
AMENDING THE REVENUE ACT OF 1942

DECEMBER 11 (legislative day, NOVEMBER 30), 1942.—Ordered to be printed

Mr. WALSH, from the Committee on Finance, submitted the following

REPORT

[To accompany H. J. Res. 365]

The Committee on Finance, to whom was referred the joint resolution (H. J. Res. 365) to amend the Revenue Act of 1942, having considered the same, report favorably thereon and recommend that the joint resolution do pass.

The joint resolution amends sections 403 and 452 of the Revenue Act of 1942, amending sections 811 (f) and 1000 of the Internal Revenue Code, relating to the powers of appointment in the estate and gift tax provisions.

Under the 1942 Revenue Act the Congress provided that holders of general powers of appointment, created on or before the date of enactment of the amendments, may release such powers prior to January 1, 1943, without incurring estate or gift tax liability. The purpose of this amendment is to afford holders of such powers additional time to readjust their affairs in the light of the new provisions, changing the date for the release of such general powers from January 1, to July 1, 1943.

The proposed amendment has the approval of the Treasury Department and the staff of the Joint Committee on Internal Revenue Taxation. The chief of the staff of the Joint Committee on Internal Revenue Taxation in a letter addressed to Senator David I. Walsh, member of the Finance Committee, under the date of December 1, 1942, expressed approval of the proposed measure, adding extension of the date "will give us sufficient time to study this problem so as to avoid any hardship against the legitimate fiduciary who has no beneficial interest in the testator's estate." He further stated that "it is believed that the present law may result in hardship upon the fiduciary with a general power and require the property subject to the power to be included in the trustee's own estate, although he had no personal interest in the property and was never intended to have any such personal interest."

For the further information of the Senate there is appended hereto and made a part of this report a letter to the chairman of the Finance Committee from the General Counsel of the Treasury Department setting forth that Department's views on the joint resolution, as follows:

TREASURY DEPARTMENT,
Washington, December 4, 1942.

HON. WALTER F. GEORGE,
United States Senate, Washington, D. C.

MY DEAR MR. CHAIRMAN: Sections 403 and 452 of the Revenue Act of 1942, amending sections 811 (f) and 1000 of the Internal Revenue Code, make important changes in the estate- and gift-tax provisions relating to powers of appointment. The Congress has therefore provided that holders of general powers of appointment, created on or before the date of enactment of the amendments, may release such powers prior to January 1, 1943, without incurring estate- or gift-tax liability. This provision is intended to afford holders of such powers additional time to readjust their affairs in the light of the new provisions.

In preparing the regulations relating to sections 403 and 452, the Treasury Department has been confronted with many problems concerning the timely release of general powers. These problems are attributable to a number of factors. For example, the revenue act was approved on October 21, 1942, thus allowing a period of approximately 2 months for the solution of many problems of law requiring further study by the holders of powers and their legal advisers. Furthermore, the regulations are now in the course of preparation and, when finally promulgated, will probably appear too late to be of any appreciable assistance, in many cases, in advising taxpayers of the proper steps to be taken. In view of these and other considerations the Treasury Department believes it desirable to extend the period of readjustment from December 31, 1942, to June 30, 1943.

This expansion of time, it is further believed, may best be assured by a joint resolution passed at the present session of the Congress. It is suggested that in view of the need for prompt legislative action, the resolution be confined solely to extending the date for the release of general powers to June 30, 1943. If you deem such a joint resolution desirable, I shall be glad to submit for your consideration a draft of a resolution making the necessary change.

I am sending a similar letter to the Honorable Robert L. Doughton, chairman of the Committee on Ways and Means of the House of Representatives.

Sincerely yours,

RANDOLPH E. PAUL, *General Counsel.*

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