

ADVISES ABOUT 1917 INCOME TAX CLAIMS

Overpayment Claims to Be Filed by March 1

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After March 1, 1923, it will be too late to file Claims for Refunds for overpayment of 1917 Income Taxes. The taxpayer may claim abatement if additional taxes are assessed and demanded after that date. Section 250 (d) of the Revenue Act of 1921 provides that taxes due under any act prior to 1921 "shall be determined and assessed within five years after the return was filed."

This now applies primarily to the Income Tax Returns for the year 1917 which were filed by taxpayers on or before March 1, 1918, and on which taxes were paid without protest either at time of payment of the original amount or the payment of additional tax where assessed.

The Government sent waivers to taxpayers which many signed without careful thought and consideration. It is probable that even where waivers were signed, if the Government demands additional tax for the year 1917, payment can be refused and abated if the taxpayer can show that there was not sufficient consideration for signing the waiver.

Many taxpayers have learned that it was a mistake to sign the waiver because the Government did not then need to expedite the audit of the 1917 returns. They therefore have not been given attention, while others who did not sign waivers have had their 1917 and previous returns audited by the Government.

Federal Tax Returns for the calendar year 1917 were due on or before March 1, 1918. Where extensions of time were granted to individuals or

corporations and the returns were filed later the five year limit will not end March 1, 1923, but five years from the actual date of filing the 1917 returns.

Where 1917 returns have been audited and additional taxes assessed the taxpayer has the right to file Claims for Refunds within four years after the additional tax was paid. Suit may be brought within five years after the tax was paid, provided the Claim for Refund was filed six months before suit.

The importance of filing Claims for Refunds before the legal expiration is vital and any taxpayers who are not satisfied with the 1917 Income Tax Return should immediately arrange to file Claims for Refund before March 1, 1923, or before five years from date of filing the 1917 return.

On January 2, 1923, the U. S. Supreme Court rendered a decision refusing a refund of \$55,158 to a corporation because the Claim for Refund properly prepared had not been filed within the statutory period.

If unable before March 1, 1923, to thoroughly examine the accounts and prepare final Claim-for-Refund for overpayment of 1917 taxes, it may be possible to file a Claim for an estimated amount before that date and later to complete or to amend the Claim. This preserves the rights for refund of 1917 over-payments.

Interest is paid by the U. S. Government for overpayments of taxes in some cases, but often the Department has refused to pay interest because there was no specific provision which would cover some individual cases. The regulations provide for a payment of interest upon Claims for Refunds beginning six months after the date of filing the Claim. Interest is also paid from date of payment of taxes where such payment was made "UNDER PROTEST" and the Department was so informed at the time of payment.

Whenever taxpayers are required to pay additional taxes for any period they should first find out whether a Claim-for-Abatement can be filed and payment delayed. They should never pay additional taxes demanded except after careful examination of the cor-

rections and adjustments of the returns made by the Department. Taxpayers should invariably pay additional taxes "UNDER PROTEST" reserving the right to a refund which will also carry with it interest from date of such over-payment.

In every case where taxpayers have paid what they believe to be exorbitant taxes for the year 1917 because of a comparatively small Invested Capital, they should immediately file a Claim-for-Refund and reassessment under Section 210 of the 1917 Law. With this Claim should be filed a list giving the names of a large number of concerns in substantially the same line of business whose comparative Invested Capital is larger and whom the taxpayer believes has paid a lesser comparative Income Tax for the year 1917.

A very large portion of the money refunded has been upon Claims under Section 210 for comparative Invested Capital. The Department selects other concerns in the same line and averages the Invested Capital and earnings and taxes etc. and use these averages to determine a fair amount of taxes for the claimant who has been overassessed. This often results in a refund of a large percentage of the taxes where

originally the excess profits taxes were computed under the 45% or 60% brackets in the 1917 return.

If taxpayers are entirely satisfied with the amount of 1917 Income Taxes paid there is no cause for uneasiness. If, however, any taxpayer believes he has proportionately paid too much Income and Excess Profits Taxes for the year 1917, he should immediately arrange to file a Claim-for-Refund under Section 210 or such other sections of the 1917 Law as may apply to his individual case.

Quick decision should be made because the time is short to March 1, 1923. In cases of this kind the taxpayer should secure assistance from

Income Tax Experts and Auditors who thoroughly understand accounts and the Income Tax Laws, and who have a high standing with the Income Tax Department in Chicago and Washington. Delay carelessness or inefficiency in preparing the claim or the accompanying papers may result in failure to collect all or a portion of the taxes which should be refunded.

The time is short and every taxpayer should get out his 1917 tax return and look it over to satisfy himself that he should or should not file a Claim for Refund. If he thinks he has overpaid he should immediately have his Claim-for-Refund prepared and filed.

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