24 T.C. 460 (1955)

Under the Renegotiation Act of 1943, a renegotiation proceeding is timely commenced only when the government sends the contractor a notice of commencement by registered mail that gives reasonable notice of the time and place of a conference.

Summary

The U.S. Tax Court held that renegotiation proceedings against Northwest Automatic Products Corporation were not timely commenced. The court found that a preliminary conference notice sent by regular mail did not meet the requirements for commencement under the Renegotiation Act of 1943. Furthermore, a later registered letter, which did not specify a time and place for a conference, was also insufficient. The court emphasized that the statute required a notice of commencement by registered mail setting a time and place for a conference. Because neither of these conditions was met within the one-year statutory period after the financial statement was filed, the court determined that Northwest Automatic Products Corporation was discharged of all liability for excessive profits.

Facts

Northwest Automatic Products Corporation filed its Standard Form of Contractor's Report for its fiscal year ending December 31, 1944, on May 4, 1945. The Chicago Ordnance Price Adjustment Division sent Northwest a letter by regular mail on May 8, 1945, requesting a preliminary conference. On May 1, 1946, the Division sent a registered letter to Northwest stating that it constituted notice of commencement of renegotiation proceedings, but it did not specify a conference time or place. On April 21, 1947, the Treasury Price Adjustment Division sent Northwest a registered letter setting a date and time for a "final renegotiation conference." Northwest attended this conference but protested the timeliness of the proceedings.

Procedural History

The War Contracts Price Adjustment Board determined that Northwest had realized excessive profits. Northwest challenged this determination in the U.S. Tax Court, arguing that the renegotiation proceedings were not timely commenced or completed under the Renegotiation Act of 1943.

Issue(s)

1. Whether the letter dated May 8, 1945, from the Chicago P. A. D. requesting a preliminary conference commenced renegotiation proceedings in a timely manner, despite the fact that it was sent by regular mail?

2. Whether the registered letter dated May 1, 1946, from the Chicago P. A. D., which did not set a time or place for a conference, validly commenced renegotiation

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proceedings?

3. Whether the letter dated April 21, 1947, from the Treasury P. A. D. set the commencement of the renegotiation proceedings within the one-year period allowed from the date of filing the financial statement?

Holding

1. No, because the notice was sent by regular mail and not by registered mail, as required by the statute.

2. No, because the registered letter did not specify the time and place for a conference.

3. No, the financial statement was filed no later than February 11, 1946; thus, the letter of April 21, 1947, was sent more than one year after the contractor's report was filed.

Court's Reasoning

The court relied on the specific requirements of the Renegotiation Act of 1943. The court noted the Act's explicit requirement that commencement of renegotiation proceedings be effectuated by sending a notice of commencement by registered mail and that the notice had to specify the time and place of a conference. The court cited the case of *Buck v. U.S.*, which discussed that, by enacting the Revenue Act of 1943, Congress prescribed the specific manner for commencement. This, in effect, was a rewrite of the limitations provisions of the Renegotiation Act for years ending after June 30, 1943, and the court held that a notice of commencement must be sent by registered mail.

The court distinguished the preliminary conference of May 8, 1945, as an exploratory step, not a formal commencement of renegotiation. It emphasized that failure to send the notice by registered mail, as required by section 403(c)(1) of the Act, was fatal. The court also found the May 1, 1946, letter insufficient because it did not specify the time and place of the conference.

The court found that the contractor's financial statement was filed no later than February 11, 1946. The court also found the letter of April 21, 1947, to be sent outside the time frame allowed, based on the date of the financial statement filing.

Practical Implications

This case provides clear guidance on the requirements for commencing renegotiation proceedings under the Renegotiation Act of 1943. First, attorneys representing contractors must ensure that any notice from the government regarding renegotiation proceedings is received by registered mail. Second, attorneys must verify that such notices contain the requisite information: the time

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and place for a conference. Third, attorneys must ensure that notices of commencement are sent within one year of the filing of the financial statement. Later cases involving renegotiation proceedings should be analyzed in light of this strict adherence to statutory requirements. The case highlights the importance of meticulous compliance with statutory procedures in administrative proceedings. Failure to do so can have significant financial consequences for the government.

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