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Letter from A. P. Richardson, Secretary, American Institute of Accountants, to Members of the AIA Re: Treasury Decision 3414 and Section 1314 of the Revenue Act of 1921.

A. P. Richardson

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American Institute of Accountants

INCORPORATED UNDER THE LAWS OF THE DISTRICT OF COLUMBIA

135 CEDAR STREET, NEW YORK

February 10, 1923.

To the Members of the
American Institute of Accountants.

Gentlemen:

The committee on federal legislation draws the attention of the membership to Treasury Decision 3414 in which the following paragraph occurs:

"A lessee is not entitled, under the Revenue Acts of 1916, 1917, 1918, or 1921, to an allowance for depreciation based on the value of his lease as of March 1, 1913, if acquired prior thereto, but where a leasehold is acquired for business purposes for a specified sum, the purchaser may take as a deduction in his return an aliquot part of such sum each year, based on the number of years the lease has to run."

The committee feels that if the decision is retroactively applied it will result in the re-opening of thousands of cases which are believed to have been closed long ago, and that it will indirectly affect tens of thousands of stockholders who have received dividends reported to them as being non-taxable. The Treasury Department is reversing a position which it has held for some years, and under which the thousands of cases alluded to have been closed and settlements have been made.

Section 1314 of the Revenue Act of 1921 provides that when a Treasury decision or regulation is reversed by a subsequent decision or regulation, such subsequent regulation may, in the discretion of the Commissioner, with the approval of the Secretary, be applied without retroactive effect.

The foregoing reversal is precisely such a case as occasioned the new authority given for the first time to the Commissioner in the 1921 law. It is of paramount interest to probably more than one client of every practicing accountant that Treasury Decision 3414 be made non-retroactive. At the moment it looks as if the Commissioner's office is favorably inclined towards such action.

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If accountants will immediately get in touch with their representatives and senators the committee hopes that the cumulative result of such influence will be most effective in preventing retroactive application.

This matter is brought to the attention of members with the suggestion that they adopt this method of seeking the prevention of an undesirable application of a regulation.

The matter is urgent, and no delay should occur.

Yours truly,

A. P. RICHARDSON

Secretary

APR:EMM