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SENATE

} REPORT
} No. 714

WAR LOSSES

JULY 24 (legislative day, JULY 16), 1947.—Ordered to be printed

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

REPORT

[To accompany H. R. 4257]

The Committee on Finance to whom was referred the bill (H. R. 4257) to provide for an extension of time for claiming credit or refund with respect to war losses, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

By virtue of this action, the Committee on Finance adopts the report of the Committee on Ways and Means of the House of Representatives which follows.

GENERAL STATEMENT

The bill extends the time for filing of claims for credit or refund with respect to war losses sustained in 1941 and 1942 to December 31, 1948. A similar extension was provided last year which expires December 31, 1947.

STUDIES OF WAR LOSS PROBLEMS

The staffs of the Joint Committee on Internal Revenue Taxation and the Treasury Department have been studying for several years the treatment of war loss recoveries with various groups representing a large number of the taxpayers concerned. A plan of revision generally satisfactory to these groups has recently been recommended by them to the chairman of your committee.

The basic feature of the plan recommended would be to tax recoveries by reference to the actual tax benefit attributable to the related war loss deduction. Among the purposes of the proposal are the elimination of the possible inequity of taxing recoveries at the tax rates of the year of recovery, avoiding certain valuation problems arising under the present law by permitting taxpayers to use as the value of property recovered its adjusted basis as of the loss date or its fair market value as of the recovery date, the elimination of the aggregation rule, providing for anticipatory replacements, and making the amendments retroactive in order to give the same treatment to recoveries already received as would be given to future recoveries.

In view of the fact that this is an extremely difficult subject, it is not possible for your committee to consider this proposal in time for enactment by the Congress prior to adjournment. However, your committee contemplates taking this subject under consideration as early as practicable in the next session in connection with the general revision bill.

EFFECT OF THE BILL

The bill provides that in the case of a claim for credit or refund due to an overpayment of tax arising from the failure of the taxpayer to take a deduction in respect of property deemed destroyed or seized under section 127 (a) of the code for a taxable year beginning in 1941 or 1942, the 3-year period of limitation prescribed under section 322 (b) (1) shall not expire prior to December 31, 1948. Also, in the case of any such claim filed on or before such date, the amount of credit or refund will not be subject to the limitations provided by section 322 (a) (2) or (3) to the extent of the overpayment attributable to such war-loss deduction.

CHANGES IN EXISTING LAW

In compliance with paragraph 2a of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as introduced, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

"EXTENSION OF TIME FOR CLAIMING CREDIT OR REFUND WITH RESPECT TO WAR LOSSES

"If a claim for credit or refund under the internal-revenue laws relates to an overpayment on account of the deductibility by the taxpayer of a loss in respect of property considered destroyed or seized under section 127 (a) of the Internal Revenue Code, relating to war losses, for a taxable year beginning in 1941 or 1942, the three-year period of limitation prescribed in section 322 (b) (1) of the Internal Revenue Code shall in no event expire prior to [December 31, 1947] *December 31, 1948*. In the case of such a claim filed on or before [December 31, 1947] *December 31, 1948*, the amount of the credit or refund may exceed the portion of the tax paid within the period provided in section 322 (b) (2) or (3) of the Internal Revenue Code, whichever is applicable, to the extent of the amount of the overpayment attributable to the deductibility of the loss described in this section."

