

eration in the domestic or foreign commerce of the United States may not be substantially less than that of the obsolete vessel acquired in exchange under this chapter.

(b) **TONNAGE.**—If the Secretary of Transportation finds that the new vessel will have a utility value at least equal to that of the obsolete vessel, the new vessel may be of lesser gross tonnage than the obsolete vessel. However, the gross tonnage of the new vessel must be at least one-third the gross tonnage of the obsolete vessel.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1662.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
57303	46 App.:1160(c).	June 29, 1936, ch. 858, title V, §510(c), as added Aug. 4, 1939, ch. 417, §7, 53 Stat. 1184; Pub. L. 97–31, §12(91), Aug. 6, 1981, 95 Stat. 161.

§ 57304. Eligible acquisition dates

At the option of the owner, the acquisition of an obsolete vessel under this chapter shall occur—

- (1) when the owner contracts for the construction or purchase of a new vessel; or
- (2) within 5 days of the actual date of delivery of the new vessel to the owner.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1662.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
57304	46 App.:1160(b) (2d sentence).	June 29, 1936, ch. 858, title V, §510(b) (2d sentence), as added Aug. 4, 1939, ch. 417, §7, 53 Stat. 1184; Pub. L. 87–401, subd. (1), Oct. 5, 1961, 75 Stat. 833; Pub. L. 91–469, §35(a), Oct. 21, 1970, 84 Stat. 1035; Pub. L. 97–31, §12(91), Aug. 6, 1981, 95 Stat. 161.

The words “At the option of the owner” are substituted for “if the owner so requests” for clarity.

§ 57305. Determination of trade-in allowance

(a) **IN GENERAL.**—The Secretary of Transportation shall determine the trade-in allowance for an obsolete vessel at the time of acquisition of the vessel. The allowance shall be the fair value of the vessel. In determining the value, the Secretary shall consider—

- (1) the scrap value of the obsolete vessel in American and foreign markets;
- (2) the depreciated value based on a 20-year or 25-year life, whichever applies to the obsolete vessel; and
- (3) the market value of the obsolete vessel for operation in world commerce or in the domestic or foreign commerce of the United States.

(b) **USE OF OBSOLETE VESSELS.**—If acquisition of the obsolete vessel occurs when the owner contracts for the construction of the new vessel, and the owner uses the obsolete vessel during the period of construction of the new vessel, the Secretary shall reduce the trade-in allowance by an amount representing the fair value of that

use. The Secretary shall establish the rate for use of the obsolete vessel when the contract for construction of the new vessel is made.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1663.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
57305(a)	46 App.:1160(b) (3d sentence), (d) (1st, 2d sentences).	June 29, 1936, ch. 858, title V, §510(b) (3d sentence), (d), as added Aug. 4, 1939, ch. 417, §7, 53 Stat. 1184; July 17, 1952, ch. 939, §8, 66 Stat. 762; Pub. L. 86–518, §1, June 12, 1960, 74 Stat. 216; Pub. L. 87–401, Oct. 5, 1961, 75 Stat. 833; Pub. L. 91–469, §35(a), Oct. 21, 1970, 84 Stat. 1035; Pub. L. 97–31, §12(91), Aug. 6, 1981, 95 Stat. 161.
57305(b)	46 App.:1160(d) (3d, last sentences).	

In subsection (a), the words “fair value” are substituted for “fair and reasonable value” to eliminate unnecessary words. In paragraph (3), the word “commerce” is substituted for “trade” for consistency in the chapter.

In subsection (b), the words “for the entire period of such use” are omitted as unnecessary.

§ 57306. Payment of trade-in allowance

(a) **ACQUISITION AT TIME OF CONTRACT.**—If acquisition of an obsolete vessel under this chapter occurs when the owner contracts for the construction or purchase of the new vessel, the Secretary of Transportation shall apply the trade-in allowance to the purchase price of the new vessel rather than paying it to the owner. If the new vessel is constructed under this subtitle, the Secretary may apply the trade-in allowance to the required cash payments on terms and conditions the Secretary may prescribe. If the new vessel is not constructed under this subtitle, the Secretary shall pay the trade-in allowance to the builder of the vessel for the account of the owner when the Secretary acquires the obsolete vessel.

(b) **ACQUISITION AT TIME OF DELIVERY.**—If acquisition of the obsolete vessel occurs when the new vessel is delivered to the owner, the Secretary shall deposit the trade-in allowance in the owner’s capital construction fund.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1663.)

HISTORICAL AND REVISION NOTES

<i>Revised Section</i>	<i>Source (U.S. Code)</i>	<i>Source (Statutes at Large)</i>
57306	46 App.:1160(b) (4th–7th sentences).	June 29, 1936, ch. 858, title V, §510(b) (4th–7th sentences), as added Aug. 4, 1939, ch. 417, §7, 53 Stat. 1184; Pub. L. 87–401, subd. (1), Oct. 5, 1961, 75 Stat. 833; Pub. L. 91–469, §12(b), 35(a), Oct. 21, 1970, 84 Stat. 1022, 1035; Pub. L. 97–31, §12(91), Aug. 6, 1981, 95 Stat. 161.

In subsection (b), the words “acquisition of the obsolete vessel occurs” are substituted for “title to the obsolete vessel is acquired” for consistency in the chapter.

§ 57307. Recognition of gain for tax purposes

The owner of an obsolete vessel does not recognize a gain under the Federal income tax laws