

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

when the vessel is transferred to the Secretary of Transportation in exchange for a trade-in allowance under this chapter. The basis of the new vessel acquired with the allowance is the same as the basis of the obsolete vessel—

- (1) increased by the difference between the cost of the new vessel and the trade-in allowance of the obsolete vessel; and
- (2) decreased by the amount of loss recognized on the transfer.

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

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
57307	46 App.:1160(e).	June 29, 1936, ch. 858, title V, §510(e), as added Aug. 4, 1939, ch. 417, §7, 53 Stat. 1184; Pub. L. 97–31, §12(91), Aug. 6, 1981, 95 Stat. 161.

The words “for gain or loss upon a sale or exchange and for depreciation under the applicable Federal income-tax laws” and “or vessels exchanged for credit upon the acquisition of such new vessel” are omitted as unnecessary. In paragraph (1), the words “the difference between the cost of the new vessel and the trade-in allowance of the obsolete vessel” are substituted for “the amount of the cost of such vessel (other than the cost represented by such obsolete vessel or vessels)” for clarity.

§ 57308. Use of vessels at least 25 years old

An obsolete vessel acquired under this chapter that is or becomes at least 25 years old may not be used for commercial operation. However, the vessel may be used—

- (1) during a period in which vessels may be requisitioned under chapter 563 of this title; or
- (2) except as otherwise provided in this subtitle, on trade routes serving only the foreign trade of the United States.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1664.)

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
57308	46 App.:1160(g).	June 29, 1936, ch. 858, title V, §510(g), as added Aug. 4, 1939, ch. 417, §7, 53 Stat. 1185; Pub. L. 86–518, §1, June 12, 1960, 74 Stat. 216; Pub. L. 97–31, §12(91), Aug. 6, 1981, 95 Stat. 161.

The words “and vessels presently in the Secretary’s laid-up fleet which are or become twenty-five years old or more” and “or any such vessel in the laid-up fleet” are omitted as obsolete. In paragraph (2), the words “for the employment of the Secretary’s vessels in steamship lines” are omitted as unnecessary.

CHAPTER 575—CONSTRUCTION, CHARTER, AND SALE OF VESSELS

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- Sec.
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- 57503. Competitive bidding.
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SUBCHAPTER II—CHARTERS

- 57511. Demise charters.
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- 57531. Construction and charter of vessels for unsuccessful routes.
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AMENDMENTS

2018—Pub. L. 115–232, div. C, title XXXV, §3546(t), Aug. 13, 2018, 132 Stat. 2327, inserted period at end of item 57533.

2016—Pub. L. 114–120, title III, §313(c)(2), Feb. 8, 2016, 130 Stat. 59, added item 57522.

2008—Pub. L. 110–181, div. C, title XXXV, §3511(b), Jan. 28, 2008, 122 Stat. 594, added item 57533.

SUBCHAPTER I—GENERAL

§ 57501. Completion of long-range program

Whenever the Secretary of Transportation determines that the objectives and policies declared in sections 50101 and 50102 of this title cannot be fully realized within a reasonable time under title V of the Merchant Marine Act, 1936, and the President approves the determination, the Secretary, in accordance with this chapter, shall complete the long-range program described in section 50102 of this title.

(Pub. L. 109–304, §8(c), Oct. 6, 2006, 120 Stat. 1664; Pub. L. 114–120, title III, §313(b)(1), Feb. 8, 2016, 130 Stat. 58.)

HISTORICAL AND REVISION NOTES

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
57501	46 App.:1191.	June 29, 1936, ch. 858, title VII, §701, 49 Stat. 2008; Pub. L. 97–31, §12(103), Aug. 6, 1981, 95 Stat. 162.

The words “find and”, “finding and”, “in whole or in part”, and “previously adopted” are omitted as unnecessary. The word “shall” is substituted for “is authorized and directed to” to eliminate unnecessary words.

REFERENCES IN TEXT

The Merchant Marine Act, 1936, referred to in text, is act June 29, 1936, ch. 858, 49 Stat. 1985. Title V of the Act enacted provisions set out as a note under section 53101 of this title. For complete classification of this Act to the Code, see Short Title of 1936 Amendment note set out under section 101 of this title and Tables.

AMENDMENTS

2016—Pub. L. 114–120 substituted “title V” for “titles V and VI”.

§ 57502. Construction, reconditioning, and remodeling of vessels

(a) IN GENERAL.—The Secretary of Transportation may have new vessels constructed, and