with respect to such gift in determining (for the purposes of section 1003 (a), or of section 504 (a) of the Revenue Act of 1932) the total amount of gifts made during such year, reduced by the amount of any deduction allowed with respect to such gift under section 1004 (a) (2), or under section 505 (a) (2) of the Revenue Act of 1932 (the so-called 'charitable deduction'), or under section 1004 (a) (3) (the so-called 'marital deduction')."

53 Stat. 146.
26 U. S. C. § 1003 (a).
47 Stat. 247.

53 Stat. 147.
26 U. S. C. § 1004 (a) (2); Supp. I, § 1004 (a) (2).
47 Stat. 247.
Post, p. 125.
53 Stat. 142.
26 U. S. C. § 936 (b) (1).

(c) Section 936 (b) (1) of the Internal Revenue Code (relating to credit for gift tax) is hereby amended by inserting after the words "entire gross estate" in clause (A) thereof the following: "reduced by the aggregate amount of the deductions allowed under subsections (d) and (e) of section 812".

53 Stat. 124.
26 U. S. C., Supp. I, § 812 (d).
Ante, p. 117.
53 Stat. 143.
26 U. S. C. § 936 (b) (2).

(d) Paragraph (2) of section 936 (b) of the Internal Revenue Code (relating to credit for gift tax) is hereby amended to read as follows:

"(2) In applying, with respect to any gift, the ratio stated in clause (A) of paragraph (1), the value at the time of the gift or at the time of the death, referred to in such ratio, shall be reduced— 53 Stat. 142. 26 U. S. C. § 936 (b) (1) (A). *Ante*, p. 122.

"(A) by such amount as will properly reflect the amount of such gift which was excluded in determining (for the purposes of section 1003 (a), or of section 504 (a) of the Revenue Act of 1932) the total amount of gifts made during the year in which the gift was made; 53 Stat. 146. 26 U. S. C. § 1003 (a). 47 Stat. 247.

"(B) if a deduction with respect to such gift is allowed under section 812 (e) (the so-called 'marital deduction')— *Ante*, p. 117.

then by an amount which bears the same ratio to such value (reduced as provided in subparagraph (A) of this paragraph) as the aggregate amount of the marital deductions allowed under section 812 (e) bears to the aggregate amount of such marital deductions computed without regard to subparagraph (H) of section 812 (e) (1); and *Ante*, p. 119.

"(C) if a deduction with respect to such gift is allowed under section 812 (d) (the so-called 'charitable deduction')— 53 Stat. 124. 26 U. S. C., Supp. I, § 812 (d).

then by the amount of such value, reduced as provided in subparagraph (A) of this paragraph. *Supra*.

"(3) Where the decedent was the donor of the gift but, under the provisions of section 1000 (f), the gift was considered as made one-half by his spouse— *Post*, p. 127.

"(A) the term 'the amount of the tax paid under chapter 4', as used in paragraph (1) of this subsection, includes the amounts paid with respect to each half of such gift, the amount paid with respect to each being computed in the manner provided in paragraph (4); and 53 Stat. 142. 26 U. S. C. § 936 (b) (1). *Infra*.

"(B) in applying, with respect to such gift, the ratio stated in clause (A) of paragraph (1), the value at the time of the gift or at the time of the death, referred to in such ratio, includes such value with respect to each half of such gift, each such value being reduced as provided in subparagraph (A) of paragraph (2).

"(4) (A) For the purposes of paragraph (1), the amount of tax paid under chapter 4, or under Title III of the Revenue Act of 1932, with respect to any gift shall be an amount which bears the same ratio to the total tax paid for the year in which the gift was made as the amount of such gift bears to the total amount of net gifts (computed without deduction of the specific exemption) for such year. 53 Stat. 142. 26 U. S. C. § 936 (b) (1). *Ante*, p. 122. 53 Stat. 144. 26 U. S. C. §§ 1000-1031; Supp. I, §§ 1000, 1004. *Post*, pp. 125, 127. 47 Stat. 245.

