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SENATE.

{ REPORT
No. 1137.

REFUNDS OF TAXES.

FEBRUARY 12, 1923.—Ordered to be printed.

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

REPORT.

[To accompany H. R. 13775.]

The Committee on Finance, to whom was referred the bill (H. R. 13775), to amend the revenue act of 1921 in respect to credits and refunds, having considered the same, adopt in part the House report hereto appended and recommend the passage of the bill with certain amendments, the amendments and reasons therefor being set out at the close of this report.

[House Report No. 1424, Sixty-seventh Congress, fourth session.]

The Committee on Ways and Means, to whom was referred the bill (H. R. 13775) to amend the revenue act of 1921 in respect to credits and refunds, having had the same under consideration, reports it back to the House without amendment and recommends that the bill do pass.

In order that the changes proposed by the bill may clearly appear the original text of section 252 of the revenue act of 1921 is set out below, the proposed changes being indicated in italics; the part in italics being new matter added:

“SEC. 252. That if, upon examination of any return of income made pursuant to this Act, the Act of August 5, 1909, entitled ‘An Act to provide revenue, equalize duties, and encourage the industries of the United States, and for other purposes,’ the Act of October 3, 1913, entitled ‘An Act to reduce tariff duties and to provide revenue for the Government, and for other purposes,’ the Revenue Act of 1916, as amended, the Revenue Act of 1917, or the Revenue Act of 1918, it appears that an amount of income, war-profits or excess-profits tax has been paid in excess of that properly due, then, notwithstanding the provisions of section 3228 of the Revised Statutes, the amount of the excess shall be credited against any income, war-profits or excess-profits taxes, or installment thereof, then due from the taxpayer under any other return, and any balance of such excess shall be immediately refunded to the taxpayer: *Provided*, That no such credit or refund shall be allowed or made after five years from the date when the return was due, unless before the expiration of such five years a claim therefor is filed by the taxpayer, or unless before the expiration of one year from the time the tax was paid a claim therefor is filed by the taxpayer: *Provided further*, That if upon examination of any return of income made pursuant to the Revenue Act of 1917, the Revenue Act of 1918, or this Act, the invested capital of a taxpayer is decreased by the Commissioner, and such decrease is due to the fact that the taxpayer failed to take adequate deductions in previous years, with the result that an amount of income tax in excess

of that properly due was paid in any previous year or years, then, notwithstanding any other provision of law and regardless of the expiration of such five-year period, the amount of such excess shall, without the filing of any claim therefor, be credited or refunded as provided in this section: *And provided further*, That nothing in this section shall be construed to bar from allowance claims for refund filed prior to the passage of the Revenue Act of 1918 under subdivision (a) of section 14 of the Revenue Act of 1916, or filed prior to the passage of this Act under section 252 of the revenue Act of 1918.

"Where a tax has been paid under the provisions of section 221 or 237 in excess of that properly due, any refund or credit made under the provisions of this section or section 3228 of the Revised Statutes shall be made to the withholding agent unless the amount of such tax was actually withheld by the withholding agent."

Concerning the proposed bill the following letter has been received from the Treasury Department:

TREASURY DEPARTMENT,
Washington, January 13, 1923.

HON. WILLIAM R. GREEN,
*Acting Chairman, Committee on Ways and Means,
House of Representatives.*

MY DEAR MR. GREEN: I have your letter of January 12 requesting any comments that I may care to offer with reference to a bill, H. R. 13775, "To amend the revenue act of 1921 in respect to credits and refunds."

The proposed bill amends section 252 of the revenue act of 1921 in two respects: First, by providing that a refund or credit of income, war-profits or excess-profits taxes may be made if claim therefor is filed by the taxpayer within one year from the time the tax was paid even though not filed within five years from the time the return was due, and, second, by providing that where a tax is erroneously or illegally collected from a withholding agent the refund shall be made to the withholding agent unless the amount of such tax was actually withheld by the withholding agent.

