

## Public Law 87-870

October 23, 1962  
[H. R. 12599]

## AN ACT

Relating to the income tax treatment of terminal railroad corporations and their shareholders, and for other purposes.

Terminal rail-  
road corporations.  
Income tax.  
68A Stat. 17.  
26 USC 61 et  
seq.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That (a) subchapter B of chapter 1 of the Internal Revenue Code of 1954 (relating to computation of taxable income) is amended by adding at the end thereof the following new part:

**“PART X—TERMINAL RAILROAD CORPORATIONS AND THEIR SHAREHOLDERS**

“Sec. 281. Terminal railroad corporations and their shareholders.

**“SEC. 281. TERMINAL RAILROAD CORPORATIONS AND THEIR SHAREHOLDERS.**

“(a) COMPUTATION OF TAXABLE INCOME OF TERMINAL RAILROAD CORPORATIONS.—

“(1) IN GENERAL.—In computing the taxable income of a terminal railroad corporation—

“(A) such corporation shall not be considered to have received or accrued—

“(i) the portion of any liability of any railroad corporation, with respect to related terminal services provided by such corporation, which is discharged by crediting such liability with an amount of related terminal income, or

“(ii) the portion of any charge which would be made by such corporation for related terminal services provided by it, but which is not made as a result of taking related terminal income into account in computing such charge; and

“(B) no deduction otherwise allowable under this chapter shall be disallowed as a result of any discharge of liability described in subparagraph (A) (i) or as a result of any computation of charges in the manner described in subparagraph (A) (ii).

“(2) LIMITATION.—In the case of any taxable year ending after the date of the enactment of this section, paragraph (1) shall not apply to the extent that it would (but for this paragraph) operate to create (or increase) a net operating loss for the terminal railroad corporation for the taxable year.

“(b) COMPUTATION OF TAXABLE INCOME OF SHAREHOLDERS.—Subject to the limitation in subsection (a) (2), in computing the taxable income of any shareholder of a terminal railroad corporation, no amount shall be considered to have been received or accrued or paid or incurred by such shareholder as a result of any discharge of liability described in subsection (a) (1) (A) (i) or as a result of any computation of charges in the manner described in subsection (a) (1) (A) (ii).

“(c) AGREEMENT REQUIRED.—In the case of any taxable year, subsections (a) and (b) shall apply with respect to any discharge of liability described in subsection (a) (1) (A) (i), and to any computation of charges in the manner described in subsection (a) (1) (A) (ii), only if such discharge or computation (as the case may be) was provided for in a written agreement, to which all of the shareholders of the terminal railroad corporation were parties, entered into before the beginning of such taxable year.

“(d) DEFINITIONS.—For purposes of this section—

“(1) TERMINAL RAILROAD CORPORATION.—The term ‘terminal railroad corporation’ means a domestic railroad corporation which is not a member, other than as a common parent corporation, of an affiliated group (as defined in section 1504) and—

“(A) all of the shareholders of which are domestic railroad corporations subject to part I of the Interstate Commerce Act;

“(B) the primary business of which is the providing of railroad terminal and switching facilities and services to domestic railroad corporations subject to part I of the Interstate Commerce Act and to the shippers and passengers of such railroad corporations;

“(C) a substantial part of the services of which for the taxable year is rendered to one or more of its shareholders; and

“(D) each shareholder of which computes its taxable income on the basis of a taxable year beginning or ending on the same day that the taxable year of the terminal railroad corporation begins or ends.

“(2) RELATED TERMINAL INCOME.—The term ‘related terminal income’ means the income (determined in accordance with regulations prescribed by the Secretary or his delegate) of a terminal railroad corporation derived—

“(A) from services or facilities of a character ordinarily and regularly provided by terminal railroad corporations for railroad corporations or for the employees, passengers, or shippers of railroad corporations;

“(B) from the use by persons other than railroad corporations of portions of a facility, or a service, which is used primarily for railroad purposes;

“(C) from any railroad corporation for services or facilities provided by such terminal railroad corporation in connection with railroad operations; and

“(D) from the United States in payment for facilities or services in connection with mail handling.

For purposes of subparagraph (B), a substantial addition, constructed after the date of the enactment of this section, to a facility shall be treated as a separate facility.

“(3) RELATED TERMINAL SERVICES.—The term ‘related terminal services’ includes only services, and the use of facilities, taken into account in computing related terminal income.

