

# Exhibit 45

## SEC. 202. DEDUCTION OF EXCESS-PROFITS TAX.

(a) AMENDMENT OF SECTION 23 (c).—Section 23 (c) of the Internal Revenue Code (relating to the deduction of taxes in computing net income) is amended to read as follows:

## “(c) TAXES GENERALLY.—

“(1) ALLOWANCE IN GENERAL.—Taxes paid or accrued within the taxable year, except—

“(A) Federal income taxes;

“(B) war-profits and excess-profits taxes imposed by Title II of the Revenue Act of 1917, Title III of the Revenue Act of 1918, Title III of the Revenue Act of 1921, section 216 of the National Industrial Recovery Act, or section 702 of the Revenue Act of 1934, or by any such provisions as amended or supplemented;

“(C) income, war-profits, and excess-profits taxes imposed by the authority of any foreign country or possession of the United States; but this deduction shall be allowed in the case of a taxpayer who does not signify in his return his desire to have to any extent the benefits of section 131 (relating to credit for taxes of foreign countries and possessions of the United States);

“(D) estate, inheritance, legacy, succession, and gift taxes; and

“(E) taxes assessed against local benefits of a kind tending to increase the value of the property assessed; but this paragraph shall not exclude the allowance as a deduction of so much of such taxes as is properly allocable to maintenance or interest charges.

“(2) EXCESS-PROFITS TAX UNDER CHAPTER 2E—SPECIAL RULES.—For the purposes of this subsection, in the case of the excess-profits tax imposed by Subchapter E of Chapter 2—

“(A) The deduction shall be limited to the tax imposed for the taxable year, but any portion of such tax paid after the taxable year shall be considered as having been paid within the taxable year;

“(B) No reduction in such tax shall be made by reason of the credit for income, war-profits, or excess-profits taxes paid to any foreign country or possession of the United States;

“(C) Such tax shall be computed without regard to the adjustments provided in section 734; and

“(D) Such tax, in the case of a consolidated return under section 730, shall be allocated to the members of the affiliated group under regulations prescribed by the Commissioner, with the approval of the Secretary.”

(b) AMENDMENT OF SECTION 102 (d).—Section 102 (d) (1) (A) of the Internal Revenue Code (relating to the deduction of taxes in computing section 102 net income) is amended to read as follows:

“(A) Taxes.—Federal income, war-profits, and excess-profits taxes (other than the tax imposed by Subchapter E of Chapter 2 for a taxable year beginning after December 31, 1940) paid or accrued during the taxable year, to the extent not allowed as a deduction by section 23, but not including the tax imposed by this section or a corresponding section of a prior income-tax law.”

## (c) COMPUTATION OF EXCESS-PROFITS NET INCOME.—

(1) TAXABLE YEARS BEGINNING AFTER DECEMBER 31, 1940.—

(A) Section 711 (a) (1) (A) (relating to adjustment for income taxes in computing excess-profits net income under income credit) is amended to read as follows:

53 Stat. 12.  
26 U. S. C. § 23 (c).

40 Stat. 302, 1088;  
42 Stat. 271; 48 Stat.  
208, 770.

53 Stat. 56.  
26 U. S. C. § 131.

54 Stat. 975; ante,  
p. 26.  
26 U. S. C. §§ 710-  
752.

Ante, p. 27.

54 Stat. 989.  
26 U. S. C. § 730.

53 Stat. 35.  
26 U. S. C. § 102 (d)  
(1) (A).

54 Stat. 975; ante,  
p. 26.  
26 U. S. C. §§ 710-  
752.

53 Stat. 12, 867; 54  
Stat. 998.  
26 U. S. C. § 23.

54 Stat. 976.  
26 U. S. C. § 711 (a)  
(1) (A).

“(A) Income Taxes.—In computing such normal-tax net income the deduction for the tax imposed by this subchapter shall not be allowed;”.

(B) Section 711 (a) (2) (C) (relating to adjustment for income taxes in computing excess-profits net income under invested capital credit) is amended to read as follows:

54 Stat. 977.  
26 U. S. C. § 711 (a)  
(2) (C).

“(C) Income Taxes.—In computing such normal-tax net income the deduction for the tax imposed by this subchapter shall not be allowed;”.

(2) TAXABLE YEARS IN THE BASE PERIOD.—Section 711 (b) (1) (A) (relating to adjustment for income taxes for taxable years in the base period) is repealed.

54 Stat. 977.  
26 U. S. C. § 711 (b)  
(1) (A).

(d) COMPUTATION OF CHARITABLE, ETC., DEDUCTIONS.—

(1) Section 711 (a) (1) of the Internal Revenue Code is amended by inserting at the end thereof the following new subparagraph:

54 Stat. 976.  
26 U. S. C. § 711 (a)  
(1).

“(G) Computation of Charitable, Etc., Deductions.—In determining any deduction the amount of which is limited to a percentage of the taxpayer's net income (or net income from the property), such net income (or net income from the property) shall be computed without regard to the deduction on account of the tax imposed by this subchapter.”

(2) Section 711 (a) (2) of the Internal Revenue Code is amended by adding at the end thereof the following new subparagraph:

54 Stat. 976, 977.  
26 U. S. C. § 711 (a)  
(2).

“(I) Computation of Charitable, Etc., Deductions.—In determining any deduction the amount of which is limited to a percentage of the taxpayer's net income (or net income from the property), such net income (or net income from the property) shall be computed without regard to the deduction on account of the tax imposed by this subchapter.”

