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Public Law 89-719

AN ACT

To amend the Internal Revenue Code of 1954 with respect to the priority and effect of Federal tax liens and levies, and for other purposes.

November 2, 1966
[H. R. 11256]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

Federal Tax
Lien Act of 1966.

SECTION 1. SHORT TITLE, ETC.

(a) **SHORT TITLE.**—This Act may be cited as the “Federal Tax Lien Act of 1966”.

(b) **AMENDMENT OF 1954 CODE.**—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1954.

68A Stat. 3.
26 USC 1 et
seq

TITLE I—PRIORITY AND EFFECT OF TAX LIENS AND LEVIES

SEC. 101. PRIORITY OF LIENS.

(a) **AMENDMENT OF SECTION 6323.**—Section 6323 (relating to validity of tax liens against mortgagees, pledgees, purchasers, and judgment creditors) is amended to read as follows:

“SEC. 6323. VALIDITY AND PRIORITY AGAINST CERTAIN PERSONS.

“(a) **PURCHASES, HOLDERS OF SECURITY INTERESTS, MECHANIC’S LIENORS, AND JUDGMENT LIEN CREDITORS.**—The lien imposed by section 6321 shall not be valid as against any purchaser, holder of a security interest, mechanic’s lienor, or judgment lien creditor until notice thereof which meets the requirements of subsection (f) has been filed by the Secretary or his delegate.

“(b) **PROTECTION FOR CERTAIN INTERESTS EVEN THOUGH NOTICE FILED.**—Even though notice of a lien imposed by section 6321 has been filed, such lien shall not be valid—

“(1) **SECURITIES.**—With respect to a security (as defined in subsection (h) (4))—

“(A) as against a purchaser of such security who at the time of purchase did not have actual notice or knowledge of the existence of such lien; and

“(B) as against a holder of a security interest in such security who, at the time such interest came into existence, did not have actual notice or knowledge of the existence of such lien.

“(2) **MOTOR VEHICLES.**—With respect to a motor vehicle (as defined in subsection (h) (3)), as against a purchaser of such motor vehicle, if—

“(A) at the time of the purchase such purchaser did not have actual notice or knowledge of the existence of such lien, and

“(B) before the purchaser obtains such notice or knowledge, he has acquired possession of such motor vehicle and has not thereafter relinquished possession of such motor vehicle to the seller or his agent.

“(3) **PERSONAL PROPERTY PURCHASED AT RETAIL.**—With respect to tangible personal property purchased at retail, as against a purchaser in the ordinary course of the seller’s trade or business, unless at the time of such purchase such purchaser intends such

purchase to (or knows such purchase will) hinder, evade, or defeat the collection of any tax under this title.

“(4) **PERSONAL PROPERTY PURCHASED IN CASUAL SALE.**—With respect to household goods, personal effects, or other tangible personal property described in section 6334(a) purchased (not for resale) in a casual sale for less than \$250, as against the purchaser, but only if such purchaser does not have actual notice or knowledge (A) of the existence of such lien, or (B) that this sale is one of a series of sales.

“(5) **PERSONAL PROPERTY SUBJECT TO POSSESSORY LIEN.**—With respect to tangible personal property subject to a lien under local law securing the reasonable price of the repair or improvement of such property, as against a holder of such a lien, if such holder is, and has been, continuously in possession of such property from the time such lien arose.

“(6) **REAL PROPERTY TAX AND SPECIAL ASSESSMENT LIENS.**—With respect to real property, as against a holder of a lien upon such property, if such lien is entitled under local law to priority over security interests in such property which are prior in time, and such lien secures payment of—

“(A) a tax of general application levied by any taxing authority based upon the value of such property;

“(B) a special assessment imposed directly upon such property by any taxing authority, if such assessment is imposed for the purpose of defraying the cost of any public improvement; or

“(C) charges for utilities or public services furnished to such property by the United States, a State or political subdivision thereof, or an instrumentality of any one or more of the foregoing.

“(7) **RESIDENTIAL PROPERTY SUBJECT TO A MECHANIC'S LIEN FOR CERTAIN REPAIRS AND IMPROVEMENTS.**—With respect to real property subject to a lien for repair or improvement of a personal residence (containing not more than four dwelling units) occupied by the owner of such residence, as against a mechanic's lienor, but only if the contract price on the contract with the owner is not more than \$1,000.

“(8) **ATTORNEYS' LIENS.**—With respect to a judgment or other amount in settlement of a claim or of a cause of action, as against an attorney who, under local law, holds a lien upon or a contract enforceable against such judgment or amount, to the extent of his reasonable compensation for obtaining such judgment or procuring such settlement, except that this paragraph shall not apply to any judgment or amount in settlement of a claim or of a cause of action against the United States to the extent that the United States offsets such judgment or amount against any liability of the taxpayer to the United States.

“(9) **CERTAIN INSURANCE CONTRACTS.**—With respect to a life insurance, endowment, or annuity contract, as against the organization which is the insurer under such contract, at any time—

“(A) before such organization had actual notice or knowledge of the existence of such lien;

“(B) after such organization had such notice or knowledge, with respect to advances required to be made automatically to maintain such contract in force under an agreement entered into before such organization had such notice or knowledge; or

“(C) after satisfaction of a levy pursuant to section 6332(b), unless and until the Secretary or his delegate

Post, p. 1137.
26 USC 6334.

Post, p. 1136.

delivers to such organization a notice, executed after the date of such satisfaction, of the existence of such lien.

“(10) **PASSBOOK LOANS.**—With respect to a savings deposit, share, or other account, evidenced by a passbook, with an institution described in section 581 or 591, to the extent of any loan made by such institution without actual notice or knowledge of the existence of such lien, as against such institution, if such loan is secured by such account and if such institution has been continuously in possession of such passbook from the time the loan is made.

68A Stat. 202.
26 USC 581,
591.

“(c) **PROTECTION FOR CERTAIN COMMERCIAL TRANSACTIONS FINANCING AGREEMENTS. ETC.**—

“(1) **IN GENERAL.**—To the extent provided in this subsection, even though notice of a lien imposed by section 6321 has been filed, such lien shall not be valid with respect to a security interest which came into existence after tax lien filing but which—

“(A) is in qualified property covered by the terms of a written agreement entered into before tax lien filing and constituting—

“(i) a commercial transactions financing agreement,

“(ii) a real property construction or improvement financing agreement, or

“(iii) an obligatory disbursement agreement, and

“(B) is protected under local law against a judgment lien arising, as of the time of tax lien filing, out of an unsecured obligation.

