

Public Law 94-253
94th Congress

An Act

To provide tax treatment for exchanges under the final system plan for ConRail.

Mar. 31, 1976
[H.R. 12490]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

ConRail
exchanges.
Tax treatment.

SECTION 1. TAX TREATMENT OF EXCHANGES UNDER THE FINAL SYSTEM PLAN FOR CONRAIL.

26 USC 374.

(a) **IN GENERAL.**—Section 374 of the Internal Revenue Code of 1954 (relating to gain or loss not recognized in certain railroad reorganizations) is amended by redesignating subsection (c) as subsection (d) and by inserting after subsection (b) the following new subsection:

“(c) **EXCHANGES UNDER THE FINAL SYSTEM PLAN FOR CONRAIL.**—

“(1) **IN GENERAL.**—No gain or loss shall be recognized if, in order to carry out the final system plan, rail properties of a transferor railroad corporation are transferred to the Consolidated Rail Corporation (or any subsidiary thereof) pursuant to an order of the special court under section 303 or 305(d) of the Regional Rail Reorganization Act of 1973 in exchange solely for stock of the Consolidated Rail Corporation, securities of such Corporation, certificates of value of the United States Railway Association, or any combination thereof.

45 USC 743.
Ante, p. 100
45 USC 745.

“(2) **EXCHANGES NOT SOLELY IN KIND.**—If paragraph (1) would apply to an exchange if it were not for the fact that the property received in exchange consists not only of property permitted by paragraph (1) to be received without the recognition of gain or loss, but also of other property or money, then rules similar to the rules set forth in paragraph (2) or (3) of subsection (a) (whichever is appropriate) shall be applied.

“(3) **BASIS.**—The basis of the property transferred to the Consolidated Rail Corporation (or any subsidiary thereof) in an exchange to which paragraph (1) or (2) applies shall be determined under rules similar to the rules set forth in subsection (b).

“(4) **DENIAL OF NET OPERATING LOSS CARRYOVERS TO CONRAIL.**—Neither the Consolidated Rail Corporation nor any subsidiary thereof shall succeed to any net operating loss carryover of any transferor railroad corporation.

“(5) **DEFINITIONS.**—For purposes of this subsection—

“(A) **RAIL PROPERTIES.**—The term ‘rail properties’ means rail properties within the meaning of paragraph (12) of section 102 of the Regional Rail Reorganization Act of 1973.

45 USC 702.

“(B) **TRANSFEROR RAILROAD CORPORATION.**—The term ‘transferor railroad corporation’ means a corporation which, on March 11, 1976, was—

“(i) a railroad in reorganization (within the meaning of paragraph (14) of section 102 of the Regional Rail Reorganization Act of 1973) in the region (within the meaning of paragraph (15) of such section 102), or

“(ii) a corporation leased, operated, or controlled by such a railroad in reorganization.

