

Exhibit 54

the amount of gain not included in gross income pursuant to an election under this section."

(b) TECHNICAL AND CLERICAL AMENDMENTS.—

72 Stat. 1660.
26 USC 6012.

(1) Section 6012(c) (relating to persons required to make returns of income) is amended to read as follows:

Ante, p. 38.

"(c) CERTAIN INCOME EARNED ABROAD OR FROM SALE OF RESIDENCE.—For purposes of this section, gross income shall be computed without regard to the exclusion provided for in section 121 (relating to sale of residence by individual who has attained age 65) and without regard to the exclusion provided for in section 911 (relating to earned income from sources without the United States)."

76 Stat. 1003.
26 USC 911.

(2) The table of sections for part III of subchapter B of chapter 1 is amended by striking out

"Sec. 121. Cross references to other Acts."

and inserting in lieu thereof

"Sec. 121. Gain from sale or exchange of residence of individual who has attained age 65.

"Sec. 122. Cross references to other Acts."

26 USC 1033.

(3) Section 1033(h) (relating to involuntary conversions) is amended by adding at the end thereof the following new paragraph:

"(3) For exclusion from gross income of certain gain from involuntary conversion of residence of taxpayer who has attained age 65, see section 121."

26 USC 1034.

(4) Section 1034 (relating to sale or exchange of residence) is amended by adding at the end thereof the following new subsection:

"(k) CROSS REFERENCE.—

"For exclusion from gross income of certain gain from sale or exchange of residence of taxpayer who has attained age 65, see section 121."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to dispositions after December 31, 1963, in taxable years ending after such date.

SEC. 207. DENIAL OF DEDUCTION FOR CERTAIN STATE, LOCAL, AND FOREIGN TAXES.

68A Stat. 47.
26 USC 164.

(a) IN GENERAL.—Subsections (a), (b), and (c) of section 164 (relating to deduction for taxes) are amended to read as follows:

"(a) GENERAL RULE.—Except as otherwise provided in this section, the following taxes shall be allowed as a deduction for the taxable year within which paid or accrued:

"(1) State and local, and foreign, real property taxes.

"(2) State and local personal property taxes.

"(3) State and local, and foreign, income, war profits, and excess profits taxes.

"(4) State and local general sales taxes.

"(5) State and local taxes on the sale of gasoline, diesel fuel, and other motor fuels.

In addition, there shall be allowed as a deduction State and local, and foreign, taxes not described in the preceding sentence which are paid or accrued within the taxable year in carrying on a trade or business or an activity described in section 212 (relating to expenses for production of income).

26 USC 212.

"(b) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

"(1) PERSONAL PROPERTY TAXES.—The term 'personal property tax' means an ad valorem tax which is imposed on an annual basis in respect of personal property.

“(2) GENERAL SALES TAXES.—

“(A) IN GENERAL.—The term ‘general sales tax’ means a tax imposed at one rate in respect of the sale at retail of a broad range of classes of items.

“(B) SPECIAL RULES FOR FOOD, ETC.—In the case of items of food, clothing, medical supplies, and motor vehicles—

“(i) the fact that the tax does not apply in respect of some or all of such items shall not be taken into account in determining whether the tax applies in respect of a broad range of classes of items, and

“(ii) the fact that the rate of tax applicable in respect of some or all of such items is lower than the general rate of tax shall not be taken into account in determining whether the tax is imposed at one rate.

“(C) ITEMS TAXED AT DIFFERENT RATES.—Except in the case of a lower rate of tax applicable in respect of an item described in subparagraph (B), no deduction shall be allowed under this section for any general sales tax imposed in respect of an item at a rate other than the general rate of tax.

“(D) COMPENSATING USE TAXES.—A compensating use tax in respect of an item shall be treated as a general sales tax. For purposes of the preceding sentence, the term ‘compensating use tax’ means, in respect of any item, a tax which—

“(i) is imposed on the use, storage, or consumption of such item, and

“(ii) is complementary to a general sales tax, but only if a deduction is allowable under subsection (a) (4) in respect of items sold at retail in the taxing jurisdiction which are similar to such item.

“(3) STATE OR LOCAL TAXES.—A State or local tax includes only a tax imposed by a State, a possession of the United States, or a political subdivision of any of the foregoing, or by the District of Columbia.

“(4) FOREIGN TAXES.—A foreign tax includes only a tax imposed by the authority of a foreign country.

“(5) SEPARATELY STATED GENERAL SALES TAXES AND GASOLINE TAXES.—If the amount of any general sales tax or of any tax on the sale of gasoline, diesel fuel, or other motor fuel is separately stated, then, to the extent that the amount so stated is paid by the consumer (otherwise than in connection with the consumer’s trade or business) to his seller, such amount shall be treated as a tax imposed on, and paid by, such consumer.

“(c) DEDUCTION DENIED IN CASE OF CERTAIN TAXES.—No deduction shall be allowed for the following taxes:

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

“(2) Taxes on real property, to the extent that subsection (d) requires such taxes to be treated as imposed on another taxpayer.”

(b) TECHNICAL AMENDMENTS.—

(1) The first sentence of section 164(f) (relating to payments for municipal services in atomic energy communities) is amended by inserting “State” before “real property taxes”.

68A Stat. 47;
72 Stat. 1608.
26 USC 164.

(2) Section 164(g) (relating to cross references) is amended to read as follows:

“(g) CROSS REFERENCES.—

“(1) For provisions disallowing any deduction for the payment of the tax imposed by subchapter B of chapter 3 (relating to tax-free covenant bonds), see section 1451.