“(2) **COMMERCIAL TRANSACTIONS FINANCING AGREEMENT.**—For purposes of this subsection—

“(A) **DEFINITION.**—The term ‘commercial transactions financing agreement’ means an agreement (entered into by a person in the course of his trade or business)—

“(i) to make loans to the taxpayer to be secured by commercial financing security acquired by the taxpayer in the ordinary course of his trade or business, or

“(ii) to purchase commercial financing security (other than inventory) acquired by the taxpayer in the ordinary course of his trade or business;

but such an agreement shall be treated as coming within the term only to the extent that such loan or purchase is made before the 46th day after the date of tax lien filing or (if earlier) before the lender or purchaser had actual notice or knowledge of such tax lien filing.

“(B) **LIMITATION ON QUALIFIED PROPERTY.**—The term ‘qualified property’, when used with respect to a commercial transactions financing agreement, includes only commercial financing security acquired by the taxpayer before the 46th day after the date of tax lien filing.

“(C) **COMMERCIAL FINANCING SECURITY DEFINED.**—The term ‘commercial financing security’ means (i) paper of a kind ordinarily arising in commercial transactions, (ii) accounts receivable, (iii) mortgages on real property, and (iv) inventory.

“(D) **PURCHASER TREATED AS ACQUIRING SECURITY INTEREST.**—A person who satisfies subparagraph (A) by reason of clause (ii) thereof shall be treated as having acquired a security interest in commercial financing security.

“(3) **REAL PROPERTY CONSTRUCTION OR IMPROVEMENT FINANCING AGREEMENT.**—For purposes of this subsection—

“(A) DEFINITION.—The term ‘real property construction or improvement financing agreement’ means an agreement to make cash disbursements to finance—

“(i) the construction or improvement of real property,

“(ii) a contract to construct or improve real property, or

“(iii) the raising or harvesting of a farm crop or the raising of livestock or other animals.

For purposes of clause (iii), the furnishing of goods and services shall be treated as the disbursement of cash.

“(B) LIMITATION ON QUALIFIED PROPERTY.—The term ‘qualified property’, when used with respect to a real property construction or improvement financing agreement, includes only—

“(i) in the case of subparagraph (A) (i), the real property with respect to which the construction or improvement has been or is to be made,

“(ii) in the case of subparagraph (A) (ii), the proceeds of the contract described therein, and

“(iii) in the case of subparagraph (A) (iii), property subject to the lien imposed by section 6321 at the time of tax lien filing and the crop or the livestock or other animals referred to in subparagraph (A) (iii).

“(4) OBLIGATORY DISBURSEMENT AGREEMENT.—For purposes of this subsection—

“(A) DEFINITION.—The term ‘obligatory disbursement agreement’ means an agreement (entered into by a person in the course of his trade or business) to make disbursements, but such an agreement shall be treated as coming within the term only to the extent of disbursements which are required to be made by reason of the intervention of the rights of a person other than the taxpayer.

“(B) LIMITATION ON QUALIFIED PROPERTY.—The term ‘qualified property’, when used with respect to an obligatory disbursement agreement, means property subject to the lien imposed by section 6321 at the time of tax lien filing and (to the extent that the acquisition is directly traceable to the disbursements referred to in subparagraph (A)) property acquired by the taxpayer after tax lien filing.

“(C) SPECIAL RULES FOR SURETY AGREEMENTS.—Where the obligatory disbursement agreement is an agreement ensuring the performance of a contract between the taxpayer and another person—

“(i) the term ‘qualified property’ shall be treated as also including the proceeds of the contract the performance of which was ensured, and

“(ii) if the contract the performance of which was ensured was a contract to construct or improve real property, to produce goods, or to furnish services, the term ‘qualified property’ shall be treated as also including any tangible personal property used by the taxpayer in the performance of such ensured contract.

“(d) 45-DAY PERIOD FOR MAKING DISBURSEMENTS.—Even though notice of a lien imposed by section 6321 has been filed, such lien shall not be valid with respect to a security interest which came into existence after tax lien filing by reason of disbursements made before the 46th day after the date of tax lien filing, or (if earlier) before the person making such disbursements had actual notice or knowledge of tax lien filing, but only if such security interest—

“(1) is in property (A) subject, at the time of tax lien filing, to the lien imposed by section 6321, and (B) covered by the terms of a written agreement entered into before tax lien filing, and

“(2) is protected under local law against a judgment lien arising, as of the time of tax lien filing, out of an unsecured obligation.

“(e) **PRIORITY OF INTEREST AND EXPENSES.**—If the lien imposed by section 6321 is not valid as against a lien or security interest, the priority of such lien or security interest shall extend to—

“(1) any interest or carrying charges upon the obligation secured,

“(2) the reasonable charges and expenses of an indenture trustee or agent holding the security interest for the benefit of the holder of the security interest,

“(3) the reasonable expenses, including reasonable compensation for attorneys, actually incurred in collecting or enforcing the obligation secured,

“(4) the reasonable costs of insuring, preserving, or repairing the property to which the lien or security interest relates,

“(5) the reasonable costs of insuring payment of the obligation secured, and

“(6) amounts paid to satisfy any lien on the property to which the lien or security interest relates, but only if the lien so satisfied is entitled to priority over the lien imposed by section 6321, to the extent that, under local law, any such item has the same priority as the lien or security interest to which it relates.

“(f) **PLACE FOR FILING NOTICE; FORM.**—

“(1) **PLACE FOR FILING.**—The notice referred to in subsection (a) shall be filed—

“(A) **UNDER STATE LAWS.**—

“(i) **REAL PROPERTY.**—In the case of real property, in one office within the State (or the county, or other governmental subdivision), as designated by the laws of such State, in which the property subject to the lien is situated; and

“(ii) **PERSONAL PROPERTY.**—In the case of personal property, whether tangible or intangible, in one office within the State (or the county, or other governmental subdivision), as designated by the laws of such State, in which the property subject to the lien is situated; or

“(B) **WITH CLERK OF DISTRICT COURT.**—In the office of the clerk of the United States district court for the judicial district in which the property subject to the lien is situated, whenever the State has not by law designated one office which meets the requirements of subparagraph (A); or

“(C) **WITH RECORDER OF DEEDS OF THE DISTRICT OF COLUMBIA.**—In the office of the Recorder of Deeds of the District of Columbia, if the property subject to the lien is situated in the District of Columbia.