"(B) For the purposes of subparagraph (A) the 'amount of such gift' shall be the amount included with respect to such gift in determining (for the purposes of section 1003 (a), or of section 504 (a) of the Revenue Act of 1932) the total amount of gifts made during such year, reduced by the amount of any deduction allowed with respect to such gift under section 1004 (a) (2), or under section 505 (a) (2) of the Revenue Act of 1932 (the so-called 'charitable deduction'), or under section 1004 (a) (3) (the so-called 'marital deduction')." 53 Stat. 146. 26 U. S. C. § 1003 (a). 47 Stat. 247. 53 Stat. 147. 26 U. S. C. § 1004 (a) (2); Supp. I, § 1004 (a) (2). 47 Stat. 247. *Post*, p. 125.

(e) The amendments made by this section shall be applicable only with respect to the estates of decedents dying after December 31, 1947.

SEC. 364. OPTIONAL VALUATION.

(a) The last sentence of section 811 (j) of the Internal Revenue Code (relating to optional valuation) is hereby amended to read as 53 Stat. 122. 26 U. S. C. § 811 (j).

follows: "In case of an election made by the executor under this subsection, then—

53 Stat. 124, 130.
26 U. S. C., Supp. I, §§ 812 (d), 861 (a) (3).

"(A) for the purposes of the deduction under section 812 (d) or section 861 (a) (3), any bequest, legacy, devise, or transfer enumerated therein, and

"(B) for the purposes of the deduction under section 812 (e), any interest in property passing to the surviving spouse, shall be valued as of the date of the decedent's death with adjustment for any difference in value (not due to mere lapse of time or the occurrence or nonoccurrence of a contingency) of the property as of the date one year after the decedent's death (substituting, in the case of property distributed by the executor or trustee, or sold, exchanged, or otherwise disposed of, during such one-year period, the date thereof)."

(b) The amendment made by this section shall be applicable only with respect to estates of decedents dying after December 31, 1947.

SEC. 365. LIABILITY OF LIFE INSURANCE BENEFICIARIES, ETC.

53 Stat. 128.
26 U. S. C. § 826 (c).

(a) Section 826 (c) of the Internal Revenue Code (relating to liability of life insurance beneficiaries) is hereby amended by adding at the end thereof the following new sentence: "In the case of such proceeds receivable by the surviving spouse of the decedent for which a deduction is allowed under section 812 (e) (the so-called 'marital deduction'), this subsection shall not apply to such proceeds except as to the amount thereof in excess of the aggregate amount of the marital deductions allowed under such subsection."

Ante, p. 117.

56 Stat. 943.
26 U. S. C. § 826 (d).

(b) Section 826 (d) of the Internal Revenue Code (relating to liability of recipient of property over which decedent had power of appointment) is hereby amended by adding at the end thereof the following new sentence: "In the case of such property received by the surviving spouse of the decedent for which a deduction is allowed under section 812 (e) (the so-called 'marital deduction'), this subsection shall not apply to such property except as to the value thereof reduced by an amount equal to the excess of the aggregate amount of the marital deductions allowed under section 812 (e) over the amount of proceeds of insurance upon the life of the decedent receivable by the surviving spouse for which proceeds a marital deduction is allowed under such subsection."

Ante, p. 117.

(c) The amendments made by this section shall be applicable only with respect to estates of decedents dying after December 31, 1947.

SEC. 366. BASIS OF SURVIVING SPOUSE'S INTEREST IN COMMUNITY PROPERTY.

53 Stat. 41.
26 U. S. C. § 113 (a) (5).

(a) Section 113 (a) (5) of the Internal Revenue Code (relating to basis of property transmitted at death) is hereby amended by adding at the end thereof the following new sentences: "For the purposes of this paragraph the surviving spouse's one-half share of community property held by the decedent and the surviving spouse under the community property laws of any State, Territory or possession of the United States or any foreign country shall be considered to be property 'acquired by bequest, devise, or inheritance' from the decedent, if the death of the decedent was after December 31, 1947, and if at least one-half of the whole of the community interest in such property was includible in determining the value of the decedent's gross estate under section 811. In the case of property held by a decedent and his surviving spouse under the community property laws of any State, Territory, or possession of the United States or any foreign country, if the value of any part of the surviving spouse's one-half share of such property was included in determining the value of the gross estate of the decedent and a tax under chapter 3 was payable upon the transfer

53 Stat. 120.
26 U. S. C. § 811; Supp. I, § 811 note.
Ante, pp. 116, 123.

53 Stat. 118.
26 U. S. C. §§ 800-938; Supp. I, §§ 811, 812, 861.
Ante, p. 116 *et seq.*; *post*, p. 1214.

of the net estate of the decedent, then for the purposes of this paragraph such part of such one-half share of the surviving spouse shall be considered to be property 'acquired by bequest, devise, or inheritance' from the decedent, if the death of the decedent was after the date of the enactment of the Revenue Act of 1942 and on or before December 31, 1947; but nothing in this sentence shall reduce basis below that which would exist if the Revenue Act of 1948 had not been enacted."