“(e) APPLICATION TO TAXABLE YEARS ENDING BEFORE THE DATE OF ENACTMENT.—In the case of any taxable year ending before the date of the enactment of this section—

“(1) this section shall apply only to the extent that the taxpayer computed on its return, filed at or prior to the time (including extensions thereof) that the return for such taxable year was required to be filed, its taxable income in the manner described in subsection (a) in the case of a terminal railroad corporation, or in the manner described in subsection (b) in the case of a shareholder of a terminal railroad corporation; and

“(2) this section shall apply to a taxable year for which the assessment of any deficiency, or for which refund or credit of any overpayment, whichever is applicable, was prevented, on the date of the enactment of this section, by the operation of any law or rule of law (other than section 3760 of the Internal Revenue Code of 1939 or section 7121 of this title, relating to closing agree-

68A Stat. 369.  
26 USC 1504.

24 Stat. 379.  
49 USC 27.

53 Stat. 462.  
68A Stat. 849.  
26 USC 7121.

53 Stat. 462.  
68A Stat. 849.  
26 USC 7122.

ments, and section 3761 of the Internal Revenue Code of 1939 or section 7122 of this title, relating to compromises), only—

“(A) to the extent any overpayment of income tax would result from the recomputation of the taxable income of a terminal railroad corporation in the manner described in subsection (a),

“(B) if claim for credit or refund of such overpayment, based upon such recomputation, is filed prior to one year after the date of the enactment of this section,

“(C) to the extent that paragraph (1) applies, and

“(D) if each shareholder of such terminal railroad corporation consents in writing to the assessment, within such period as may be agreed upon with the Secretary or his delegate, of any deficiency for any year to the extent attributable to the recomputation of its taxable income in the manner described in subsection (b) correlative to its allocable share of the adjustment of taxable income made by the terminal railroad corporation in its recomputation under subparagraph (A).

“(f) REGULATIONS.—The Secretary or his delegate shall prescribe such regulations as may be necessary to carry out the purposes of this section.”

(b) The table of parts for subchapter B of chapter 1 of such Code is amended by adding at the end thereof the following:

“Part X. Terminal railroad corporations and their shareholders.”

Effective date.

SEC. 2. (a) The amendments made by the first section of this Act shall apply with respect to taxable years beginning after December 31, 1953, and ending after August 16, 1954.

Internal Revenue  
Code of 1939.  
Effect of provisions.

(b) Provisions having the same effect as section 281 of the Internal Revenue Code of 1954 (as added by the first section of this Act) shall be deemed to be included in the Internal Revenue Code of 1939, effective with respect to all taxable years to which such Code applies.

68A Stat. 895.  
26 USC 7501 et  
seq.

SEC. 3. (a) (1) Chapter 77 of the Internal Revenue Code of 1954 (relating to miscellaneous provisions) is amended by adding at the end thereof the following new sections:

**“SEC. 7515. SPECIAL STATISTICAL STUDIES AND COMPILATIONS AND OTHER SERVICES ON REQUEST.**

“The Secretary or his delegate is authorized within his discretion, upon written request, to make special statistical studies and compilations involving data from any returns, declarations, statements, or other documents required by this title or by regulations or from any records established or maintained in connection with the administration and enforcement of this title, to engage in any such special study or compilation jointly with the party or parties requesting it, and to furnish transcripts of any such special study or compilation, upon the payment, by the party or parties making the request, of the cost of the work or services performed for such party or parties.

**“SEC. 7516. SUPPLYING TRAINING AND TRAINING AIDS ON REQUEST.**

“The Secretary or his delegate is authorized within his discretion, upon written request, to admit employees and officials of any State, the Commonwealth of Puerto Rico, any possession of the United States, any political subdivision or instrumentality of any of the foregoing, the District of Columbia, or any foreign government to training courses conducted by the Internal Revenue Service, and to supply them with texts and other training aids. The Secretary or his delegate may require payment from the party or parties making the request of a reasonable fee not to exceed the cost of the training and training aids supplied pursuant to such request.”

(2) The table of sections for chapter 77 is amended by adding at the end thereof the following new items:

"Sec. 7515. Special statistical studies and compilations and other services on request.

"Sec. 7516. Supplying training and training aids on request."

(b) Section 7809 of the Internal Revenue Code of 1954 (relating to deposit of collections) is amended—

68A Stat. 918.  
26 USC 7809.

(1) by striking out "subsection (b)," in subsection (a) and inserting in lieu thereof "subsections (b) and (c) and in", and

(2) by adding at the end thereof the following new subsection:

"(c) DEPOSIT OF CERTAIN RECEIPTS.—Moneys received in payment for—

"(1) Work or services performed pursuant to section 7515 (relating to special statistical studies and compilations and other services on request);

Ante, p. 1160.