“(2) **SITUS OF PROPERTY SUBJECT TO LIEN.**—For purposes of paragraph (1), property shall be deemed to be situated—

“(A) **REAL PROPERTY.**—In the case of real property, at its physical location; or

“(B) **PERSONAL PROPERTY.**—In the case of personal property, whether tangible or intangible, at the residence of the taxpayer at the time the notice of lien is filed.

For purposes of paragraph (2) (B), the residence of a corporation or partnership shall be deemed to be the place at which the

principal executive office of the business is located, and the residence of a taxpayer whose residence is without the United States shall be deemed to be in the District of Columbia.

“(3) **FORM.**—The form and content of the notice referred to in subsection (a) shall be prescribed by the Secretary or his delegate. Such notice shall be valid notwithstanding any other provision of law regarding the form or content of a notice of lien.

“(g) **REFILING OF NOTICE.**—For purposes of this section—

“(1) **GENERAL RULE.**—Unless notice of lien is refiled in the manner prescribed in paragraph (2) during the required refiling period, such notice of lien shall be treated as filed on the date on which it is filed (in accordance with subsection (f)) after the expiration of such refiling period.

“(2) **PLACE FOR FILING.**—A notice of lien refiled during the required refiling period shall be effective only—

“(A) if such notice of lien is refiled in the office in which the prior notice of lien was filed; and

“(B) in any case in which, 90 days or more prior to the date of a refiling of notice of lien under subparagraph (A), the Secretary or his delegate received written information (in the manner prescribed in regulations issued by the Secretary or his delegate) concerning a change in the taxpayer’s residence, if a notice of such lien is also filed in accordance with subsection (f) in the State in which such residence is located.

“(3) **REQUIRED REFILING PERIOD.**—In the case of any notice of lien, the term ‘required refiling period’ means—

“(A) the one-year period ending 30 days after the expiration of 6 years after the date of the assessment of the tax, and

“(B) the one-year period ending with the expiration of 6 years after the close of the preceding required refiling period for such notice of lien.

“(4) **TRANSITIONAL RULE.**—Notwithstanding paragraph (3), if the assessment of the tax was made before January 1, 1962, the first required refiling period shall be the calendar year 1967.

“(h) **DEFINITIONS.**—For purposes of this section and section 6324—

“(1) **SECURITY INTEREST.**—The term ‘security interest’ means any interest in property acquired by contract for the purpose of securing payment or performance of an obligation or indemnifying against loss or liability. A security interest exists at any time (A) if, at such time, the property is in existence and the interest has become protected under local law against a subsequent judgment lien arising out of an unsecured obligation, and (B) to the extent that, at such time, the holder has parted with money or money’s worth.

“(2) **MECHANIC’S LIENOR.**—The term ‘mechanic’s lienor’ means any person who under local law has a lien on real property (or on the proceeds of a contract relating to real property) for services, labor, or materials furnished in connection with the construction or improvement of such property. For purposes of the preceding sentence, a person has a lien on the earliest date such lien becomes valid under local law against subsequent purchasers without actual notice, but not before he begins to furnish the services, labor, or materials.

“(3) **MOTOR VEHICLE.**—The term ‘motor vehicle’ means a self-propelled vehicle which is registered for highway use under the laws of any State or foreign country.

“(4) **SECURITY.**—The term ‘security’ means any bond, debenture, note, or certificate or other evidence of indebtedness, issued

by a corporation or a government or political subdivision thereof, with interest coupons or in registered form, share of stock, voting trust certificate, or any certificate of interest or participation in, certificate of deposit or receipt for, temporary or interim certificate for, or warrant or right to subscribe to or purchase, any of the foregoing; negotiable instrument; or money.

“(5) **TAX LIEN FILING.**—The term ‘tax lien filing’ means the filing of notice (referred to in subsection (a)) of the lien imposed by section 6321.

“(6) **PURCHASER.**—The term ‘purchaser’ means a person who, for adequate and full consideration in money or money’s worth, acquires an interest (other than a lien or security interest) in property which is valid under local law against subsequent purchasers without actual notice. In applying the preceding sentence for purposes of subsection (a) of this section, and for purposes of section 6324—

“(A) a lease of property,

“(B) a written executory contract to purchase or lease property,

“(C) an option to purchase or lease property or any interest therein, or

“(D) an option to renew or extend a lease of property, which is not a lien or security interest shall be treated as an interest in property.

“(i) **SPECIAL RULES.**—

“(1) **ACTUAL NOTICE OR KNOWLEDGE.**—For purposes of this subchapter, an organization shall be deemed for purposes of a particular transaction to have actual notice or knowledge of any fact from the time such fact is brought to the attention of the individual conducting such transaction, and in any event from the time such fact would have been brought to such individual’s attention if the organization had exercised due diligence. An organization exercises due diligence if it maintains reasonable routines for communicating significant information to the person conducting the transaction and there is reasonable compliance with the routine. Due diligence does not require an individual acting for the organization to communicate information unless such communication is part of his regular duties or unless he has reason to know of the transaction and that the transaction would be materially affected by the information.

“(2) **SUBROGATION.**—Where, under local law, one person is subrogated to the rights of another with respect to a lien or interest, such person shall be subrogated to such rights for purposes of any lien imposed by section 6321 or 6324.

“(3) **DISCLOSURE OF AMOUNT OF OUTSTANDING LIEN.**—If a notice of lien has been filed pursuant to subsection (f), the Secretary or his delegate is authorized to provide by regulations the extent to which, and the conditions under which, information as to the amount of the outstanding obligation secured by the lien may be disclosed.”

(b) **CLERICAL AMENDMENTS.**—

(1) The table of sections for subchapter C of chapter 64 is amended by striking out

“Sec. 6323. Validity against mortgagees, pledgees, purchasers, and judgment creditors.”

and inserting in lieu thereof

“Sec. 6323. Validity and priority against certain persons.”

68A Stat. 779.
26 USC 6321.

Post, p. 1132.

68A Stat. 189.
26 USC 545.