Section 252 of the revenue act of 1921 provides that no credit or refund of income, war-profits or excess-profits taxes shall be allowed after five years from the date when the return was due unless before the expiration of such five years a claim therefor is filed by the taxpayer. Section 3228 of the Revised Statutes, as amended by section 1315 of the revenue act of 1921, provides that a claim for the refunding or crediting of any internal-revenue tax erroneously or illegally collected must be presented to the Commissioner of Internal Revenue within four years after the payment of such tax. The present ruling of the Treasury Department is that section 252 of the revenue act of 1921 and section 3228 of the Revised Statutes should be read together, and that a refund or credit of income, war-profits or excess-profits taxes erroneously or illegally collected may be made if claim therefor was filed within four years after the tax was paid although not within five years after the return was due. The necessity for a provision allowing the filing of a claim within a given period after the tax is paid, even though not within five years after the return was due, is apparent. In the case of an additional assessment of income, war-profits or excess-profits taxes after the expiration of the five-year period from the time when the return was due, which is permissible in cases where the taxpayer has waived his rights under the statute of limitations, such assessment would be final when made and the taxpayer would be barred from filing a claim for refund even to form the basis for a suit at law for the recovery of the taxes paid. The existing ruling of the Treasury Department, allowing a taxpayer to file a claim within four years after the tax is paid even though not within the five-year period after the return was due, is of very doubtful legality, and consequently it is deemed advisable to clarify the situation by means of legislation, and provide unequivocally that a claim for refund or credit may be considered by the department if filed within a given period after the tax was paid even though not within five years from the time the return was due.

For the reasons stated above I approve the proposed bill amending the revenue act of 1921 both as to form and as to substance.

Yours very truly,

A. W. MELLON, *Secretary.*

The purpose and effect of the bill is very clearly shown in the letter of the Secretary of the Treasury set out above. The committee concurs in the reasoning of the Secretary as to the necessity of making the law definite so that the taxpayer who has, by agreement with the Treasury, permitted the time for the final assessment of the taxes due from him to be made after the expiration of the five-year period, will not be barred from making a claim for a refund when such assessment is made and the taxpayer alleges that the assessment is illegal. While the Treasury Department is now permitting this to be done as a matter of common justice, the legal right to do so is ques-

tionable. The committee believes that it is not necessary that the taxpayer should have four years after such a payment had been made and considers one year sufficient. That amount of time is accordingly given by the bill to the taxpayer after the payment in which to make his claim for a refund.

The last paragraph of the bill relates to cases where a tax has been paid by a withholding agent in excess of that properly due without withholding the amount of such payment from the interest due the bondholder. In such cases it is obvious that the withholding agent, having paid the tax, erroneously collected, out of his own funds, should be the party to be reimbursed. Apparently such was the intention of the general provisions with reference to refunds of taxes, as found in section 3220 of the Revised Statutes as amended by the act of 1921, but section 252 of the act of 1921, which, so far as it applies to such cases, is in substance the same as section 252 of the act of 1918, might be construed to require this refund to be paid to the bondholder notwithstanding he had not paid it in the first instance nor had it been charged to him or in any way deducted from any moneys or credits belonging to him.

The language of the bill makes it clear that where the withholding agent has not withheld the amount of such tax from the amount due the taxpayer but has paid the tax erroneously assessed from his own funds the refund shall be made to the withholding agent.

On page 1, line 5, after the words "Section 252" insert "(a)."

The reason for this amendment is that in the amendments made by the Finance Committee it was deemed advisable to subdivide section 252, as amended by this bill, into paragraphs (a), (b), (c), and (d) in order to avoid confusion in the administration of the same and to clarify the fact that each section is a separate entity.

On page 2, line 14, after the word "taxpayer" insert:

except in those cases where the taxpayer has, prior to the expiration of five years from the date when the return was due, filed a waiver of his right to have the amount of income, excess profits, or war profits taxes due for the taxable year 1917 determined and assessed within five years after the return was filed. In case of such waiver credit or refund of the tax paid for the taxable year 1917 in excess of that properly due shall be allowed or made if within six years from the date when the return was due a claim therefor is filed by the taxpayer.

The reasons for this exception are set out in the brief filed by Arnold L. Guesmer, who is chairman of the tax committee of the Inland Press Association, and who was formerly chairman of the tax committee of the American Newspaper Publishers' Association:

MEMORANDUM AS TO AMENDMENT OF FIRST PROVISOR OF SECTION 252, 1921 REVENUE ACT MADE BY H. R. 13775, PASSED BY HOUSE OF REPRESENTATIVES FEBRUARY 1, 1923.

The first proviso of section 252, 1921 revenue act, before amendment, reads as follows:

"Provided, That no such credit or refund shall be allowed or made after five years from the date when the return was due, unless before the expiration of such five years a claim therefor is filed by the taxpayer."

