

attributable to the carryback of any unused investment credit shall not expire before the close of December 31, 1966.

SEC. 3. (a) Section 6501 of the Internal Revenue Code of 1954 (relating to limitations on assessment and collection) is amended by inserting after subsection (l) the following new subsection:

26 USC 6501.

“(m) TENTATIVE CARRYBACK ADJUSTMENT ASSESSMENT PERIOD.—In a case where an amount has been applied, credited, or refunded under section 6411 (relating to tentative carryback adjustments) by reason of a net operating loss carryback or an investment credit carryback to a prior taxable year, the period described in subsection (a) of this section for assessing a deficiency for such prior taxable year shall be extended to include the period described in subsection (h) or (j), whichever is applicable; except that the amount which may be assessed solely by reason of this subsection shall not exceed the amount so applied, credited, or refunded under section 6411, reduced by any amount which may be assessed solely by reason of subsection (h) or (j), as the case may be.”

(b) The amendment made by subsection (a) shall apply in any case where the application under section 6411 of the Internal Revenue Code of 1954 is filed after the date of the enactment of this Act.

Approved November 2, 1966.

Public Law 89-722

AN ACT

To amend the Internal Revenue Code of 1954 to allow a deduction for additions to a reserve for certain guaranteed debt obligations, and for other purposes.

November 2, 1966
[H. R. 11782]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 166 of the Internal Revenue Code of 1954 (relating to bad debts) is amended by redesignating subsection (g) as subsection (h), and by inserting after subsection (f) a new subsection (g) as follows:

Taxes.
Reserve for certain guaranteed debt obligations.
68A Stat. 50.
26 USC 166.

“(g) RESERVE FOR CERTAIN GUARANTEED DEBT OBLIGATIONS.—

“(1) ALLOWANCE OF DEDUCTION.—In the case of a taxpayer who is a dealer in property, in lieu of any deduction under subsection (a), there shall be allowed (in the discretion of the Secretary or his delegate) for any taxable year ending after October 21, 1965, a deduction—

“(A) for a reasonable addition to a reserve for bad debts which may arise out of his liability as a guarantor, endorser, or indemnitor of debt obligations arising out of the sale by him of real property or tangible personal property (including related services) in the ordinary course of his trade or business; and

“(B) for the amount of any reduction in the suspense account required by paragraph (4) (B) (i).

“(2) DEDUCTION DISALLOWED IN OTHER CASES.—Except as provided in paragraph (1), no deduction shall be allowed to a taxpayer for any addition to a reserve for bad debts which may arise out of his liability as guarantor, endorser, or indemnitor of debt obligations.

“(3) OPENING BALANCE.—The opening balance of a reserve described in paragraph (1) (A) for the first taxable year ending after October 21, 1965, for which a taxpayer maintains such reserve shall, under regulations prescribed by the Secretary or his delegate, be determined as if the taxpayer had maintained such reserve for the preceding taxable years.

“(4) **SUSPENSE ACCOUNT.**—

“(A) **REQUIREMENT.**—Except as provided by subparagraph (C), each taxpayer who maintains a reserve described in paragraph (1) (A) shall, for purposes of this subsection and section 81, establish and maintain a suspense account. The initial balance of such account shall be equal to the opening balance described in paragraph (3).

“(B) **ADJUSTMENTS.**—At the close of each taxable year the suspense account shall be—

“(i) reduced by the excess of the suspense account at the beginning of the year over the reserve described in paragraph (1) (A) (after making the addition for such year provided in such paragraph), or

“(ii) increased (but not to an amount greater than the initial balance of the suspense account) by the excess of the reserve described in paragraph (1) (A) (after making the addition for such year provided in such paragraph) over the suspense account at the beginning of such year.

“(C) **LIMITATIONS.**—Subparagraphs (A) and (B) shall not apply in the case of the taxpayer who maintained for his last taxable year ending before October 22, 1965, a reserve for bad debts under subsection (c) which included debt obligations described in paragraph (1) (A).

“(D) **SECTION 381 ACQUISITIONS.**—The application of this paragraph in any acquisition to which section 381(a) applies shall be determined under regulations prescribed by the Secretary or his delegate.”