(2) Section 545(b)(9) is amended by striking out "section 6323(a)(1), (2), or (3)" and inserting in lieu thereof "section 6323(f)".

SEC. 102. SPECIAL LIENS FOR ESTATE AND GIFT TAXES.

Section 6324 (relating to special liens for estate and gift taxes) is amended to read as follows:

"SEC. 6324. SPECIAL LIENS FOR ESTATE AND GIFT TAXES.

"(a) LIENS FOR ESTATE TAX.—Except as otherwise provided in subsection (c)—

26 USC 2001-
2209.

"(1) UPON GROSS ESTATE.—Unless the estate tax imposed by chapter 11 is sooner paid in full, or becomes unenforceable by reason of lapse of time, it shall be a lien upon the gross estate of the decedent for 10 years from the date of death, except that such part of the gross estate as is used for the payment of charges against the estate and expenses of its administration, allowed by any court having jurisdiction thereof, shall be divested of such lien.

"(2) LIABILITY OF TRANSFEREES AND OTHERS.—If the estate tax imposed by chapter 11 is not paid when due, then the spouse, transferee, trustee (except the trustee of an employees' trust which meets the requirements of section 401(a)), surviving tenant, person in possession of the property by reason of the exercise, non-exercise, or release of a power of appointment, or beneficiary, who receives, or has on the date of the decedent's death, property included in the gross estate under sections 2034 to 2042, inclusive, to the extent of the value, at the time of the decedent's death, of such property, shall be personally liable for such tax. Any part of such property transferred by (or transferred by a transferee of) such spouse, transferee, trustee, surviving tenant, person in possession, or beneficiary, to a purchaser or holder of a security interest shall be divested of the lien provided in paragraph (1) and a like lien shall then attach to all the property of such spouse, transferee, trustee, surviving tenant, person in possession, or beneficiary, or transferee of any such person, except any part transferred to a purchaser or a holder of a security interest.

"(3) CONTINUANCE AFTER DISCHARGE OF EXECUTOR.—The provisions of section 2204 (relating to discharge of executor from personal liability) shall not operate as a release of any part of the gross estate from the lien for any deficiency that may thereafter be determined to be due, unless such part of the gross estate (or any interest therein) has been transferred to a purchaser or a holder of a security interest, in which case such part (or such interest) shall not be subject to a lien or to any claim or demand for any such deficiency, but the lien shall attach to the consideration received from such purchaser or holder of a security interest, by the heirs, legatees, devisees, or distributees.

26 USC 2501-
2524.

"(b) LIEN FOR GIFT TAX.—Except as otherwise provided in subsection (c), unless the gift tax imposed by chapter 12 is sooner paid in full or becomes unenforceable by reason of lapse of time, such tax shall be a lien upon all gifts made during the calendar year, for 10 years from the date the gifts are made. If the tax is not paid when due, the donee of any gift shall be personally liable for such tax to the extent of the value of such gift. Any part of the property comprised in the gift transferred by the donee (or by a transferee of the donee) to a purchaser or holder of a security interest shall be divested of the lien imposed by this subsection and such lien, to the extent of the value of such gift, shall attach to all the property (including after-acquired

property) of the donee (or the transferee) except any part transferred to a purchaser or holder of a security interest.

“(c) EXCEPTIONS.—

“(1) The lien imposed by subsection (a) or (b) shall not be valid as against a mechanic’s lienor and, subject to the conditions provided by section 6323 (b) (relating to protection for certain interests even though noticed filed), shall not be valid with respect to any lien or interest described in section 6323 (b).

Ante, p. 1125.

“(2) If a lien imposed by subsection (a) or (b) is not valid as against a lien or security interest, the priority of such lien or security interest shall extend to any item described in section 6323 (e) (relating to priority of interest and expenses) to the extent that, under local law, such item has the same priority as the lien or security interest to which it relates.”

SEC. 103. CERTIFICATES RELATING TO LIENS.

(a) AMENDMENT OF SECTION 6325.—Section 6325 (relating to release of lien or partial discharge of property) is amended to read as follows:

68A Stat. 781.
26 USC 6325.

“SEC. 6325. RELEASE OF LIEN OR DISCHARGE OF PROPERTY.

“(a) RELEASE OF LIEN.—Subject to such regulations as the Secretary or his delegate may prescribe, the Secretary or his delegate may issue a certificate of release of any lien imposed with respect to any internal revenue tax if—

“(1) LIABILITY SATISFIED OR UNENFORCEABLE.—The Secretary or his delegate finds that the liability for the amount assessed, together with all interest in respect thereof, has been fully satisfied or has become legally unenforceable; or

“(2) BOND ACCEPTED.—There is furnished to the Secretary or his delegate and accepted by him a bond that is conditioned upon the payment of the amount assessed, together with all interest in respect thereof, within the time prescribed by law (including any extension of such time), and that is in accordance with such requirements relating to terms, conditions, and form of the bond and sureties thereon, as may be specified by such regulations.

“(b) DISCHARGE OF PROPERTY.—

“(1) PROPERTY DOUBLE THE AMOUNT OF THE LIABILITY.—Subject to such regulations as the Secretary or his delegate may prescribe, the Secretary or his delegate may issue a certificate of discharge of any part of the property subject to any lien imposed under this chapter if the Secretary or his delegate finds that the fair market value of that part of such property remaining subject to the lien is at least double the amount of the unsatisfied liability secured by such lien and the amount of all other liens upon such property which have priority over such lien.

“(2) PART PAYMENT; INTEREST OF UNITED STATES VALUELESS.—Subject to such regulations as the Secretary or his delegate may prescribe, the Secretary or his delegate may issue a certificate of discharge of any part of the property subject to the lien if—

“(A) there is paid over to the Secretary or his delegate in partial satisfaction of the liability secured by the lien an amount determined by the Secretary or his delegate, which shall not be less than the value, as determined by the Secretary or his delegate, of the interest of the United States in the part to be so discharged, or

“(B) the Secretary or his delegate determines at any time that the interest of the United States in the part to be so discharged has no value.

In determining the value of the interest of the United States in the part to be so discharged, the Secretary or his delegate shall give consideration to the value of such part and to such liens thereon as have priority over the lien of the United States.