H. R. 13775 adds to that language the words, "or unless before the expiration of one year from the time the tax was paid a claim therefor is filed by the taxpayer."

EFFECT OF THIS AMENDMENT.

The returns for 1917 income were due in March, 1918. The payment of tax on 1917 income was made in 1918, some time between March and June 1. The one year after payment expired before the five years after due date of the return. The House addition is of no service in the numerous cases wherein the taxpayer, due to the universal difficulty with the new law and the new tax, returned and paid more than he owed. It is of service only in those cases wherein the bureau claims the taxpayer underreturned and underpaid and imposes an additional assessment several years later.

THE PROVISIO SHOULD BE FURTHER AMENDED.

For reasons below stated there should be made to the proviso as amended by the House amendments indicated in A and B below:

A. An amendment in either the form of (a) or (b) below:

(a) Substitute "seven years" in the place of "five years"; or

(b) Add to the proviso as amended by the House the following:

"In cases wherein the taxpayer, voluntarily or at the request of the Revenue Bureau, has filed, or shall hereafter file, a waiver of any statute of limitations running in his favor and against the Government, as to any year or years, such filing of waiver shall itself, without further act, automatically bring about a waiver of any statutes of limitation running against the taxpayer and in favor of the Government as to such year or years, and the taxpayer may, as to such year or years, file a claim for credit or refund with the same force and effect as if the same had been filed within the five-year period above provided for."

B. There should be added to the proviso as amended by the House the following:

"If the taxpayer, mistakenly or under protest, makes or made any overpayment of any income and/or profits taxes, with or without penalties and interest thereon, suit may be maintained therefor against the United States if commenced within two years after disallowance, in whole or in part, of any claim for refund or for credit thereof. The commissioner shall, within 90 days after any such disallowance, notify the taxpayer thereof by mail."

SOME REASONS FOR THE ABOVE SUGGESTED ADDITIONAL AMENDMENTS.

1. *As to additional time to file claims for refund.*—Under the law as it stands, after the House amendment, and as it stood before, the taxpayer is obliged to file his claim for refund within five years from the due date of return. The returns on 1917 income were due in March, 1918. This means that the time for filing claims for refund will expire in March, 1923.

The bureau has found it impossible to complete its audits as to the taxes on 1917 income, although it has made a special effort so to do during the last year. It has been obliged to ask numerous taxpayers to waive the statutes as to themselves without, however, any waiver on the part of the Government as to the statutes running against it. The taxpayer is under the same difficulty as the Government. When the 1917 revenue law was passed it introduced a tax entirely new in this country. The taxpayers had to do the best they could in filing their returns. The matter was so involved that they could not tell whether they were showing the correct amounts or not. The result is that in many instances the taxpayer had to choose between underpaying or overpaying. He did not know whether his showing was right or not. In many instances there were overpayments. The extent of the overpayments could be ascertained only by an extensive audit. In order to get at the capital invested it was necessary to audit the corporation's books from the time it started business. It was impossible to do that in 1917 or 1918 because everyone was busy with other things arising out of the war and there were not auditors enough to do it, and besides the law was so little understood that taxpayers found it impossible to cope with it.

Inasmuch as the Government will require a considerable additional time to work out its end of the 1917 taxes, the taxpayer will necessarily need additional time.

It is important that the Government get the correct amount of tax due; it is also important that the taxpayer get back any overpayment which he may have made. If both the taxpayer and the Government could have gotten ready some time during the last five years, the situation would be different. The fact that they could not get ready within that time means that five years, under the circumstances, is inadequate.

2. The statute says that the claims for refund and credit must be filed in accordance with the regulations. The regulations require certain data to support the claim. These data can be accurately ascertained only by an extensive audit, which requires many months to make. It is desirable that the claim when filed be fully, rather than partially, supported, thus obviating the necessity of the Government asking for additional information and going over the case more than once.

3. The Government, as a matter of practice, protects itself against a statute running against it by requiring the taxpayer to waive the statute of limitations. If he should refuse to waive, the Government could impose an additional assessment based on hasty work and hurriedly make an amply large assessment to avoid the statute running.

