

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

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
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

Revised Section	Source (U.S. Code)	Source (Statutes at Large)
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**

**SUBCHAPTER I—GENERAL**

Sec. 57501.	Completion of long-range program.
57502.	Construction, reconditioning, and remodeling of vessels.
57503.	Competitive bidding.
57504.	Charter or sale of vessels acquired by Department of Transportation.