“(3) **SUBSTITUTION OF PROCEEDS OF SALE.**—Subject to such regulations as the Secretary or his delegate may prescribe, the Secretary or his delegate may issue a certificate of discharge of any part of the property subject to the lien if such part of the property is sold and, pursuant to an agreement with the Secretary or his delegate, the proceeds of such sale are to be held, as a fund subject to the liens and claims of the United States, in the same manner and with the same priority as such liens and claims had with respect to the discharged property.

“(c) **ESTATE OR GIFT TAX.**—Subject to such regulations as the Secretary or his delegate may prescribe, the Secretary or his delegate may issue a certificate of discharge of any or all of the property subject to any lien imposed by section 6324 if the Secretary or his delegate finds that the liability secured by such lien has been fully satisfied or provided for.

Ante, p. 1132.

“(d) **SUBORDINATION OF LIEN.**—Subject to such regulations as the Secretary or his delegate may prescribe, the Secretary or his delegate may issue a certificate of subordination of any lien imposed by this chapter upon any part of the property subject to such lien if—

“(1) there is paid over to the Secretary or his delegate an amount equal to the amount of the lien or interest to which the certificate subordinates the lien of the United States, or

“(2) the Secretary or his delegate believes that the amount realizable by the United States from the property to which the certificate relates, or from any other property subject to the lien, will ultimately be increased by reason of the issuance of such certificate and that the ultimate collection of the tax liability will be facilitated by such subordination.

“(e) **NONATTACHMENT OF LIEN.**—If the Secretary or his delegate determines that, because of confusion of names or otherwise, any person (other than the person against whom the tax was assessed) is or may be injured by the appearance that a notice of lien filed under section 6323 refers to such person, the Secretary or his delegate may issue a certificate that the lien does not attach to the property of such person.

Ante, p. 1125.

“(f) **EFFECT OF CERTIFICATE.**—

“(1) **CONCLUSIVENESS.**—Except as provided in paragraphs (2) and (3), if a certificate is issued pursuant to this section by the Secretary or his delegate and is filed in the same office as the notice of lien to which it relates (if such notice of lien has been filed) such certificate shall have the following effect:

“(A) in the case of a certificate of release, such certificate shall be conclusive that the lien referred to in such certificate is extinguished;

“(B) in the case of a certificate of discharge, such certificate shall be conclusive that the property covered by such certificate is discharged from the lien;

“(C) in the case of a certificate of subordination, such certificate shall be conclusive that the lien or interest to which the lien of the United States is subordinated is superior to the lien of the United States; and

“(D) in the case of a certificate of nonattachment, such certificate shall be conclusive that the lien of the United States does not attach to the property of the person referred to in such certificate.

“(2) **REVOCATION OF CERTIFICATE OF RELEASE OR NONATTACHMENT.**—If the Secretary or his delegate determines that a certificate of release or nonattachment of a lien imposed by section 6321 was issued erroneously or improvidently, or if a certificate of release of such lien was issued pursuant to a collateral agreement entered into in connection with a compromise under section 7122 which has been breached, and if the period of limitation on collection after assessment has not expired, the Secretary or his delegate may revoke such certificate and reinstate the lien—

68A Stat. 779.
26 USC 6321.

“(A) by mailing notice of such revocation to the person against whom the tax was assessed at his last known address, and

“(B) by filing notice of such revocation in the same office in which the notice of lien to which it relates was filed (if such notice of lien had been filed).

Such reinstated lien (i) shall be effective on the date notice of revocation is mailed to the taxpayer in accordance with the provisions of subparagraph (A), but not earlier than the date on which any required filing of notice of revocation is filed in accordance with the provisions of subparagraph (B), and (ii) shall have the same force and effect (as of such date), until the expiration of the period of limitation on collection after assessment, as a lien imposed by section 6321 (relating to lien for taxes).

“(3) **CERTIFICATES VOID UNDER CERTAIN CONDITIONS.**—Notwithstanding any other provision of this subtitle, any lien imposed by this chapter shall attach to any property with respect to which a certificate of discharge has been issued if the person liable for the tax reacquires such property after such certificate has been issued.

“(g) **FILING OF CERTIFICATES AND NOTICES.**—If a certificate or notice issued pursuant to this section may not be filed in the office designated by State law in which the notice of lien imposed by section 6321 is filed, such certificate or notice shall be effective if filed in the office of the clerk of the United States district court for the judicial district in which such office is situated.

“(h) **CROSS REFERENCE.**—

“For provisions relating to bonds. see chapter 73 (sec. 7101 and following).”

(b) **CLERICAL AMENDMENT.**—The table of sections for subchapter C of chapter 64 is amended by striking out

“Sec. 6325. Release of lien or partial discharge of property.”

and inserting in lieu thereof

“Sec. 6325. Release of lien or discharge of property.”

SEC. 104. SEIZURE OF PROPERTY FOR COLLECTION OF TAXES.

(a) **EFFECT OF LEVY.**—Section 6331(b) (relating to seizure and sale of property by levy and distraint) is amended by inserting after the first sentence the following new sentence: “A levy shall extend only to property possessed and obligations existing at the time thereof.”

(b) **SURRENDER OF PROPERTY SUBJECT TO LEVY.**—Section 6332 relating to surrender of property subject to levy) is amended—

(1) by striking out “Any person” in subsection (a) and inserting in lieu thereof “Except as otherwise provided in subsection (b), any person”;

(2) by amending subsection (b) to read as follows:

“(b) SPECIAL RULE FOR LIFE INSURANCE AND ENDOWMENT CONTRACTS.—

“(1) IN GENERAL.—A levy on an organization with respect to a life insurance or endowment contract issued by such organization shall, without necessity for the surrender of the contract document, constitute a demand by the Secretary or his delegate for payment of the amount described in paragraph (2) and the exercise of the right of the person against whom the tax is assessed to the advance of such amount. Such organization shall pay over such amount 90 days after service of notice of levy. Such notice shall include a certification by the Secretary or his delegate that a copy of such notice has been mailed to the person against whom the tax is assessed at his last known address.

“(2) SATISFACTION OF LEVY.—Such levy shall be deemed to be satisfied if such organization pays over to the Secretary or his delegate the amount which the person against whom the tax is assessed could have had advanced to him by such organization on the date prescribed in paragraph (1) for the satisfaction of such levy, increased by the amount of any advance (including contractual interest thereon) made to such person on or after the date such organization had actual notice or knowledge (within the meaning of section 6323(i)(1)) of the existence of the lien with respect to which such levy is made, other than an advance (including contractual interest thereon) made automatically to maintain such contract in force under an agreement entered into before such organization had such notice or knowledge.