56 Stat. 798.

(b) If the allowance of a credit or refund of any overpayment of tax resulting from the application of this section is prevented on the date of the enactment of this Act, or within one year from such date, by the operation of any law or rule of law (other than section 3761 of the Internal Revenue Code, relating to compromises), credit or refund of such overpayment may, nevertheless, be allowed or made if claim therefor is filed within one year from the date of the enactment of this Act. No interest shall be paid on any overpayment resulting from the application of the last sentence of section 113 (a) (5) of such code, as amended by this section, if such overpayment is for a taxable year beginning before January 1, 1948.

53 Stat. 462.
26 U. S. C. § 3761.

Ante, p. 124.

PART III—GIFT TAX

SEC. 371. GIFTS OF COMMUNITY PROPERTY.

Section 1000 (d) of the Internal Revenue Code (relating to gifts of property held as community property) is amended by adding at the end thereof a new sentence to read as follows: "This subsection shall be applicable only to gifts made after the calendar year 1942 and on or before the date of the enactment of the Revenue Act of 1948."

56 Stat. 953.
26 U. S. C. § 1000 (d).

SEC. 372. MARITAL DEDUCTION.

Section 1004 (a) of the Internal Revenue Code (relating to deductions in computing net gifts in the case of a citizen or resident of the United States) is hereby amended by adding at the end thereof a new paragraph to read as follows:

53 Stat. 147.
26 U. S. C. § 1004 (a); Supp. I, § 1004 (a).

"(3) GIFT TO SPOUSE.—

"(A) In General.—Where the donor transfers during the calendar year (and after the date of the enactment of the Revenue Act of 1948) by gift an interest in property to a donee who at the time of the gift is the donor's spouse—an amount with respect to such interest equal to one-half of its value.

"(B) Life Estate or Other Terminable Interest.—Where, upon the lapse of time, upon the occurrence of an event or contingency, or upon the failure of an event or contingency to occur, such interest transferred to the spouse will terminate or fail, no deduction shall be allowed with respect to such interest—

"(i) if the donor retains in himself, or transfers or has transferred (for less than an adequate and full consideration in money or money's worth) to any person other than such donee spouse (or the estate of such spouse), an interest in such property, and if by reason of such retention or transfer the donor (or his heirs or assigns) or such person (or his heirs or assigns) may possess or enjoy any part of such property after such termination or failure of the interest transferred to the donee spouse; or

"(ii) if the donor immediately after the transfer to the donee spouse has a power to appoint an interest in such property which he can exercise (either alone or in

conjunction with any person) in such manner that the appointee may possess or enjoy any part of such property after such termination or failure of the interest transferred to the donee spouse. For the purposes of this clause the donor shall be considered as having immediately after the transfer to the donee spouse such power to appoint even though such power cannot be exercised until after the lapse of time, upon the occurrence of an event or contingency, or upon the failure of an event or contingency to occur.

An exercise or release at any time by the donor, either alone or in conjunction with any person, of a power to appoint an interest in property, even though not otherwise a transfer, shall, for the purposes of clause (i) of this subparagraph, be considered as a transfer by him. Except as provided in subparagraph (E), where at the time of the transfer it is impossible to ascertain the particular person or persons who may receive from the donor an interest in property so transferred by him, such interest shall, for the purposes of clause (i) of this subparagraph, be considered as transferred to a person other than the donee spouse.

Infra.

"(C) Where the assets out of which, or the proceeds of which, the interest transferred to the donee spouse may be satisfied include a particular asset or assets with respect to which no deduction would be allowed if such asset or assets were transferred from the donor to such spouse, then the value of the interest transferred to such spouse shall, for the purposes of subparagraph (A), be reduced by the aggregate value of such particular assets.

Ante, p. 125.

