***12 T.C. 1217 (1949)***

Once jurisdiction is properly established under the Renegotiation Act of 1942 based on a contractor's receipts exceeding $100,000, the renegotiating authority may determine excessive profits even if that determination reduces the contractor's retained amount below $100,000.

**Summary**

Wolff & Phillips, a partnership of architects, received $132,819.79 in 1942 from four subcontracts. The Maritime Commission determined $60,000 of these receipts constituted excessive profits under the Renegotiation Act of 1942. Wolff & Phillips contested, arguing that the excessive profit determination could not reduce their receipts below the $100,000 jurisdictional threshold. The Tax Court upheld the Commission's determination, holding that the $100,000 limit only applied to the initial determination of jurisdiction, and did not limit the amount of excessive profits that could be recouped once jurisdiction was established. The court reasoned that the Act allowed renegotiation of "any amount" of excessive profits. A dissenting opinion argued that reducing the receipts below $100,000 effectively removed jurisdiction.

**Facts**

- Wolff & Phillips, a partnership of licensed architects, was formed in January 1942.
- In 1942, the partnership received $132,819.79 under four subcontracts for architectural services related to shipbuilding. These subcontracts included design and supervision of construction for various buildings.
- The subcontracts were with Oregon Shipbuilding Corporation and Kaiser Co., both operating under prime contracts with the Maritime Commission, and with Air Reduction Sales Co.
- The Maritime Commission determined that $60,000 of the $132,819.79 constituted excessive profits under the Renegotiation Act of 1942.

**Procedural History**

- The Maritime Commission determined that Wolff & Phillips had received excessive profits and sought to recoup $60,000.
- Wolff & Phillips appealed the Commission's decision to the Tax Court.
- The Tax Court previously addressed and denied a motion to dismiss for lack of jurisdiction in *George M. Wolff et al. v. Macauley, 8 T.C. 146*.

**Issue(s)**

1. Whether the Tax Court has jurisdiction over this proceeding under Section 403(e)(2) of the Renegotiation Act of 1943.
2. Whether, under Section 403(c)(6) of the Renegotiation Act of 1942, as

© 2025 SCOTUSreports.com. All rights reserved. 

amended, excessive profits can be eliminated in an amount that reduces the aggregate amounts received by the contractor below $100,000.

**Holding**

1. Yes, because the petitioners are not subcontractors described in section 403 (a) (5) (B) of the Renegotiation Act, as amended, and therefore the court has jurisdiction.
2. Yes, because Section 403(c)(6) provides a jurisdictional threshold, but once jurisdiction is established, the renegotiating authority can determine excessive profits in "any amount".

**Court's Reasoning**

The Tax Court reasoned that the Renegotiation Act of 1942 authorized the secretaries of various departments to renegotiate contracts to eliminate excessive profits. Section 403(c)(6) established a $100,000 threshold for renegotiation. The court interpreted the language of Section 403(a)(4), which defined "excessive profits" as "*any amount* of a contract or subcontract price which is found as a result of renegotiation to represent excessive profits," to mean that once jurisdiction was properly established, the renegotiating authority had broad discretion to determine the amount of excessive profits. The court rejected the argument that this authority was limited by the $100,000 threshold, stating that there was no statutory provision eliminating any part of the profits from consideration after the renegotiating authority had legally assumed jurisdiction. The court dismissed the petitioners' reliance on a regulation of the War Contracts Price Adjustment Board and a statement by Senator George, arguing that these did not create substantive legal provisions not found in the Act itself. As the court stated, "If it had been the intention of Congress to impose such an administrative limitation on the renegotiating authority, it would certainly appear that such an intention should have been expressed in the legislation itself."

**Practical Implications**

This case clarifies the scope of authority granted to renegotiating bodies under the Renegotiation Act of 1942. It establishes that the $100,000 threshold is a jurisdictional prerequisite, not a limitation on the amount of excessive profits that can be recovered once jurisdiction is established. This decision reinforces the principle that administrative agencies are bound by the plain language of the statute and cannot create substantive rules that are not authorized by Congress. Later cases have cited this decision to support the idea that agencies can recoup funds even if it significantly impacts a contractor's profit, as long as the initial jurisdictional requirements are met.

© 2025 SCOTUSreports.com. All rights reserved. 