“(3) ENFORCEMENT PROCEEDINGS.—The satisfaction of a levy under paragraph (2) shall be without prejudice to any civil action for the enforcement of any lien imposed by this title with respect to such contract.”;

(3) by redesignating subsection (c) as subsection (e); and

(4) by inserting after subsection (b) the following new subsections:

“(c) ENFORCEMENT OF LEVY.—

“(1) EXTENT OF PERSONAL LIABILITY.—Any person who fails or refuses to surrender any property or rights to property, subject to levy, upon demand by the Secretary or his delegate, shall be liable in his own person and estate to the United States in a sum equal to the value of the property or rights not so surrendered, but not exceeding the amount of taxes for the collection of which such levy has been made, together with costs and interest on such sum at the rate of 6 percent per annum from the date of such levy. Any amount (other than costs) recovered under this paragraph shall be credited against the tax liability for the collection of which such levy was made.

“(2) PENALTY FOR VIOLATION.—In addition to the personal liability imposed by paragraph (1), if any person required to surrender property or rights to property fails or refuses to surrender such property or rights to property without reasonable cause, such person shall be liable for a penalty equal to 50 percent of the amount recoverable under paragraph (1). No part of such penalty shall be credited against the tax liability for the collection of which such levy was made.

“(d) EFFECT OF HONORING LEVY.—Any person in possession of (or obligated with respect to) property or rights to property subject to levy upon which a levy has been made who, upon demand by the Secretary or his delegate, surrenders such property or rights to property (or discharges such obligation) to the Secretary or his delegate (or

who pays a liability under subsection (c)(1)) shall be discharged from any obligation or liability to the delinquent taxpayer with respect to such property or rights to property arising from such surrender or payment. In the case of a levy which is satisfied pursuant to subsection (b), such organization shall also be discharged from any obligation or liability to any beneficiary arising from such surrender or payment."

(c) **PROPERTY EXEMPT FROM LEVY.**—Section 6334(a) (relating to enumeration of property exempt from levy) is amended—

(1) by striking out "or Territory" in paragraph (4); and

(2) by adding at the end thereof the following new paragraphs:

"(6) **CERTAIN ANNUITY AND PENSION PAYMENTS.**—Annuity or pension payments under the Railroad Retirement Act, benefits under the Railroad Unemployment Insurance Act, special pension payments received by a person whose name has been entered on the Army, Navy, Air Force, and Coast Guard Medal of Honor roll (38 U.S.C. 562), and annuities based on retired or retainer pay under chapter 73 of title 10 of the United States Code.

"(7) **WORKMEN'S COMPENSATION.**—Any amount payable to an individual as workmen's compensation (including any portion thereof payable with respect to dependents) under a workmen's compensation law of the United States, any State, the District of Columbia, or the Commonwealth of Puerto Rico."

(d) **PUBLICATION OF NOTICE OF SALE.**—The first sentence of section 6335 (b) (relating to notice of sale of seized property) is amended to read as follows: "The Secretary or his delegate shall as soon as practicable after the seizure of the property give notice to the owner, in the manner prescribed in subsection (a), and shall cause a notification to be published in some newspaper published or generally circulated within the county wherein such seizure is made, or if there be no newspaper published or generally circulated in such county, shall post such notice at the post office nearest the place where the seizure is made, and in not less than two other public places."

(e) **REDEMPTION PERIOD.**—Paragraph (1) of section 6337(b) (relating to period of redemption of real estate after sale) is amended by striking out "1 year" and inserting in lieu thereof "120 days".

(f) **PREPARATION OF DEED.**—Section 6338(c) (relating to real property purchased by United States) is amended to read as follows:

"(c) **REAL PROPERTY PURCHASED BY UNITED STATES.**—If real property is declared purchased by the United States at a sale pursuant to section 6335, the Secretary or his delegate shall at the proper time execute a deed therefor, and without delay cause such deed to be duly recorded in the proper registry of deeds."

(g) **DISCHARGE OF JUNIOR ENCUMBRANCES.**—Section 6339 (relating to legal effect of certificate of sale of personal property and deed of real property) is amended by adding at the end thereof the following new subsections:

"(c) **EFFECT OF JUNIOR ENCUMBRANCES.**—A certificate of sale of personal property given or a deed to real property executed pursuant to section 6338 shall discharge such property from all liens, encumbrances, and titles over which the lien of the United States with respect to which the levy was made had priority.

"(d) **CROSS REFERENCES.**—

"(1) For distribution of surplus proceeds, see section 6342(b).

"(2) For judicial procedure with respect to surplus proceeds, see section 7426(a)(2)."

(h) **APPLICATION OF PROCEEDS OF LEVY AND SALE.**—Subsection (a) of section 6342 (relating to collection of liability) is amended—

68A Stat. 784;
72 Stat. 1047;
79 Stat. 170.
26 USC 6334.

Ante, p. 1079;
50 Stat. 307.
45 USC 228a-
228s-2.
52 Stat. 1094.
45 USC 367.
72 Stat. 1140.
70A Stat. 108.
10 USC 1431.

(1) by striking out so much thereof as precedes paragraph (1) and inserting in lieu thereof

Ante, p. 1136.

“(a) **COLLECTION OF LIABILITY.**—Any money realized by proceedings under this subchapter (whether by seizure, by surrender under section 6332 (except pursuant to subsection (c) (2) thereof), or by sale of seized property) or by sale of property redeemed by the United States (if the interest of the United States in such property was a lien arising under the provisions of this title) shall be applied as follows:”;

(2) by striking out “under this subchapter” in paragraph (1); and

(3) by adding “or the sale was conducted” after “levy was made” in paragraph (3).

68 A Stat. 789.
26 USC 6343.

(i) **RETURN OF PROPERTY.**—Section 6343 (relating to authority to release levy) is amended—

(1) by striking out the heading of such section and inserting in lieu thereof the following:

“**SEC. 6343. AUTHORITY TO RELEASE LEVY AND RETURN PROPERTY.**”;

(2) by striking out “It shall be” and inserting in lieu thereof

“(a) **RELEASE OF LEVY.**—It shall be”; and

(3) by adding at the end thereof the following new subsection:

“(b) **RETURN OF PROPERTY.**—If the Secretary or his delegate determines that property has been wrongfully levied upon, it shall be lawful for the Secretary or his delegate to return—

“(1) the specific property levied upon,

“(2) an amount of money equal to the amount of money levied upon, or

“(3) an amount of money equal to the amount of money received by the United States from a sale of such property.

