

amended, is amended by striking out "than \$40" and inserting in lieu thereof the following: "with respect to any month, than an amount equal to the maximum amount which could be paid to anyone, with respect to such month, as a wife's insurance benefit under section 202 (b) of the Social Security Act as amended from time to time".

65 Stat. 686.
45 USC 228e (g)
(2).

SEC. 2. Effective with respect to annuities accruing in months following the month of enactment hereof, section 5 (g) (2) of the Railroad Retirement Act of 1937, as amended, is amended by striking out the second sentence thereof.

65 Stat. 689.
45 USC 228e (f)
(9).

SEC. 3. Effective as of January 1, 1955, section 5 (1) (9) of the Railroad Retirement Act of 1937, as amended, is amended by striking out the language between "(ii)" and "(B)" and inserting in lieu thereof the following: "if such compensation for any calendar year before 1955 is less than \$3,600 or for any calendar year after 1954 is less than \$4,200 and the average monthly remuneration computed on compensation alone is less than \$350 and the employee has earned in such calendar year 'wages' as defined in paragraph (6) hereof, such wages, in an amount not to exceed the difference between the compensation for such year and \$3,600 for years before 1955 and \$4,200 for years after 1954, by".

50 Stat. 316.
45 USC 228f.
52 Stat. 1097; 53
Stat. 845.
45 USC 352 (e).

SEC. 4. Effective as of the dates of their original enactment, section 12 of the Railroad Retirement Act of 1937, as amended, and section 2 (e) of the Railroad Unemployment Insurance Act, are each amended by striking out "No" and inserting in lieu thereof "Notwithstanding any other law of the United States, or of any State, Territory, or the District of Columbia, no".

50 Stat. 315.
45 USC 228j (b).

SEC. 5. Section 10 (b) 4 of the Railroad Retirement Act of 1937, as amended, is amended by inserting immediately after the first sentence thereof the following sentence: "All positions to which such individuals are appointed, except one administrative assistant to each member of the Board, shall be in and under the competitive civil service and shall not be removed or excepted therefrom."

52 Stat. 1110.
45 USC 362 (1).

SEC. 6. The second paragraph of section 12 (1) of the Railroad Unemployment Insurance Act is amended by inserting immediately before the first colon therein the following: "Provided, That all positions to which such persons are appointed, except one administrative assistant to each member of the Board, shall be in and under the competitive civil service and shall not be removed or excepted therefrom".

Approved August 12, 1955.

Public Law 384

CHAPTER 870

AN ACT

August 12, 1955
[H. R. 257]

To amend section 112 (n) (8) of the Internal Revenue Code of 1939, relating to the suspension of certain periods of limitation while the taxpayer is on extended active duty with the Armed Forces, and to amend the Internal Revenue Code of 1954 with respect to tax treatment where the taxpayer recovers amounts held by another under claim of right.

66 Stat. 735.
26 USC, 1952 ed.,
112.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 112 (n) (8) of the Internal Revenue Code of 1939 (relating to the suspension of certain periods of limitation while the taxpayer is on extended active duty with the Armed Forces) is hereby amended by striking out "and before January 1, 1954, except that any such period" and inserting in lieu thereof the following: "and during an induction period (as defined in section 112 (c) (5) of the Internal Revenue Code of 1954), except that any such period of time".

68A Stat. 35.
26 USC 112.

Effective date.

SEC. 2. The amendment made by the first section of this Act shall take effect as of December 31, 1953.

SEC. 3. The Internal Revenue Code of 1954 is amended by adding a new section to chapter 1 of subtitle A immediately following section 1341 to read as follows:

“SEC. 1342. COMPUTATION OF TAX WHERE TAXPAYER RECOVERS SUBSTANTIAL AMOUNT HELD BY ANOTHER UNDER CLAIM OF RIGHT.

“(a) **GENERAL RULE.—If—**

“(1) an item was deducted from gross income for a prior taxable year (or years) because it appeared that another person held an unrestricted right to such item as a result of a court decision in a patent infringement suit (whether or not the taxpayer is a party to such suit); and

“(2) gross income is increased for the taxable year because it was established after the close of such prior taxable year (or years) that such other person did not have an unrestricted right to such item or to a portion of such item because of the subsequent reversal of such court decision on the ground that such decision was induced by fraud or undue influence; and

“(3) the amount of such increase in gross income exceeds \$3,000, then the tax imposed by this chapter for the taxable year shall be the lesser of the following:

“(4) the tax for the taxable year computed with the gross income so increased; or

“(5) an amount equal to—

“(A) the tax for the taxable year computed without such increase in gross income, plus

“(B) the increase in tax (including interest) under this chapter (or the corresponding provisions of prior revenue laws) for the prior taxable year (or years) which would result solely from the elimination of such item (or portion thereof) as a deduction from gross income for such prior taxable year (or years).

“(b) **SPECIAL RULE.—**For purposes of subsection (a) (5) (B) interest shall be computed from the due date of the return for such prior taxable year to the due date of the return for the taxable year.”

SEC. 4. The amendment made by section 3 of this Act shall apply with respect to taxable years beginning after December 31, 1954.

Approved August 12, 1955.

Applicability.

Public Law 385

CHAPTER 871

AN ACT

To amend section 1233 and section 542 (a) (2) of the Internal Revenue Code of 1954.

August 12, 1955
[H. R. 6263]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 1233 of the Internal Revenue Code of 1954 is amended by adding at the end thereof a new subsection as follows:

“(f) **ARBITRAGE OPERATIONS IN SECURITIES.—**In the case of a short sale which had been entered into as an arbitrage operation, to which sale the rule of subsection (b) (2) would apply except as otherwise provided in this subsection—

“(1) subsection (b) (2) shall apply first to substantially identical assets acquired for arbitrage operations held at the close

Income taxes.
68A Stat. 327.
26 USC 1233.

Capital gains and losses.
Short sales.