"(D) Joint Interests.—If the interest is transferred to the donee spouse as sole joint tenant with the donor or as tenant by the entirety, the interest of the donor in the property which exists solely by reason of the possibility that the donor may survive the donee spouse, or that there may occur a severance of the tenancy, shall not be considered for the purposes of subparagraph (B) as an interest retained by the donor in himself.

Ante, p. 125.

"(E) Trust With Power Of Appointment In Donee Spouse.—Where the donor transfers in trust an interest in property, if under the terms of the trust his spouse is entitled for life to all the income from the corpus of the trust, payable annually or at more frequent intervals, with power in the donee spouse to appoint the entire corpus free of the trust (exercisable in favor of such donee spouse, or of the estate of such donee spouse, or in favor of either, whether or not in each case the power is exercisable in favor of others), and with no power in any other person to appoint any part of the corpus to any person other than the donee spouse—

"(i) the interest so transferred in trust shall, for the purposes of subparagraph (A), be considered as transferred to the donee spouse, and

Ante, p. 125.

"(ii) no part of the interest so transferred in trust shall, for the purposes of subparagraph (B) (i), be considered as retained in the donor or transferred to any person other than the donee spouse.

Ante, p. 125.

This subparagraph shall be applicable only if, under the terms of the trust, such power in the donee spouse to appoint the corpus, whether exercisable by will or during life, is exercisable by such spouse alone and in all events.

"(F) Community Property.—

"(i) A deduction otherwise allowable under this paragraph shall be allowed only to the extent that the transfer can be shown to represent a gift of property which is not, at the time of the gift, held as community property under the law of any State, Territory, or possession of the United States, or of any foreign country.

"(ii) For the purposes of clause (i), community property (except property which is considered as community property solely by reason of the provisions of clause (iii)) shall not be considered as 'held as community property' if the entire value of such property (and not merely one-half thereof) is treated as the amount of the gift.

"(iii) If during the calendar year 1942 or after the date of the enactment of the Revenue Act of 1948, property held as such community property (unless considered by reason of clause (ii) as not so held) was by the donor and the donee spouse converted, by one transaction or a series of transactions, into separate property of the donor and such spouse (including any form of co-ownership by them), the separate property so acquired by the donor and any property acquired at any time by the donor in exchange therefor (by one exchange or a series of exchanges) shall, for the purposes of clause (i), be considered as 'held as community property'.

"(iv) Where the value (at the time of such conversion) of the separate property so acquired by the donor exceeded the value (at such time) of the separate property so acquired by such spouse, the rule in clause (iii) shall be applied only with respect to the same portion of such separate property of the donor as the portion which the value (as of such time) of such separate property so acquired by such spouse is of the value (as of such time) of the separate property so acquired by the donor."

SEC. 373. TECHNICAL AMENDMENT.

Section 1004 (c) of the Internal Revenue Code is hereby amended to read as follows: 53 Stat. 148. 26 U. S. C. § 1004 (c).

"(c) EXTENT OF DEDUCTIONS.—The deductions provided in subsection (a) (2) or (3) or in subsection (b) shall be allowed only to the extent that the gifts therein specified are included in the amount of gifts against which such deductions are applied."

SEC. 374. GIFT OF HUSBAND OR WIFE TO THIRD PARTY.

Section 1000 of the Internal Revenue Code (relating to imposition of gift tax) is hereby amended by adding at the end thereof a new subsection to read as follows: 53 Stat. 144; 58 Stat. 71. 26 U. S. C. § 1000; Supp. I, § 1000. *Ante*, p. 125.

"(f) GIFT OF HUSBAND OR WIFE TO THIRD PARTY.—

"(1) CONSIDERED AS MADE ONE-HALF BY EACH.—

"(A) In General.—A gift made after the date of the enactment of the Revenue Act of 1948 by one spouse to any person other than his spouse shall, for the purposes of this chapter, be considered as made one-half by him and one-half by his spouse, but only if at the time of the gift each spouse is a citizen or resident of the United States. This subparagraph shall not apply with respect to a gift by a spouse of an interest in property if he creates in his spouse a power of appointment, as defined in subsection (c) of this section, over such interest. For the purposes of this subsection an

individual shall be considered as the spouse of another individual only if he is married to such individual at the time of the gift and does not remarry during the remainder of the calendar year.