Property may be returned at any time. An amount equal to the amount of money levied upon or received from such sale may be returned at any time before the expiration of 9 months from the date of such levy. For purposes of paragraph (3), if property is declared purchased by the United States at a sale pursuant to section 6335(e) (relating to manner and conditions of sale), the United States shall be treated as having received an amount of money equal to the minimum price determined pursuant to such section or (if larger) the amount received by the United States from the resale of such property.”

(j) **CLERICAL AMENDMENT.**—The table of sections for subchapter D of chapter 64 is amended by striking out—

“Sec. 6343. Authority to release levy.”

and inserting in lieu thereof

“Sec. 6343. Authority to release levy and return property.”

SEC. 105. LIABILITY FOR WITHHELD TAXES.

26 USC 3501-
3504.

(a) **EFFECT ON THIRD PARTIES.**—Chapter 25 (relating to general provisions relating to employment taxes) is amended by adding at the end thereof the following new section:

“SEC. 3505. LIABILITY OF THIRD PARTIES PAYING OR PROVIDING FOR WAGES.

“(a) **DIRECT PAYMENT BY THIRD PARTIES.**—For purposes of sections 3102, 3202, 3402, and 3403, if a lender, surety, or other person, who is not an employer under such sections with respect to an employee or group of employees, pays wages directly to such an employee or group of employees, employed by one or more employers, or to an

agent on behalf of such employee or employees, such lender, surety, or other person shall be liable in his own person and estate to the United States in a sum equal to the taxes (together with interest) required to be deducted and withheld from such wages by such employer.

“(b) **PERSONAL LIABILITY WHERE FUNDS ARE SUPPLIED.**—If a lender, surety, or other person supplies funds to or for the account of an employer for the specific purpose of paying wages of the employees of such employer, with actual notice or knowledge (within the meaning of section 6323(i)(1)) that such employer does not intend to or will not be able to make timely payment or deposit of the amounts of tax required by this subtitle to be deducted and withheld by such employer from such wages, such lender, surety, or other person shall be liable in his own person and estate to the United States in a sum equal to the taxes (together with interest) which are not paid over to the United States by such employer with respect to such wages. However, the liability of such lender, surety, or other person shall be limited to an amount equal to 25 percent of the amount so supplied to or for the account of such employer for such purpose.

Ante, p. 1131.

“(c) **EFFECT OF PAYMENT.**—Any amounts paid to the United States pursuant to this section shall be credited against the liability of the employer.”

(b) **PERFORMANCE BONDS OF CONTRACTORS FOR PUBLIC BUILDINGS OR WORKS.**—The first section of the Act entitled “An Act requiring contracts for the construction, alteration, and repair of any public building or public work of the United States to be accompanied by a performance bond protecting the United States and by an additional bond for the protection of persons furnishing material and labor for the construction, alteration, or repair of said public buildings or public work”, approved August 24, 1935 (49 Stat. 793; 40 U.S.C. 270a), is amended by adding at the end thereof the following new subsection:

“(d) Every performance bond required under this section shall specifically provide coverage for taxes imposed by the United States which are collected, deducted, or withheld from wages paid by the contractor in carrying out the contract with respect to which such bond is furnished. However, the United States shall give the surety or sureties on such bond written notice, with respect to any such unpaid taxes attributable to any period, within ninety days after the date when such contractor files a return for such period, except that no such notice shall be given more than one hundred and eighty days from the date when a return for the period was required to be filed under the Internal Revenue Code of 1954. No suit on such bond for such taxes shall be commenced by the United States unless notice is given as provided in the preceding sentence, and no such suit shall be commenced after the expiration of one year after the day on which such notice is given.”

(c) **CLERICAL AMENDMENT.**—The table of sections for chapter 25 is amended by adding at the end thereof the following:

“Sec. 3505. Liability of third parties paying or providing for wages.”

SEC. 106. SUSPENSION OF RUNNING OF PERIOD OF LIMITATION.

(a) **ASSETS OF ESTATE OF DECEDENT OR INCOMPETENT.**—Section 6503(b) (relating to assets of taxpayer in control or custody of court) is amended by striking out “(other than the estate of a decedent or of an incompetent)” and “or Territory”.

68A Stat. 806.
26 USC 6503.

(b) **COLLECTION HINDERED BY ABSENCE OF TAXPAYER.**—Section 6503(c) (relating to location of property outside the United States or

removal of property from the United States) is amended to read as follows:

68A Stat. 806.
26 USC 6502.

“(c) **TAXPAYER OUTSIDE UNITED STATES.**—The running of the period of limitations on collection after assessment prescribed in section 6502 shall be suspended for the period during which the taxpayer is outside the United States if such period of absence is for a continuous period of at least 6 months. If the preceding sentence applies and at the time of the taxpayer’s return to the United States the period of limitations on collection after assessment prescribed in section 6502 would expire before the expiration of 6 months from the date of his return, such period shall not expire before the expiration of such 6 months.”

70 Stat. 1075;
Ante, p. 104.

(c) **WRONGFUL SEIZURE OF PROPERTY OF THIRD PARTIES.**—Section 6503 (relating to suspension of running of period of limitation) is amended by redesignating subsection (g) as subsection (h) and by inserting after subsection (f) the following new subsection:

Ante, p. 1138.
Post, p. 1143.

“(g) **WRONGFUL SEIZURE OF PROPERTY OF THIRD PARTY.**—The running of the period of limitations on collection after assessment prescribed in section 6502 shall be suspended for a period equal to the period from the date property (including money) of a third party is wrongfully seized or received by the Secretary or his delegate to the date the Secretary or his delegate returns property pursuant to section 6343(b) or the date on which a judgment secured pursuant to section 7426 with respect to such property becomes final, and for 30 days thereafter. The running of the period of limitations on collection after assessment shall be suspended under this subsection only with respect to the amount of such assessment equal to the amount of money or the value of specific property returned.”

