

carrying out the study and investigation required by this section. Each such report shall be printed as a House document of the session of the Congress to which the report is made.

(e) **FUNDS FOR STUDY AND INVESTIGATION.**—There are hereby authorized to be appropriated out of the Highway Trust Fund such sums as may be necessary to enable the Secretary of Commerce to carry out the provisions of this section.

**SEC. 211. EFFECTIVE DATE OF TITLE.**

This title shall take effect on the date of its enactment, except that the amendments made by sections 202, 203, 204, and 205 shall take effect on July 1, 1956.

### TITLE III—SEPARABILITY

**SEC. 301. SEPARABILITY.**

If any section, subsection, or other provision of this Act or the application thereof to any person or circumstance is held invalid, the remainder of this Act and the application of such section, subsection, or other provision to other persons or circumstances shall not be affected thereby.

Approved June 29, 1956.

Public Law 628

CHAPTER 463

AN ACT

June 29, 1956  
[H. R. 7247]

Relating to recognition of gain or loss in certain railroad reorganizations and to amend section 108 (b) of the Internal Revenue Code of 1954.

IRC 1954, amend-  
ments.  
68A Stat. 121.  
26 USC 371-373.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That part IV of subchapter C of chapter 1 of the Internal Revenue Code of 1954 is hereby amended by adding at the end thereof the following new section:

**“SEC. 374. GAIN OR LOSS NOT RECOGNIZED IN CERTAIN RAILROAD REORGANIZATIONS.**

“(a) **EXCHANGES BY CORPORATIONS.**—

“(1) **NONRECOGNITION OF GAIN OR LOSS.**—No gain or loss shall be recognized if property of a railroad corporation, as defined in section 77 (m) of the Bankruptcy Act (49 Stat. 922; 11 U. S. C. 205), is transferred after July 31, 1955, in pursuance of an order of the court having jurisdiction of such corporation—

“(A) in a receivership proceeding, or

“(B) in a proceeding under section 77 of the Bankruptcy Act,

to another railroad corporation (as defined in section 77 (m) of the Bankruptcy Act) organized or made use of to effectuate a plan of reorganization approved by the court in such proceeding, in exchange solely for stock or securities in such other railroad corporation.

“(2) **GAIN FROM EXCHANGES NOT SOLELY IN KIND.**—If an exchange would be within the provisions of paragraph (1) if it were not for the fact that the property received in exchange consists not only of stock or securities permitted by paragraph (1) to be received without the recognition of gain, but also of other property or money, then—

“(A) if the corporation receiving such other property or money distributes it in pursuance of the plan of reorganization, no gain to the corporation shall be recognized from the exchange, but

“(B) if the corporation receiving such other property or money does not distribute it in pursuance of the plan of reorganization, the gain, if any, to the corporation shall be recognized, but in an amount not in excess of the sum of such money and the fair market value of such other property so received, which is not so distributed.

“(3) LOSS FROM EXCHANGES NOT SOLELY IN KIND.—If an exchange would be within the provisions of paragraph (1) if it were not for the fact that the property received in exchange consists not only of property permitted by such paragraph to be received without the recognition of gain or loss, but also of other property or money, then no loss from the exchange shall be recognized.

“(b) BASIS.—If the property of a railroad corporation (as defined in section 77 (m) of the Bankruptcy Act) was acquired after July 31, 1955, in pursuance of an order of the court having jurisdiction of such corporation—

“(1) in a receivership proceeding, or

“(2) in a proceeding under section 77 of the Bankruptcy Act, and the acquiring corporation is a railroad corporation (as defined in section 77 (m) of the Bankruptcy Act) organized or made use of to effectuate a plan of reorganization approved by the court in such proceeding, the basis shall be the same as it would be in the hands of the railroad corporation whose property was so acquired, increased in the amount of gain recognized under subsection (a) (2) to the transferor on such transfer.

“(c) ASSUMPTION OF LIABILITIES.—In the case of a transaction involving an assumption of a liability or the acquisition of property subject to a liability, the rules provided in section 357 shall apply.”

68A Stat. 116,  
26 USC 357.

SEC. 2. Section 357 of such Code is hereby amended—

(1) by deleting “or 371” wherever appearing in subsections (a) and (b) thereof, and inserting in lieu thereof “371, or 374”, and

(2) by deleting from subsection (c) (2) (B) “371” and inserting in lieu thereof “371 or 374”.

SEC. 3. Section 373 is hereby amended—

(1) by deleting from subsection (a) “transferred in pursuance” and inserting in lieu thereof “transferred before August 1, 1955, in pursuance”, and

(2) by deleting “December 31, 1938”, and inserting in lieu thereof “December 31, 1938, and before August 1, 1955”.

68A Stat. 123,  
26 USC 373.

SEC. 4. The table of sections for part IV of subchapter C of chapter 1 of the Internal Revenue Code of 1954 is hereby amended by adding at the end thereof the following:

“Sec. 374. Gain or loss not recognized in certain railroad reorganizations.”

SEC. 5. Section 108 (b) of the Internal Revenue Code of 1954 (relating to income of a railroad corporation from discharge of indebtedness) is hereby amended by striking out “December 31, 1955” and inserting in lieu thereof “December 31, 1957”.

68A Stat. 32,  
26 USC 108.

Approved June 29, 1956.