

68A Stat. 182.

SEC. 3. (a) Section 542(c) of the Internal Revenue Code of 1954 (relating to exceptions from definition of a personal holding company) is amended—

(a) by inserting “;” in lieu of “.” at the end thereof and

(b) by adding at the end thereof the following new paragraph (11):

Small business investment company.

72 Stat. 689.  
15 USC 661 note.

“(11) A small business investment company which is licensed by the Small Business Administration and operating under the Small Business Investment Act of 1958 and which is actively engaged in the business of providing funds to small business concerns under that Act. This paragraph shall not apply if any shareholder of the small business investment company owns at any time during the taxable year directly or indirectly (including, in the case of an individual, ownership by the members of his family as defined in section 544(a)(2)) a 5 per centum or more proprietary interest in a small business concern to which funds are provided by the investment company or 5 per centum or more in value of the outstanding stock of such concern.”

68A Stat. 188.

(b) The amendment made by this section shall apply to taxable years beginning after December 31, 1958.

Approved September 23, 1959.

## Public Law 86-377

### AN ACT

September 23, 1959  
[H. R. 6059]

To provide additional civilian positions for the Department of Defense for purposes of scientific research and development relating to the national defense, to improve the management of the activities of such Department, and for other purposes.

Defense Department. Civilian positions.  
63 Stat. 959.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That (a) section 505 of the Classification Act of 1949, as amended (5 U.S.C. 1105), is amended by adding the following new subsection at the end thereof:

“(j) The Secretary of Defense is authorized, subject to the standards and procedures prescribed by this Act, to place a total of three hundred seventy-two positions in the Department of Defense in grades 16, 17, and 18 of the General Schedule.”

(b) The total number of positions authorized by section 505(b) of the Classification Act of 1949, as amended (5 U.S.C. 1105(b)), to be placed in grades 16, 17, and 18 of the General Schedule of such Act at any time shall be deemed to have been reduced by the number of positions in such grades allocated to the Department of Defense immediately prior to the date of enactment of this Act. The respective numbers of positions authorized by such section 505(b) to be placed in grades 17 and 18 of such schedule at any one time shall be deemed to have been reduced by the respective numbers of positions in such grades allocated to the Department of Defense immediately prior to the date of enactment of this Act.

(c) Nothing contained in this section shall affect any position existing under authority of section 505(b) of the Classification Act of 1949, as in effect immediately prior to the date of enactment of this Act, the compensation attached to any such position, and any incumbent thereof, his appointment thereto, and his right to receive the compensation attached thereto, until appropriate action is

taken under authority of subsection (j) of section 505 of the Classification Act of 1949 as contained in the amendment made by subsection (a) of this section.

SEC. 2. Section 1581(a) of title 10, United States Code, as modified by section 12(a) of the Federal Employees Salary Increase Act of 1958 (72 Stat. 213), and as amended by section 3 of the Act of May 29, 1959 (73 Stat. 63; Public Law 86-36), is amended to read as follows:

70A Stat. 118.

“(a) The Secretary of Defense may establish not more than four hundred fifty civilian positions in the Department of Defense to carry out research and development relating to the national defense, military medicine, and other activities of the Department of Defense that require the services of specially qualified scientists or professional personnel.”

Research and development.

SEC. 3. The first sentence of section 1582 of title 10, United States Code, is amended to read as follows: “The Secretary of Defense shall report to Congress not later than February 1 of each year on the number of positions established under section 1581 of this title during the immediately preceding calendar year.”

Report to Congress.

SEC. 4. (a) Section 3(d) of the Federal Employees' Group Life Insurance Act of 1954 is repealed.

(b) Section 5(a) of such Act is amended by striking out the words “under age sixty-five”.

68 Stat. 737.  
5 USC 2092.  
5 USC 2094.

(c) Section 6 of such Act is amended to read as follows:

5 USC 2095.

“SEC. 6. (a) Each policy purchased under this Act shall contain a provision, in terms approved by the Commission, to the effect that any insurance thereunder on any employee shall cease upon his separation from the service or twelve months after discontinuance of his salary payments, whichever first occurs, subject to a provision which shall be contained in the policy for temporary extension of coverage and for conversion to an individual policy of life insurance under conditions approved by the Commission.

Life insurance.  
Termination.

“(b) If upon such date as the insurance would otherwise cease the employee retires on an immediate annuity and (1) his retirement is for disability or (2) he has completed twelve years of creditable service, as determined by the Commission, his life insurance only may, under conditions determined by the Commission, be continued without cost to him, but the amount of such insurance shall be reduced by 2 per centum thereof at the end of each full calendar month following the date the employee attains age sixty-five or retires, whichever is later, subject to minimum amounts prescribed by the Commission, but not less than 25 per centum of the insurance in force preceding the first such reduction. Periods of honorable active service in the Army, Navy, Air Force, Marine Corps, or Coast Guard of the United States shall be credited toward the required twelve years provided the employee has completed at least five years of civilian service.

“(c) If upon such date as the insurance would otherwise cease the employee is receiving benefits under the Federal Employees' Compensation Act because of disease or injury to himself, his life insurance may, as provided in subsection (b), be continued during the period he is in receipt of such benefits and held by the United States Department of Labor to be unable to return to duty.”

(e) The amendments made by subsections (a), (b), and (c) shall take effect as of August 17, 1954, except that (1) they shall not be applicable in any case in which the employee's death or retirement occurred prior to the date of enactment of this Act, and (2) nothing therein shall be construed to require salary withholdings for any period prior to the first day of the first pay period which begins after the date of enactment of this Act.

Effective date.

Approved September 23, 1959.