11 T.C. 1037 (1948)

The mailing of a letter by registered mail requesting financial data constitutes commencement of renegotiation proceedings under the Renegotiation Act, and the Renegotiation Act of 1942 is constitutional.

Summary

This case addresses the constitutionality of the Renegotiation Act of 1942 and what constitutes timely commencement of renegotiation proceedings. The Tax Court held the act constitutional and found that mailing a letter requesting financial data within one year of the contractor's fiscal year-end constituted timely commencement. The court emphasized that receipt of the letter was not essential for commencement, focusing instead on the act of mailing by the Price Adjustment Board. This decision clarifies the procedural requirements for renegotiating wartime contracts and ensures contractors adhere to the Act.

Facts

The Fieldstone Tool & Machine Co. (petitioner) was a partnership organized in January 1942. On December 20, 1943, the Price Adjustment Board of the War Department sent a letter by registered mail to the petitioner, notifying them that renegotiation proceedings had commenced to determine excessive profits for the fiscal year ended December 31, 1942. The letter requested financial and accounting data and scheduled an initial conference. The petitioner received the letter on December 22, 1943, but did not respond. The Price Adjustment Board determined the petitioner's profits were excessive by $25,000.

Procedural History

The Price Adjustment Board of the War Department determined the petitioner made excessive profits. The renegotiation was reassigned to the R.F.C. Price Adjustment Board (respondent). The respondent unilaterally determined that the petitioner's profits for the fiscal year 1942 were excessive in the amount of $25,000. The petitioner appealed to the Tax Court, contesting the constitutionality of the Renegotiation Act and the timeliness of the renegotiation proceedings.

Issue(s)

1. Whether the Renegotiation Act of 1942 is an unconstitutional delegation of legislative power?

2. Whether the Renegotiation Act of 1942 provides adequate notice to contractors of the commencement of renegotiation proceedings?

3. Whether the mailing of a letter by the Price Adjustment Board to the petitioner on December 20, 1943, constituted commencement of renegotiation proceedings within

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the time prescribed by section 403(c)(6) of the Renegotiation Act of 1942?

Holding

1. No, because the Supreme Court has already determined the Renegotiation Act is not an unconstitutional delegation of legislative power.

2. Yes, because the act, along with its amendments, provided due process for contractors by allowing for a redetermination of excessive profits by the Tax Court.

3. Yes, because the mailing of a letter requesting information constitutes the commencement of renegotiation proceedings.

Court's Reasoning

The court relied on *Lichter v. United States, 334 U.S. 742*, which upheld the constitutionality of the Renegotiation Act against claims of unlawful delegation of legislative power. Regarding due process, the court cited *Opp Cotton Mills v. Administrator, 312 U.S. 126*, stating, "The demands of due process do not require a hearing, at the initial stage or at any particular point or at more than one point in an administrative proceeding so long as the requisite hearing is held before the final order becomes effective." The court emphasized that the opportunity for de novo review by the Tax Court satisfied due process requirements. On the issue of timely commencement, the court cited *Spray Cotton Mills v. Secretary of War, 9 T.C. 824*, which held that mailing a letter requesting information constitutes commencement. The court found sufficient evidence that the Price Adjustment Board mailed the letter on December 20, 1943, fulfilling the statutory requirement. The court stated, "receipt of the letter by the petitioner is not essential to commencement. The receipt of notice by the petitioner is a thing entirely apart from the commencement of the proceeding by the Secretary."

Practical Implications

This decision establishes clear guidelines for the commencement of renegotiation proceedings under the Renegotiation Act of 1942. It confirms that the *act* of mailing a notification letter requesting information is sufficient to commence proceedings, regardless of whether the contractor acknowledges or receives the letter. This ruling is important for understanding administrative procedures and the requirements for providing due process in government contract renegotiations. It illustrates that agencies must have verifiable proof of mailing to establish timely commencement. It has ongoing relevance in interpreting similar statutes and regulations that require specific actions within defined timeframes. Later cases have cited this ruling to reinforce the principle that procedural requirements are satisfied when the government agency takes documented steps to provide notice, even if actual receipt cannot be confirmed.

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