“(2) For provisions disallowing any deduction for certain taxes, see section 275.”

26 USC 261-274.

(3) (A) Part IX of subchapter B of chapter 1 (relating to items not deductible) is amended by adding at the end thereof the following new section:

“SEC. 275. CERTAIN TAXES.

“(a) GENERAL RULE.—No deduction shall be allowed for the following taxes:

“(1) Federal income taxes, including—

“(A) the tax imposed by section 3101 (relating to the tax on employees under the Federal Insurance Contributions Act);

“(B) the taxes imposed by sections 3201 and 3211 (relating to the taxes on railroad employees and railroad employee representatives); and

“(C) the tax withheld at source on wages under section 3402, and corresponding provisions of prior revenue laws.

“(2) Federal war profits and excess profits taxes.

“(3) Estate, inheritance, legacy, succession, and gift taxes.

“(4) Income, war profits, and excess profits taxes imposed by the authority of any foreign country or possession of the United States, if the taxpayer chooses to take to any extent the benefits of section 901 (relating to the foreign tax credit).

“(5) Taxes on real property, to the extent that section 164(d) requires such taxes to be treated as imposed on another taxpayer.

“(b) CROSS REFERENCE.—

“For disallowance of certain other taxes, see section 164(c).”

(B) The table of sections for such part IX is amended by adding at the end thereof the following:

“Sec. 275. Certain taxes.”

26 USC 535.

(4) Paragraph (1) of section 535(b) (relating to adjustments to accumulated taxable income) is amended by striking out “section 164(b)(6)” and inserting in lieu thereof “section 275(a)(4)”.

26 USC 545.

(5) The first sentence of paragraph (1) of section 545(b) (relating to adjustments to personal holding company taxable income) is amended by striking out “section 164(b)(6)” and inserting in lieu thereof “section 275(a)(4)”.

26 USC 556.

(6) The first sentence of paragraph (1) of section 556(b) (relating to adjustments to foreign personal holding company taxable income) is amended by striking out “section 164(b)(6)” and inserting in lieu thereof “section 275(a)(4)”.

26 USC 901.

(7) Paragraph (1) of section 901(d) (relating to credit for taxes imposed by foreign countries) is amended by striking out “section 164” and inserting in lieu thereof “sections 164 and 275”.

26 USC 903.

(8) Section 903 (relating to credit for taxes imposed by a foreign country in lieu of income, etc., taxes) is amended by striking out “section 164(b)” and inserting in lieu thereof “sections 164(a) and 275(a)”.

(c) EFFECTIVE DATE.—

(1) GENERAL RULE.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 1963.

(2) SPECIAL TAXING DISTRICTS.—Section 164(c) (1) of the Internal Revenue Code of 1954 (as amended by subsection (a)) shall not prevent the deduction under section 164 of such Code (as so amended) of taxes levied by a special taxing district which is described in section 164(b) (5) of such Code (as in effect for a taxable year ending on December 31, 1963) and which was in existence on December 31, 1963, for the purpose of retiring indebtedness existing on such date.

Ante, p. 40.
26 USC 164.

SEC. 208. PERSONAL CASUALTY AND THEFT LOSSES.

(a) LIMITATION ON AMOUNT OF CASUALTY OR THEFT LOSS DEDUCTION.—Section 165(c) (3) (relating to losses of property not connected with trade or business) is amended to read as follows:

68A Stat. 49.
26 USC 165.

“(3) losses of property not connected with a trade or business, if such losses arise from fire, storm, shipwreck, or other casualty, or from theft. A loss described in this paragraph shall be allowed only to the extent that the amount of loss to such individual arising from each casualty, or from each theft, exceeds \$100. For purposes of the \$100 limitation of the preceding sentence, a husband and wife making a joint return under section 6013 for the taxable year in which the loss is allowed as a deduction shall be treated as one individual. No loss described in this paragraph shall be allowed if, at the time of filing the return, such loss has been claimed for estate tax purposes in the estate tax return.”

26 USC 6013.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to losses sustained after December 31, 1963, in taxable years ending after such date.

SEC. 209. CHARITABLE, ETC., CONTRIBUTIONS AND GIFTS.

(a) CERTAIN ORGANIZATIONS ADDED TO ADDITIONAL 10-PERCENT CHARITABLE LIMITATION.—Section 170(b) (1) (A) (relating to limitation on amount of deduction for charitable contributions by individuals) is amended by striking out “or” at the end of clause (iii), and by inserting after clause (iv) the following new clauses:

76 Stat. 1134.
26 USC 170.

“(v) a governmental unit referred to in subsection (c) (1), or

“(vi) an organization referred to in subsection (c) (2) which normally receives a substantial part of its support (exclusive of income received in the exercise or performance by such organization of its charitable, educational, or other purpose or function constituting the basis for its exemption under section 501(a)) from a governmental unit referred to in subsection (c) (1) or from direct or indirect contributions from the general public.”

26 USC 501.

(b) UNLIMITED CHARITABLE CONTRIBUTION DEDUCTION.—Section 170 (relating to charitable, etc., contributions and gifts) is amended by inserting after subsection (f) (added by subsection (e) of this section) the following new subsection:

Post, p. 47.

“(g) APPLICATION OF UNLIMITED CHARITABLE CONTRIBUTION DEDUCTION.—

“(1) ALLOWANCE OF DEDUCTION FOR TAXABLE YEARS BEGINNING AFTER DECEMBER 31, 1963.—If the taxable year begins after December 31, 1963—

“(A) subsection (b) (1) (C) shall apply only if the taxpayer so elects (at such time and in such manner as the Secretary or his delegate by regulations prescribes); and