"(B) Consent of Both Spouses.—Subparagraph (A) shall be applicable only if both spouses have signified (in accordance with the regulations provided for in paragraph (2)) their consent to the application of subparagraph (A) in the case of all such gifts made during the calendar year by either while married to the other.

Infra.

"(2) MANNER AND TIME OF SIGNIFYING CONSENT.—

"(A) Manner.—A consent under this subsection shall be signified in such manner as is provided under regulations prescribed by the Commissioner with the approval of the Secretary.

"(B) Time.—Such consent may be so signified at any time after the close of the calendar year in which the gift was made, subject to the following limitations—

"(i) the consent may not be signified after the 15th day of March following the close of such year, unless before such 15th day no return has been filed for such year by either spouse, in which case the consent may not be signified after a return for such year is filed by either spouse;

"(ii) the consent may not be signified after a notice of deficiency with respect to the tax for such year has been sent to either spouse in accordance with section 1012 (a).

53 Stat. 149.
26 U.S.C. § 1012 (a).

"(3) REVOCATION OF CONSENT.—Revocation of a consent previously signified shall be made in such manner as is provided under regulations prescribed by the Commissioner with the approval of the Secretary, but the right to revoke a consent previously signified with respect to a calendar year—

"(A) shall not exist after the 15th day of March following the close of such year if the consent was signified on or before such 15th day; and

"(B) shall not exist if the consent was not signified until after such 15th day.

Supra.

"(4) JOINT AND SEVERAL LIABILITY FOR TAX.—If the consent required by paragraph (1) (B) is signified with respect to a gift made in any calendar year the liability with respect to the entire tax imposed by this chapter of each spouse for such year shall be joint and several."

TITLE IV—ADJUSTED GROSS INCOME OF LESS THAN $5,000

SEC. 401. INDIVIDUALS WITH ADJUSTED GROSS INCOMES OF LESS THAN $5,000.

55 Stat. 689.
26 U.S.C. § 400.

(a) IN GENERAL.—Section 400 of the Internal Revenue Code (relating to optional tax on individuals with adjusted gross incomes of less than $5,000) is hereby amended to read as follows:

"SEC. 400. IMPOSITION OF TAX.

53 Stat. 5.
26 U.S.C. §§ 11, 12.
Ante, pp. 111, 114.

"In lieu of the taxes imposed by sections 11 and 12, there shall be levied, collected, and paid for each taxable year upon the net income of each individual whose adjusted gross income for such year is less

than $5,000, and who has elected to pay the tax imposed by this supplement for such year, a tax as follows:

"If adjusted gross income is—		And the number of exemptions is—				If adjusted gross income is—		And the number of exemptions is—								
									2		3					
At least	But less than	1	2	3	4 or more	At least	But less than	1	And if other than a joint return is filed	And if a joint return is filed	And if other than a joint return is filed	And if a joint return is filed	4	5	6	7	8 or more
		The tax shall be—						The tax shall be—								
$0	$675	$0	$0	$0	$0	$2,325	$2,350	$250	$150	$150	$50	$50	$0	$0	$0	$0	$0
675	700	3	0	0	0	2,350	2,375	253	154	154	54	54	0	0	0	0	0
700	725	7	0	0	0	2,375	2,400	257	157	157	58	58	0	0	0	0	0
725	750	11	0	0	0	2,400	2,425	261	161	161	62	62	0	0	0	0	0
750	775	14	0	0	0	2,425	2,450	265	165	165	65	65	0	0	0	0	0
775	800	18	0	0	0	2,450	2,475	268	169	169	69	69	0	0	0	0	0
800	825	22	0	0	0	2,475	2,500	272	172	172	73	73	0	0	0	0	0
825	850	26	0	0	0	2,500	2,525	276	176	176	77	77	0	0	0	0	0
850	875	29	0	0	0	2,525	2,550	280	180	180	80	80	0	0	0	0	0
875	900	33	0	0	0	2,550	2,575	283	184	184	84	84	0	0	0	0	0
900	925	37	0	0	0	2,575	2,600	287	187	187	88	88	0	0	0	0	0
925	950	40	0	0	0	2,600	2,625	291	191	191	92	92	0	0	0	0	0
950	975	44	0	0	0	2,625	2,650	294	195	195	95	95	0	0	0	0	0
975	1,000	48	0	0	0	2,650	2,675	298	199	199	99	99	0	0	0	0	0
1,000	1,025	52	0	0	0	2,675	2,700	302	202	202	103	103	3	0	0	0	0
1,025	1,050	55	0	0	0	2,700	2,725	306	206	206	106	106	7	0	0	0	0
1,050	1,075	59	0	0	0	2,725	2,750	309	210	210	110	110	11	0	0	0	0
1,075	1,100	63	0	0	0	2,750	2,775	313	214	214	114	114	14	0	0	0	0
1,100	1,125	67	0	0	0	2,775	2,800	317	217	217	118	118	18	0	0	0	0
1,125	1,150	70	0	0	0	2,800	2,825	321	221	221	121	121	22	0	0	0	0
1,150	1,175	74	0	0	0	2,825	2,850	324	225	225	125	125	26	0	0	0	0
1,175	1,200	78	0	0	0	2,850	2,875	328	228	228	129	129	29	0	0	0	0
1,200	1,225	82	0	0	0	2,875	2,900	332	232	232	133	133	33	0	0	0	0
1,225	1,250	85	0	0	0	2,900	2,925	336	236	236	136	136	37	0	0	0	0
1,250	1,275	89	0	0	0	2,925	2,950	340	240	240	140	140	40	0	0	0	0
1,275	1,300	93	0	0	0	2,950	2,975	345	243	243	144	144	44	0	0	0	0
1,300	1,325	96	0	0	0	2,975	3,000	349	247	247	148	148	48	0	0	0	0
1,325	1,350	100	1	0	0	3,000	3,050	356	253	253	153	153	54	0	0	0	0
1,350	1,375	104	4	0	0	3,050	3,100	364	260	260	161	161	61	0	0	0	0
1,375	1,400	108	8	0	0	3,100	3,150	373	268	268	168	168	68	0	0	0	0
1,400	1,425	111	12	0	0	3,150	3,200	382	275	275	176	176	76	0	0	0	0
1,425	1,450	115	16	0	0	3,200	3,250	391	283	283	183	183	83	0	0	0	0
1,450	1,475	119	19	0	0	3,250	3,300	399	290	290	190	190	91	0	0	0	0
1,475	1,500	123	23	0	0	3,300	3,350	408	298	298	198	198	98	0	0	0	0
1,500	1,525	126	27	0	0	3,350	3,400	417	305	305	205	205	106	6	0	0	0
1,525	1,550	130	31	0	0	3,400	3,450	425	312	312	213	213	113	14	0	0	0
1,550	1,575	134	34	0	0	3,450	3,500	434	320	320	220	220	121	21	0	0	0
1,575	1,600	138	38	0	0	3,500	3,550	443	327	327	228	228	128	29	0	0	0
1,600	1,625	141	42	0	0	3,550	3,600	452	335	335	235	235	136	36	0	0	0
1,625	1,650	145	45	0	0	3,600	3,650	460	344	342	243	243	143	44	0	0	0
1,650	1,675	149	49	0	0	3,650	3,700	469	353	350	250	250	151	51	0	0	0
1,675	1,700	153	53	0	0	3,700	3,750	478	362	357	258	258	158	59	0	0	0
1,700	1,725	156	57	0	0	3,750	3,800	486	370	365	265	265	166	66	0	0	0
1,725	1,750	160	60	0	0	3,800	3,850	495	379	372	273	273	173	73	0	0	0
1,750	1,775	164	64	0	0	3,850	3,900	504	388	380	280	280	181	81	0	0	0
1,775	1,800	167	68	0	0	3,900	3,950	513	396	387	288	288	188	88	0	0	0
1,800	1,825	171	72	0	0	3,950	4,000	521	405	395	295	295	195	96	0	0	0
1,825	1,850	175	75	0	0	4,000	4,050	530	414	402	303	303	203	103	4	0	0
1,850	1,875	179	79	0	0	4,050	4,100	539	423	410	310	310	210	111	11	0	0
1,875	1,900	182	83	0	0	4,100	4,150	547	431	417	317	317	218	118	19	0	0
1,900	1,925	186	87	0	0	4,150	4,200	556	440	425	325	325	225	126	26	0	0
1,925	1,950	190	90	0	0	4,200	4,250	565	449	432	332	332	233	133	34	0	0
1,950	1,975	194	94	0	0	4,250	4,300	574	457	439	341	340	240	141	41	0	0
1,975	2,000	197	98	0	0	4,300	4,350	582	466	447	350	347	248	148	49	0	0
2,000	2,025	201	101	2	0	4,350	4,400	591	475	454	359	355	255	156	56	0	0
2,025	2,050	205	105	6	0	4,400	4,450	600	483	462	367	362	263	163	63	0	0
2,050	2,075	209	109	9	0	4,450	4,500	608	492	469	376	370	270	171	71	0	0
2,075	2,100	212	113	13	0	4,500	4,550	617	501	477	385	377	278	178	78	0	0
2,100	2,125	216	116	17	0	4,550	4,600	626	510	484	393	385	285	186	86	0	0
2,125	2,150	220	120	21	0	4,600	4,650	635	518	492	402	392	293	193	93	0	0
2,150	2,175	223	124	24	0	4,650	4,700	643	527	499	411	400	300	200	101	1	0
2,175	2,200	227	128	28	0	4,700	4,750	652	536	507	420	407	308	208	108	9	0
2,200	2,225	231	131	32	0	4,750	4,800	661	544	514	428	415	315	215	116	16	0
2,225	2,250	235	135	35	0	4,800	4,850	669	553	522	437	422	322	223	123	24	0
2,250	2,275	238	139	39	0	4,850	4,900	678	562	529	446	430	330	230	131	31	0
2,275	2,300	242	143	43	0	4,900	4,950	687	571	537	454	437	337	238	138	39	0
2,300	2,325	246	146	47	0	4,950	5,000	695	579	544	463	444	345	245	146	46	0"