"(2) work or services performed (including materials supplied) pursuant to section 7516 (relating to the supplying of training and training aids on request); and

Ante, p. 1160.

"(3) other work or services performed for a State or a department or agency of the Federal Government (subject to all provisions of law and regulations governing disclosure of information) in supplying copies of, or data from, returns, statements, or other documents filed under authority of this title or records maintained in connection with the administration and enforcement of this title,

shall be deposited in a separate account which may be used to reimburse appropriations which bore all or part of the costs of such work or services, or to refund excess sums when necessary."

SEC. 4. Section 6512(b) (2) of the Internal Revenue Code of 1954 (relating to limit on amount of credit or refund of overpayment determined by the Tax Court) is amended by striking out "or" at the end of subparagraph (A); by striking out the period at the end of subparagraph (B) and inserting in lieu thereof ", or"; and by adding after subparagraph (B) the following new subparagraph:

68A Stat. 811.  
26 USC 6512.

"(C) within the period which would be applicable under section 6511 (b) (2), (c), or (d), in respect of any claim for refund filed within the applicable period specified in section 6511 and before the date of the mailing of the notice of deficiency—

26 USC 6511.

"(i) which had not been disallowed before that date,

"(ii) which had been disallowed before that date and in respect of which a timely suit for refund could have been commenced as of that date, or

"(iii) in respect of which a suit for refund had been commenced before that date and within the period specified in section 6532."

26 USC 6532.

SEC. 5. (a) Section 7701(a) of the Internal Revenue Code of 1954 is amended by adding after paragraph (31) the following new paragraph:

Ante, p. 988;  
26 USC 7701.

"(32) COOPERATIVE BANK.—The term 'cooperative bank' means an institution without capital stock organized and operated for mutual purposes and without profit, which—

"(A) either—

"(i) is an insured institution within the meaning of section 401(a) of the National Housing Act (12 U.S.C., sec. 1724(a)), or

48 Stat. 1255.

"(ii) is subject by law to supervision and examination by State or Federal authority having supervision over such institutions, and



Ante, p. 983.

“(B) meets the requirements of subparagraphs (B), (C), (D), (E), and (F) of paragraph (19) of this subsection (relating to definition of domestic building and loan association) determined with the application of the second, third, and fourth sentences of paragraph (19).”

In determining whether an institution meets the requirements referred to in subparagraph (B) of this paragraph, any reference to an association or to a domestic building and loan association contained in paragraph (19) shall be deemed to be a reference to such institution. In the case of an institution which, for the taxable year, is a cooperative bank within the meaning of the first sentence of this paragraph by reason of the application of the second and third sentences of paragraph (19) of this subsection, the deduction otherwise allowable under section 166(c) for a reasonable addition to the reserve for bad debts shall, under regulations prescribed by the Secretary or his delegate, be reduced in a manner consistent with the reductions provided by the table contained in section 593(b)(5).”

68A Stat. 50.  
26 USC 166.

Ante, p. 979.  
Effective date.

(b) The amendment made by subsection (a) of this section shall apply with respect to taxable years beginning after the date of the enactment of the Revenue Act of 1962.

Approved October 23, 1962.

## Public Law 87-871

### AN ACT

October 23, 1962  
[H. R. 10002]

For the relief of civilian employees of the New York Naval Shipyard and the San Francisco Naval Shipyard erroneously in receipt of certain wages due to a misinterpretation of a Navy civilian personnel instruction.

Naval ship-  
yards, New York  
and San Francisco.  
Relief of certain  
civilian employ-  
ees.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That civilian employees and former civilian employees of the New York Naval Shipyard and the San Francisco Naval Shipyard are relieved of all liability to refund to the United States the amounts, which were otherwise correct, and which occurred without fault on their part, erroneously received by them after June 1, 1960, and before March 1, 1962, caused by a premature within-grade advancement based upon a misinterpretation of Navy Civilian Personnel Instruction 552 entitled “Salary and Wage Changes”. Any employee or former employee who has at any time made repayment to the United States of any amount paid to him as a result of this misinterpretation is entitled to have refunded to him the amount repaid provided application is made within one year.

SEC. 2. In the audit and settlement of the accounts of any certifying or disbursing officer of the United States full credit shall be given for the amount for which liability is relieved by this Act.

SEC. 3. Appropriations available for the pay of civilian personnel of the Navy are available for refunds under this Act.

Approved October 23, 1962.