4. If the taxpayer waives the statute, then the Government may make extra assessments and collect any additional taxes which may be found due, but in those instances

when the taxpayer has overpaid and has money coming from the Government the statute runs against him, because the Government has not waived any statute of limitations running against the taxpayer. That creates a one-sided situation. Certainly if the Government has time without limit, because the statute was waived by the taxpayer, to impose an additional assessment, the taxpayer ought to have the same privilege to get back any overpayments. At least he ought to have two additional years from now, when the Government is getting to a closing point on its 1917 work, within which to protect himself.

5. It is desirable that the taxpayer, in having his audit made for 1917, cover the other excess-profits tax years at the same time. He thus presents only one case to the bureau instead of first presenting a case involving 1917 only, and then coming in with another case involving subsequent years under another act. If he covers all the years in one record, the Government has only one record to go over and can cover all the years at the same time. This is particularly true, because the Government's determination as to the figures for 1917 has a crucial bearing on the capital figures for subsequent years, and the record for subsequent years will depend upon what is the final disposition for 1917. Inasmuch as the taxpayer must have an audit made properly to cover 1917, it is important that that audit cover subsequent years at the same time. That saves work for the bureau and work and expense for the taxpayer.

6. The taxpayer's audit should logically come after the one made by the Government, because after the Government has made its audit the taxpayer is called upon to meet many points appearing in the Government's audit.

7. The object, of course, is to give the Government every opportunity to get the correct amount of taxes; and, on the other hand, to give the taxpayer the same opportunity. Whenever the taxpayer is willing to waive time as to the Government, the Government ought to be willing to waive time as to him. The law does not now provide for such waiver by the Government, therefore it should be definitely made to do so while the above section is up for amendment. It is imperative that this be done now, because the taxpayer's rights will soon expire.

8. *As to time to begin suit (see sec. 1318).*—As the law now stands, a taxpayer must commence suit within five years after the date of the overpayment. As to any overpayment made in 1917, his time will expire in 1923. The payments for 1917 were made between March 1 and June 1, 1918. There were many overpayments made by many concerns in that period.

9. Even the taxpayer who has completed his audit and who has filed his case with the Government, together with his claim for refund, will be obliged to sue the Government some time before June, 1923. The taxpayer does not know that his claim for refund is going to be allowed; he knows that he may have to sue for it. His time to sue will expire within a few months. This will mean that in numerous cases suits will have to be started to protect the taxpayer.

10. Furthermore, section 1318 of the 1921 act provides that suit can not be commenced until a claim for refund has been on file for six months, unless the commissioner renders a decision thereon within that six months. This means that he has to file his claim for refund six months before the expiration of the five years for beginning suit. In the case of the 1917 tax, if the commissioner has not passed on the claim, and if the taxpayer did not file his claim for refund six months before June 1, 1923, or earlier, he can not start his suit until after the five years has gone by, and then the five-year limitation will preclude it. As a matter of fact, the taxpayer has only four and one-half years within which to file his claim for refund or for credit.

11. The law ought not to put the taxpayer in the position wherein he must sue the Government before the Revenue Bureau has acted on his claim for refund or for credit. If the section be amended, as above suggested, the taxpayer will not have to start any suit until after it has been definitely determined that the bureau has disallowed his claim. He ought to have two years after such disallowance to begin that suit, because during that two years further negotiations with the bureau may result in the case being settled without suit.

12. The object is, of course, to obviate, not to precipitate, necessity for suit. An emergency exists requiring immediate amendment in order to accomplish that object.

Special consideration ought to be shown by the Government to one who overpaid at a time when the Government needed the money most. At least, he ought not to be subjected to a disadvantage compared with one who happened to underpay.

The foregoing brief of the case was submitted to the Treasury Department for a report and in accordance thereto the Secretary of the Treasury made certain recommendations which were embodied

in the bill as shown by the following letter and the memoranda proposing amendments attached thereto:

TREASURY DEPARTMENT,
Washington, February 9, 1923.

DEAR MR. CHAIRMAN: I am forwarding herewith drafts of three amendments to H. R. 13775, to amend the revenue act of 1921, in respect to credit and refund. I understand that these amendments were suggested yesterday at a meeting of the committee, and I am glad to be able to advise you that the Treasury offers no objection to them.

Sincerely yours,

A. W. MELLON,
Secretary of the Treasury.

HON. PORTER J. McCUMBER,
Chairman Committee on Finance, United States Senate.

PROPOSED AMENDMENTS TO H. R. 13775.

On page 2, line 15, strike out the words "one year" and insert in lieu thereof "two years."