(e) EXCESS-PROFITS CREDIT CARRY-OVER.—Section 710 (c) (1) (defining the unused excess-profits credit) is amended by adding at the end thereof a new sentence to read as follows: “For such purpose the excess-profits credit and the excess-profits net income for any taxable year beginning in 1940 shall be computed under the law applicable to taxable years beginning in 1941.”

*Ante*, p. 17.

(f) EQUITY INVESTED CAPITAL.—Section 718 (c) (3) (relating to the computation of earnings and profits for invested capital purposes) is amended by adding after the word “subchapter” the words “or chapter 1”.

54 Stat. 984.  
26 U. S. C. § 718 (c)  
(3).

(g) ADJUSTMENT OF ABNORMAL BASE PERIOD NET INCOME.—Section 722 (c) (placing a limit on the amount of relief afforded under section 722) is amended by adding at the end thereof a new sentence to read as follows: “For the purposes of this subsection and subsection (d) the taxpayer's normal-tax net income shall be computed without deduction of the tax imposed by this subchapter.”

*Ante*, p. 24.

(h) NONDEDUCTIBILITY OF EXCESS PROFITS TAX IN COMPUTATION OF DECLARED VALUE EXCESS PROFITS TAX.—Section 602 of the Internal Revenue Code is amended by striking out “computed without the deduction of the tax imposed by section 600” and inserting in lieu thereof “computed without the deduction of the tax imposed by section 600 or the tax imposed by Subchapter E of Chapter 2”.

53 Stat. 111.  
26 U. S. C. § 602.

(i) ADJUSTED DECLARED VALUE.—

(1) Section 1202 (b) (1) (C) of the Internal Revenue Code is amended to read as follows:

“(C) its net income, computed without the deduction of the tax imposed by Subchapter E of Chapter 2,”.

53 Stat. 111.  
26 U. S. C. § 600.  
*Post*, p. 704.  
54 Stat. 976; *ante*,  
p. 26.  
26 U. S. C. §§ 710-  
752.  
53 Stat. 170.  
26 U. S. C. § 1202 (b)  
(1) (C).

53 Stat. 170.  
26 U. S. C. § 1202 (b)  
(1) (iii).

(2) Section 1202 (b) (1) (iii) is amended to read as follows:

“(iii) the excess of the deductions allowable for income tax purposes (not including the deduction for the tax imposed by Subchapter E of Chapter 2) over its gross income.”

#### SEC. 203. NEW CAPITAL.

54 Stat. 982, 983.  
26 U. S. C. § 718 (a).

Section 718 (a) of the Internal Revenue Code is amended by striking out “and” at the end of paragraph (4); by striking out the period at the end of paragraph (5) and inserting in lieu thereof a semicolon and the word “and”, and by inserting at the end thereof the following:

“(6) **NEW CAPITAL.**—An amount equal to 25 per centum of the new capital for such day. The term ‘new capital’ for any day means so much of the amounts of money or property includible for such day under paragraphs (1) and (2) as was previously paid in during a taxable year beginning after December 31, 1940, and so much of the distributions in stock includible for such day under paragraph (3) as was previously made during a taxable year beginning after December 31, 1940, subject to the following limitations:

53 Stat. 37-39.  
26 U. S. C. § 112.

“(A) There shall not be included money or property paid in by a corporation in an exchange to which section 112 (b) (3), (4), or (5), or so much of section 112 (c), (d), or (e) as refers to section 112 (b) (3), (4), or (5) is applicable (or would be applicable except for section 371 (g)), or would have been applicable if the term ‘control’ had been defined in section 112 (h) to mean the ownership of stock possessing more than 50 per centum of the total combined voting power of all classes of stock entitled to vote or more than 50 per centum of the total value of shares of all classes of stock.

53 Stat. 101.  
26 U. S. C. § 371 (g).

53 Stat. 40.  
26 U. S. C. § 112 (b).

Controlled groups.

“(B) There shall not be included money or property paid in to the taxpayer by a transferor corporation if immediately after such transaction the transferor and the taxpayer are members of the same controlled group. As used in this subparagraph and subparagraph (C), a controlled group means one or more chains of corporations connected through stock ownership with a common parent corporation if (i) more than 50 per centum of the total combined voting power of all classes of stock entitled to vote, or more than 50 per centum of the total value of shares of all classes of stock, of each of the corporations (except the common parent corporation) is owned directly by one or more of the other corporations, and (ii) the common parent corporation owns directly more than 50 per centum of the total combined voting power of all classes of stock entitled to vote, or more than 50 per centum of the total value of shares of all classes of stock, of at least one of the other corporations.

Limitation on stock distribution.

“(C) There shall not be included a distribution in stock described in paragraph (3) made to another corporation, if immediately after the distribution the taxpayer and the distributee are members of the same controlled group.

54 Stat. 985.  
26 U. S. C. § 720 (b).

“(D) **Increase in Inadmissible Assets.**—The new capital for any day of the taxable year, computed without the application of subparagraph (E), shall be reduced by the excess, if any, of the amount computed under section 720 (b) with respect to inadmissible assets held on such day, over the amount computed under section 720 (b) with respect to inadmissible assets held on the first day of the taxpayer's first