- 45 USC 702.
Ante, p. 100.
45 USC 745.
- “(C) FINAL SYSTEM PLAN.—The term ‘final system plan’ means the final system plan (within the meaning of paragraph (6) of section 102 of such Act). Such term includes supplemental transactions under section 305 of such Act.
- “(D) SUBSIDIARY.—The term ‘subsidiary’ means any corporation 100 percent of whose total combined voting shares are, directly or indirectly, owned or controlled by the Consolidated Rail Corporation.”
- (b) BASIS AMENDMENTS.—
- 26 USC 358. (1) BASIS OF PROPERTY RECEIVED BY TRANSFEROR RAILROAD CORPORATIONS.—Section 358(a) of such Code (relating to basis to distributees) is amended by striking out “or 371(b)” and inserting in lieu thereof “371(b), or 374”.
- (2) ALLOCATION OF BASIS.— Subsection (b) of section 358 of such Code (relating to allocation of basis) is amended by adding at the end thereof the following new paragraph:
- “(3) CERTAIN EXCHANGES INVOLVING CONRAIL.—To the extent provided in regulations prescribed by the Secretary or his delegate, in the case of an exchange to which section 354(d) (or so much of section 356 as relates to section 354(d)) or section 374(c) applies, for purposes of allocating basis under paragraph (1), stock of the Consolidated Rail Corporation and the certificate of value of the United States Railway Association which relates to such stock shall, so long as they are held by the same person, be treated as one property.”
- 26 USC 354. (c) EFFECTS ON SHAREHOLDERS AND SECURITY HOLDERS.—Section 354 of such Code (relating to exchanges of stock and securities in certain reorganizations) is amended by adding at the end thereof the following new subsection:
- “(d) EXCHANGES UNDER THE FINAL SYSTEM PLAN FOR CONRAIL.— No gain or loss shall be recognized if stock or securities in a corporation are, in pursuance of an exchange to which paragraph (1) or (2) of section 374(c) applies, exchanged solely for stock of the Consolidated Rail Corporation, securities of such Corporation, certificates of value of the United States Railway Association, or any combination thereof.”
- 26 USC 356. Clause (i) of section 356(d) (2) (B) of such Code (relating to receipt of additional consideration) is amended by striking out “subsection (c) thereof” and inserting in lieu thereof “subsection (c) or (d) thereof”.
- 26 USC 374. (d) USE OF EXPIRED NET OPERATING LOSS CARRYOVERS TO OFFSET INCOME ARISING FROM CERTAIN RAILROAD REORGANIZATION PROCEEDINGS.—Section 374 of such Code (relating to gain or loss not recognized in certain railroad reorganizations) is amended by adding at the end thereof the following new subsection:
- “(e) USE OF EXPIRED NET OPERATING LOSS CARRYOVERS TO OFFSET INCOME ARISING FROM CERTAIN RAILROAD REORGANIZATION PROCEEDINGS.—
- “(1) IN GENERAL.—If—
- “(A) any corporation receives or accrues any amount pursuant to—
- “(i) an award in (or settlement of) a proceeding under section 77 of the Bankruptcy Act,
- “(ii) an award in (or settlement of) a proceeding before the special court to carry out section 303(c), 305, or 306 of the Regional Rail Reorganization Act of 1973.
- 11 USC 205.
- 45 USC 743.
Ante, p. 100,
104.
45 USC 745,
746.

“(iii) an award in (or settlement of) a proceeding in the Court of Claims under section 1491 of title 28 of the United States Code, to the extent such proceeding involves a claim arising under the Regional Rail Reorganization Act of 1973, or

“(iv) a redemption of a certificate of value of the United States Railway Association issued to such corporation under section 306 of such Act,

“(B) any portion of such amount is includible in the gross income of such corporation for the taxable year in which such portion is received or accrued, and such taxable year begins not more than 5 years after the date of such award, settlement, or redemption, and

“(C) the net operating loss of such corporation for any taxable year—

“(i) was a net operating loss carryover to, or arose in, the first taxable year of such corporation ending after March 31, 1976 (or, in the case of a proceeding referred to in subparagraph (A) (i) which began after March 31, 1976, ending after the beginning of such proceeding), but

“(ii) solely by reason of the lapse of time, is not a net operating loss carryover to the taxable year referred to in subparagraph (B),

then such net operating loss shall be a net operating loss carryover to the taxable year described in subparagraph (B) but only for use (to the extent not theretofore used under this subsection to offset other amounts) to offset the portion referred to in subparagraph (B).

“(2) SPECIAL RULE.—For purposes of paragraph (1) (C) (i), a corporation which was a regulated transportation corporation (within the meaning of section 172(j)) for its last taxable year ending on or before March 31, 1976, shall be treated as such a regulated transportation corporation for its first taxable year ending after such date.”.

SEC. 2. EFFECTIVE DATE.

The amendments made by section 1 shall apply to taxable years ending after March 31, 1976.

Approved March 31, 1976.

45 USC 701 note.

Ante, p. 104.

45 USC 746.

26 USC 172.

26 USC 374 note.

LEGISLATIVE HISTORY:

HOUSE REPORT No. 94-940 (Comm. on Ways and Means).

CONGRESSIONAL RECORD, Vol. 122 (1976):

Mar. 24, considered and passed House.

Mar 25, considered and passed Senate.