On page 2, line 14, insert after the word "taxpayer" the following: "except in those cases where the taxpayer has, prior to the expiration of five years from the date when the return was due, filed a waiver of his right to have the amount of income, excess-profits or war-profits taxes due for the taxable year 1917 determined and assessed within five years after the return was filed, such credit or refund of the tax paid for the taxable year 1917 in excess of that properly due shall be allowed or made if within six years from the date when the return was due a claim therefor is filed by the taxpayer."

That said H. R. 13775 be further amended by adding at the end thereof, after the above, the following:

"That section 3226 of the Revised Statutes, as amended by section 1318 of the revenue act of 1921, is amended by striking out the period at the end of the first paragraph and inserting in lieu thereof the following: 'unless such suit or proceeding is begun within two years after the disallowance in whole or in part of such claim for refund or credit. The commissioner shall within ninety days after any such disallowance notify the taxpayer thereof by mail.'"

On page 2, line 15, strike out the word "one" and insert in lieu thereof the word "two."

This amendment is made for the purpose of allowing the taxpayers under assessment of 1917 an additional year in which to file amendments for refund of taxes and is given because of the fact that the Treasury Department has not as yet been able to audit the returns of the 1917 taxpayers account.

On page 3, after line 8, insert:

(b) That in all cases where income has at any time been received by any person who was or subsequently became an alien enemy or by any corporation the majority of whose shares of outstanding stock was owned by persons who were or subsequently became enemy aliens and such person or corporation has failed to pay any taxes payable under any revenue act of the United States, or such taxes have at any time been paid by citizens of the United States or by such corporation after the majority of its outstanding shares of stock has been purchased from the United States or from some officer or official of the United States by citizens of the United States or by a domestic corporation all of whose outstanding shares of stock were owned by citizens of the United States, the Secretary of the Treasury is authorized and directed, any statute of limitations and section 3228 of the Revised Statutes to the contrary notwithstanding, to collect such taxes out of the proceeds of any sales of such shares of stock or other property of such person or corporation, or either of them, which have become deposited in the Treasury of the United States pursuant to law and to refund to such citizens of the United States or to such corporation all taxes so paid by them, or either of them, and charge the amounts so refunded against the proceeds of the sales of such shares of stock or such other property so deposited in the Treasury of the United States: *Provided, however,* That the amounts of such refunds shall not exceed

the amounts of such proceeds of the sales of such shares of stock or other property so deposited in the Treasury of the United States pursuant to law: *And provided further*, That if the amounts of such proceeds of the sales of such shares of stock or other property so deposited in the Treasury of the United States pursuant to law are less than the amount of taxes payable under any revenue act of the United States, nothing herein contained, after such proceeds are exhausted, shall be construed to prevent the collection from sources other than such proceeds of any deficiency in such taxes so payable.

This amendment is incorporating in the bill S. 4318 as amended by the Committee on Finance and which has been favorably reported to the Senate. The reasons for this legislation are contained in Senate Report No. 1118 submitted by the chairman of the Committee on Finance, which in part is as follows:

[Senate report No. 1118, Sixty-seventh Congress, fourth session.]

The Committee on Finance, to whom was referred the bill (S. 4318) authorizing the Secretary of the Treasury to make collections and refunds of taxes out of the proceeds of sales of property held in the Treasury, having considered the same, report favorably thereon with the recommendation that the bill do pass with amendments.

The amendments and explanation of the same are set out in full at the close of this report.

The purpose of the bill is to authorize the collection of unpaid income taxes on income received by enemy aliens prior to the seizure of their property and the refundment to American citizens out of the moneys so collected of any taxes paid by them on such income.

After the entry of the United States into the World War the property of enemy aliens was seized and taken into custody by the proper officials of the United States and some of this property was later sold to citizens of the United States and the proceeds deposited in the Treasury. In some cases it was discovered that the enemy aliens whose property thus seized and sold had not paid income taxes on income received by them while they owned or controlled the property, and under existing legislation such income taxes in the amount of several millions of dollars are uncollectible from the enemy aliens, although the Treasury under the provisions of the revenue laws has compelled payment by the American purchasers of a relatively small proportion of such taxes.