(b) (1) Part II of subchapter B of chapter 1 of the Internal Revenue Code of 1954 (relating to items specifically included in gross income) is amended by inserting after section 80 the following new section:

“**SEC. 81. INCREASES IN SUSPENSE ACCOUNT UNDER SECTION 166(g).**

“The amount of any increase in the suspense account required by paragraph (4) (B) (ii) of section 166 (g) (relating to certain debt obligations guaranteed by dealers) shall be included in gross income for the taxable year for which such increase is required.”

(2) The table of sections for part II of subchapter B of chapter 1 is amended by adding at the end thereof the following:

“Sec. 81. Increases in suspense account under section 166 (g).”

(c) If the taxpayer establishes a reserve described in section 166 (g) (1) of the Internal Revenue Code of 1954 (as amended by subsection (a) of this section) for a taxable year ending after October 21, 1965, and beginning before August 2, 1966, the establishment of such reserve shall not be considered as a change in method of accounting for purposes of section 446 (e) of such Code.

SEC. 2. (a) Except as provided in subsections (b) and (c), the amendments made by the first section of this Act shall apply to taxable years ending after October 21, 1965.

(b) If—

(1) the taxpayer before October 22, 1965, claimed a deduction, for a taxable year ending before such date, under section 166 (c) of the Internal Revenue Code of 1954 for an addition to a reserve for bad debts on account of debt obligations described in section 166 (g) (1) (A) of such Code (as amended by the first section of this Act), and

(2) the assessment of a deficiency of the tax imposed by chapter 1 of such Code for such taxable year and each subsequent

Infra.

68 A Stat. 124.
26 USC 381.

26 USC 71.

Supra.

26 USC 446.
Effective date.

26 USC 166.

taxable year ending before October 22, 1965, is not prevented on December 31, 1966, by the operation of any law or rule of law, then such deduction on account of such debt obligations shall be allowed for each such taxable year under such section 166(c) to the extent that the deduction would have been allowable under the provisions of such section 166(g)(1)(A) if such provisions applied to such taxable years.

(c) Section 166(g)(2) of the Internal Revenue Code of 1954 (as amended by the first section of this Act) shall apply to taxable years beginning after December 31, 1953, and ending after August 16, 1954.

Approved November 2, 1966.

Public Law 89-723

AN ACT

November 2, 1966
[H. R. 13320]

To authorize the disposal of industrial diamond stones from the national stockpile and the supplemental stockpile.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Administrator of General Services is hereby authorized to dispose of, by negotiation or otherwise, approximately one million and eight hundred thousand carats of industrial diamond stones now held in the national stockpile established pursuant to the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98-98h) and the supplemental stockpile established pursuant to section 104(b) of the Agricultural Trade Development and Assistance Act of 1954, as amended (7 U.S.C. 1704(b)). Such disposition may be made without regard to the provisions of section 3 of the Strategic and Critical Materials Stock Piling Act: *Provided,* That the time and method of disposition shall be fixed with due regard to the protection of the United States against avoidable loss and the protection of producers, processors, and consumers against avoidable disruption of their usual markets.

Industrial dia-
mond stones.
Disposal.

60 Stat. 596.

73 Stat. 607.

Approved November 2, 1966.

Public Law 89-724

AN ACT

November 2, 1966
[H. R. 13370]

To authorize the disposal of fused crude aluminum oxide from the national stockpile and the supplemental stockpile.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Administrator of General Services is hereby authorized to dispose of, by negotiation or otherwise, approximately one hundred and thirty thousand short tons of fused crude aluminum oxide now held in the national stockpile established pursuant to the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98-98h) and the supplemental stockpile established pursuant to section 104(b) of the Agricultural Trade Development and Assistance Act of 1954, as amended (7 U.S.C. 1704(b)). Such disposition may be made without regard to the provisions of section 3 of the Strategic and Critical Materials Stock Piling Act: *Provided,* That the time and method of disposition shall be fixed with due regard to the protection of the United States against avoidable loss and the protection of producers, processors, and consumers against avoidable disruption of their usual markets.

Fused crude
aluminum oxide.
Disposal.

60 Stat. 596.

73 Stat. 607.

Approved November 2, 1966.