(b) TAXABLE YEARS TO WHICH APPLICABLE.—The amendment made by this section shall be applicable with respect to taxable years beginning after December 31, 1947. For treatment of taxable years beginning in 1947 and ending in 1948, see section 601.

Post, p. 136.

TITLE VI—FISCAL YEAR TAXPAYERS

SEC. 601. FISCAL YEAR TAXPAYERS.

59 Stat. 570.
26 U. S. C. § 108.

Section 108 of the Internal Revenue Code is hereby amended by striking out "(d)" at the beginning of subsection (d) and inserting in lieu thereof "(e)", and by inserting after subsection (c) the following:

"(d) TAXABLE YEARS OF INDIVIDUALS BEGINNING IN 1947 AND ENDING IN 1948.—In the case of a taxable year of an individual beginning in 1947 and ending in 1948, the tax imposed by sections 11, 12, and 400 shall be an amount equal to the sum of—

53 Stat. 5.
26 U. S. C. §§ 11, 12.
Ante, pp. 111, 114, 128.

"(1) that portion of a tax, computed as if the law applicable to taxable years beginning on January 1, 1947, were applicable to such taxable year, which the number of days in such taxable year prior to January 1, 1948, bears to the total number of days in such taxable year, plus

"(2) that portion of a tax, computed as if the law applicable to taxable years beginning on January 1, 1948, were applicable to such taxable year, which the number of days in such taxable year after December 31, 1947, bears to the total number of days in such taxable year."

JOSEPH W. MARTIN JR
Speaker of the House of Representatives.

A H VANDENBERG
President of the Senate pro tempore.

IN THE HOUSE OF REPRESENTATIVES, U. S.,
April 2, 1948.

The House of Representatives having proceeded to reconsider the bill (H. R. 4790) entitled "An Act to reduce individual income tax payments, and for other purposes," returned by the President of the United States with his objections, to the House of Representatives, in which it originated, it was

Resolved, That the said bill pass, two-thirds of the House of Representatives agreeing to pass the same.

Attest:

JOHN ANDREWS
Clerk.

I certify that this Act originated in the House of Representatives.

JOHN ANDREWS
Clerk.

IN THE SENATE OF THE UNITED STATES,
April 2 (legislative day, March 29), 1948.

The Senate having proceeded to reconsider the bill (H. R. 4790) "An Act to reduce individual income tax payments, and for other purposes", returned by the President of the United States with his objections, to the House of Representatives, in which it originated, and passed by the House of Representatives on reconsideration of the same, it was

Resolved, That the said bill pass, two-thirds of the Senators present having voted in the affirmative.

Attest:

CARL A. LOEFFLER
Secretary.