The reason the major proportion of such income taxes are legally uncollectible in some cases under existing legislation is that all the property in the United States of the enemy aliens who received the income has been seized and sold, and although ordinarily under the provisions of the revenue laws the property of such enemy aliens or the proceeds of its sale would be subject to distraint for nonpayment of taxes, the provision in the trading with the enemy act that such property shall be held subject to such disposition "as Congress shall direct" has been construed to nullify these provisions of the revenue laws and to preclude collection of these income taxes out of the moneys held by the Treasury Department as the proceeds of the sale of the property of the enemy aliens who received the income.

The passage of this bill is recommended with a view to remedying the situation above described. It does so by authorizing collection of all income taxes on income received by enemy aliens or by corporations controlled by enemy aliens out of the proceeds of the sale of property of such enemy aliens or enemy alien corporations and the refund to American citizens or corporations entirely owned by American citizens of all such taxes which have been paid by them on income which they did not receive. The bill effectuates one of the basic principles of the revenue laws that the ultimate payment of income taxes shall be made always by the real recipient of the income. The bill has been amended in the following respects and for the following reasons: In order to insure construction of the bill as an entity and preclude the possible importation into the bill of limitations and conditions from other parts of the revenue acts dealing with other and different situations, the word "case," in line 3, on page 1, has been stricken and the words "all cases where" have been inserted in lieu thereof. In order to remove any bar to the action authorized by the bill by reason of lapse of time the words "at any time" have been inserted in line 3, on page 1, after the word "has," and again in line 9, on page 1, after the word "have," and the words "any statute of limitations and section 3228 of the Revised Statutes to the contrary notwithstanding" have been inserted in line 5, on page 2, after the word "directed." In order to make all proceeds of all sales, whether derived from the disposition of the property of enemy alien persons or enemy alien corporations, available for collection and refund in all

cases where taxes have not been collected or have been paid by Americans, the word "the" has been stricken in line 6, on page 2, and the word "any" inserted in lieu thereof, and the word "sale" has been pluralized; and the words "or either of them" have been inserted in line 7, on page 2, after the word "corporation"; and the word "has" has been stricken in line 7, on page 2, and the word "have" inserted in lieu thereof; and the words "amount" and "sale," in line 11, on page 2; have been pluralized. In order to make the language of the bill correspond with the usual language of the revenue acts, the word "make" has been stricken in line 8, on page 2, and the word "refundment" has been stricken in line 9, on page 2, and the word "refund" inserted in lieu thereof; and the word "of" has been stricken in line 10, on page 2, and the words "or any of them" inserted in line 10, on page 2, after the word "them." In order that the bill shall not authorize the payment of any money out of the Treasury other than moneys derived from the sale of alien enemy owned property, and in order that the action of the Treasury in making the collections authorized by the bill shall not be limited after the proceeds of the sales of alien enemy property have been exhausted, the words have been inserted after the word "States," in line 13, on page 2:

"Provided, however, That the amounts of such refunds shall not exceed the amounts of such proceeds of the sales of such shares of stock or other property so deposited in the Treasury of the United States pursuant to law. And provided further, That if the amounts of such proceeds of the sales of such shares of stock or other property so deposited in the Treasury of the United States pursuant to law are less than the amount of taxes payable under any revenue act of the United States, nothing herein contained, after such proceeds are exhausted, shall be construed to prevent the collection from sources other than such proceeds of any deficiency in such taxes so payable."

All of the foregoing amendments are either for the sake of clarity or in accord with considerations of the Treasury Department, which did not wish to make any recommendations with regard to the bill, and it is believed that with the foregoing amendments, the administration of the bill is properly safeguarded. The bill takes no money out of the Treasury, but, on the contrary, makes available for use by the Treasury several millions of dollars over and above the proportionately small amounts required to make the necessary equitable refundments to American citizens.

On page 2, line 9, before the word "where" insert "(c)."

This is merely to subdivide the section into alphabetical subsections for the easy construction of the law.

At the end of the bill insert a new section, as follows:

(d) That section 3226 of the Revised Statutes, as amended by section 1318 of the revenue act of 1921, is amended by striking out the period at the end of the first paragraph and inserting in lieu thereof the following: "unless such suit or proceeding is begun within two years after the disallowance in whole or in part of such claim for refund or credit. The commissioner shall within ninety days after any such disallowance notify the taxpayer thereof by mail."

This is a new section amending section 3226 of the Revised Statutes to permit bringing suits within two years after the disallowance of a claim, the statute of limitations notwithstanding, and is recommended by the Treasury Department.