

Mr. SPRAGUE. First of all, any losses that would have been available to the taxpayer would have been claimed in 1950 or 1949, so that the statutes have run on those years. Therefore, there could be no claim with respect to the loss as it existed at that time.

Mr. CAMERON. Unless the return is still open, which is entirely possible because an IRS agent could have come along and you could have claimed \$120 million and he could have written it down to 20 and you could have contested it.

Mr. SPRAGUE. This piece of legislation would have no bearing on any settlement of a case—

Mr. CAMERON. It conceivably could have an effect, couldn't it? IRS would not be compelled to accept the adjudication of the Claims Commission.

Mr. SPRAGUE. They make their own adjudication.

Mr. CAMERON. It would strengthen the hand of a litigant in the case of an action with respect to this matter to have the matter adjudicated, wouldn't it?

Mr. SPRAGUE. I think not.

Mr. CAMERON. You don't think the Tax Court would give any credence at all—

Mr. SPRAGUE. I don't think so.

Mr. CAMERON. I would rather go into Tax Court with it on my side rather than against me.

Mr. SPRAGUE. I would presume if you had a tax claim you would work just as hard building up that claim as you would in preparing this particular record for this particular body. Maybe a little harder.

Mr. CAMERON. That is dollars maybe you could see.

Mr. SPRAGUE. That is right.

Mr. CAMERON. When you say you have a \$60 million plant investment in this Shanghai property, I assume this was the gross book value of the original venture, not talking about depreciated costs?

Mr. SPRAGUE. I believe it is not the depreciated costs.

Mr. CAMERON. Your claim would probably be in excess of the \$60 million then, based upon the earning capacity and the franchise values and the going business and all that, wouldn't it?

Mr. SPRAGUE. It could be. It would have to be studied and considered. I am not at the moment in a position to say that.

Mr. CAMERON. I realize that. I am just thinking in terms of a going business. Normally the value placed on a going business would be in excess of what the actual capital investment in the —

Mr. SPRAGUE. It could be, sir.

Mr. CAMERON. Thank you, Mr. Chairman.

Mr. ZABLOCKI. Mr. Murphy?

Mr. MURPHY. No questions.

Mr. ZABLOCKI. Any further questions?

Thank you, Mr. Sprague and Mr. Lund.

Are there any other witnesses who desire to appear before the committee and make a statement?

If not, the committee will go into executive session.

(Whereupon, at 11:30 a.m., the subcommittee proceeded in executive session.)