

## Public Law 86-435

## AN ACT

To amend the Internal Revenue Code of 1954 with respect to the treatment of copyright royalties for purposes of the personal holding company tax.

April 22, 1960  
[H. R. 7588]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 543(a) of the Internal Revenue Code of 1954 (relating to personal holding company income) is amended by adding at the end thereof the following new paragraph:

Personal holding  
company tax.  
Copyright royalties.  
68A Stat. 186.  
26 USC 543.

“(9) COPYRIGHT ROYALTIES.—Copyright royalties, unless—

“(A) such royalties (exclusive of royalties received for the use of, or right to use, copyrights or interests in copyrights on works created in whole, or in part, by any shareholder) constitute 50 percent or more of the gross income,

“(B) the personal holding company income for the taxable year not taking into account—

“(i) copyright royalties, other than royalties received for the use of, or right to use, copyrights or interests in copyrights in works created in whole, or in part, by any shareholder owning more than 10 percent of the total outstanding capital stock of the corporation, and

“(ii) dividends from any corporation in which the taxpayer owns at least 50 percent of all classes of stock entitled to vote and at least 50 percent of the total value of all classes of stock and which corporation meets the requirements of this subparagraph and subparagraphs (A) and (C)

is 10 percent or less of the gross income, and

“(C) the deductions allowable under section 162 (other than deductions for compensation for personal services rendered by the shareholders and other than deductions for royalties to shareholders) constitute 50 percent or more of the gross income.

26 USC 162.

For purposes of this subsection, the term ‘copyright royalties’ means compensation, however designated, for the use of, or the right to use, copyrights in works protected by copyright issued under title 17 of the United States Code (other than by reason of section 2 or 6 thereof), and to which copyright protection is also extended by the laws of any country other than the United States of America by virtue of any international treaty, convention or agreement, or interests in any such copyrighted works, and includes payments from any person for performing rights in any such copyrighted work. For purposes of this paragraph the term ‘shareholder’ shall include any person who owns stock within the meaning of section 544. This paragraph shall not apply to compensation which is rent within the meaning of paragraph (7), determined without regard to the requirement that rents constitute 50 percent or more of the gross income.”

61 Stat. 652.

26 USC 544.

(b) Such section 543(a) is amended—

26 USC 543.

(1) by striking out “(other than mineral, oil, or gas royalties)” in paragraph (1) and inserting in lieu thereof “(other than mineral, oil, or gas royalties or copyright royalties)”; and

(2) by adding at the end of paragraph (6) the following new sentence: “For purposes of the preceding sentence, copyright royalties constitute personal holding company income.”

68A Stat. 188.  
26 USC 544.

(c) Section 544(a) of such Code is amended—

(1) by striking out “For purposes of determining whether a corporation is a personal holding company, insofar as such determination is based on stock ownership under section 542(a)(2), section 543(a)(5), or section 543(a)(6)” and inserting in lieu thereof “For purposes of determining whether a corporation is a personal holding company, insofar as such determination is based on stock ownership under section 542(a)(2), section 543(a)(5), section 543(a)(6), or section 543(a)(9)”;

(2) by revising subparagraph (B) of paragraph (4) thereof to read as follows:

“(B) for purposes of section 543(a)(5) (relating to personal service contracts), of section 543(a)(6) (relating to use of property by shareholders), or of section 543(a)(9) (relating to copyright royalties), if, but only if, the effect is to make the amounts therein referred to includible under such paragraph as personal holding company income.”

(d) Section 544(b) of such Code is amended—

(1) by striking out the word “and” appearing at the end of paragraph (2);

(2) by striking out the period appearing at the end of paragraph (3) and inserting in lieu thereof “; and”;

(3) by inserting the following new paragraph (4) immediately after existing paragraph (3) thereof:

“(4) for purposes of section 543(a)(9) (relating to copyright royalties), but only if the effect of the inclusion of all such securities is to make the amounts therein referred to includible under such paragraph as personal holding company income.”; and

(4) by striking out “paragraphs (1), (2), and (3)” appearing in the last sentence and inserting in lieu thereof “paragraphs (1), (2), (3), and (4)”.

(e) Section 553 of such Code is amended by striking out “all royalties, whether or not mineral, oil, or gas royalties” and inserting in lieu thereof “all royalties, whether or not mineral, oil, or gas royalties or copyright royalties”.

SEC. 2. The amendments made by the first section of this Act shall apply only with respect to taxable years beginning after December 31, 1959.

Approved April 22, 1960.

Public Law 86-436

AN ACT

To amend the Act of March 3, 1901, to eliminate the requirement that certain District of Columbia corporations be managed by trustees the majority of whom are citizens of the District of Columbia.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That section 608 of the Act entitled “An Act to establish a code of law for the District of Columbia”, approved March 3, 1901, as amended (D.C. Code 29-204), is amended by striking out “, respectively.” and by striking out “and a majority citizens of the District.”.

Approved April 22, 1960.

68A Stat. 195.  
26 USC 553.

Applicability  
date.

April 22, 1960  
[H. R. 9737]

31 Stat. 1285.