SEC. 107. PROCEEDINGS WHERE UNITED STATES HAS TITLE TO PROPERTY.

(a) **ACTION TO QUIET TITLE.**—Section 7402 (relating to jurisdiction of district courts) is amended by redesignating subsection (e) as subsection (f) and by inserting after subsection (d) the following new subsection:

“(e) **TO QUIET TITLE.**—The United States district courts shall have jurisdiction of any action brought by the United States to quiet title to property if the title claimed by the United States to such property was derived from enforcement of a lien under this title.”

(b) **SALE BIDS.**—Section 7403(c) (relating to adjudication and decree) is amended by adding at the end thereof the following new sentence: “If the property is sold to satisfy a first lien held by the United States, the United States may bid at the sale such sum, not exceeding the amount of such lien with expenses of sale, as the Secretary or his delegate directs.”

SEC. 108. INTERVENTION BY UNITED STATES.

26 USC 7424.

Section 724 (relating to civil action to clear title to property) is amended to read as follows:

“SEC. 7424. INTERVENTION.

Post, p. 1147.
62 Stat. 938.

“If the United States is not a party to a civil action or suit, the United States may intervene in such action or suit to assert any lien arising under this title on the property which is the subject of such action or suit. The provisions of section 2410 of title 28 of the United States Code (except subsection (b)) and of section 1444 of title 28 of the United States Code shall apply in any case in which the United States intervenes as if the United States had originally been named a defendant in such action or suit. In any case in which the application of the United States to intervene is denied, the adjudication in such civil action or suit shall have no effect upon such lien.”

SEC. 109. DISCHARGE OF LIENS HELD BY UNITED STATES.

Subchapter B of chapter 76 (relating to proceedings by taxpayers) is amended by redesignating section 7425 as section 7427 and by inserting after section 7424 the following new section:

68A Stat. 876.
26 USC 7421-
7425.

“SEC. 7425. DISCHARGE OF LIENS.

“(a) JUDICIAL PROCEEDINGS.—If the United States is not joined as a party, a judgment in any civil action or suit described in subsection (a) of section 2410 of title 28 of the United States Code, or a judicial sale pursuant to such a judgment, with respect to property on which the United States has or claims a lien under the provisions of this title—

Post, p. 1147.

“(1) shall be made subject to and without disturbing the lien of the United States, if notice of such lien has been filed in the place provided by law for such filing at the time such action or suit is commenced, or

“(2) shall have the same effect with respect to the discharge or divestment of such lien of the United States as may be provided with respect to such matters by the local law of the place where such property is situated, if no notice of such lien has been filed in the place provided by law for such filing at the time such action or suit is commenced or if the law makes no provision for such filing.

If a judicial sale of property pursuant to a judgment in any civil action or suit to which the United States is not a party discharges a lien of the United States arising under the provisions of this title, the United States may claim, with the same priority as its lien had against the property sold, the proceeds (exclusive of costs) of such sale at any time before the distribution of such proceeds is ordered.

“(b) OTHER SALES.—Notwithstanding subsection (a) a sale of property on which the United States has or claims a lien, or a title derived from enforcement of a lien, under the provisions of this title, made pursuant to an instrument creating a lien on such property, pursuant to a confession of judgment on the obligation secured by such an instrument, or pursuant to a nonjudicial sale under a statutory lien on such property—

“(1) shall, except as otherwise provided, be made subject to and without disturbing such lien or title, if notice of such lien was filed or such title recorded in the place provided by law for such filing or recording more than 30 days before such sale and the United States is not given notice of such sale in the manner prescribed in subsection (c) (1); or

“(2) shall have the same effect with respect to the discharge or divestment of such lien or such title of the United States, as may be provided with respect to such matters by the local law of the place where such property is situated, if—

“(A) notice of such lien or such title was not filed or recorded in the place provided by law for such filing more than 30 days before such sale,

“(B) the law makes no provision for such filing, or

“(C) notice of such sale is given in the manner prescribed in subsection (c) (1).

“(c) SPECIAL RULES.—

“(1) **NOTICE OF SALE.**—Notice of a sale to which subsection (b) applies shall be given (in accordance with regulations prescribed by the Secretary or his delegate) in writing, by registered or certified mail or by personal service, not less than 25 days prior to such sale, to the Secretary or his delegate.

“(2) **CONSENT TO SALE.**—Notwithstanding the notice requirement of subsection (b) (2) (C), a sale described in subsection (b) of

property shall discharge or divest such property of the lien or title of the United States if the United States consents to the sale of such property free of such lien or title.

“(3) **SALE OF PERISHABLE GOODS.**—Notwithstanding the notice requirement of subsection (b) (2) (C), a sale described in subsection (b) of property liable to perish or become greatly reduced in price or value by keeping, or which cannot be kept without great expense, shall discharge or divest such property of the lien or title of the United States if notice of such sale is given (in accordance with regulations prescribed by the Secretary or his delegate) in writing, by registered or certified mail or by personal service, to the Secretary or his delegate before such sale. The proceeds (exclusive of costs) of such sale shall be held as a fund subject to the liens and claims of the United States, in the same manner and with the same priority as such liens and claims had with respect to the property sold, for not less than 30 days after the date of such sale.

“(d) **REDEMPTION BY UNITED STATES.**—

“(1) **RIGHT TO REDEEM.**—In the case of a sale of real property to which subsection (b) applies to satisfy a lien prior to that of the United States, the Secretary or his delegate may redeem such property within the period of 120 days from the date of such sale or the period allowable for redemption under local law, whichever is longer.

“(2) **AMOUNT TO BE PAID.**—In any case in which the United States redeems real property pursuant to paragraph (1), the amount to be paid for such property shall be the amount prescribed by subsection (d) of section 2410 of title 28 of the United States Code.

“(3) **CERTIFICATE OF REDEMPTION.**—

“(A) **IN GENERAL.**—In any case in which real property is redeemed by the United States pursuant to this subsection, the Secretary or his delegate shall apply to the officer designated by local law, if any, for the documents necessary to evidence the fact of redemption and to record title to such property in the name of the United States. If no such officer is designated by local law or if such officer fails to issue such documents, the Secretary or his delegate shall execute a certificate of redemption therefor.

“(B) **FILING.**—The Secretary or his delegate shall, without delay, cause such documents or certificate to be duly recorded in the proper registry of deeds. If the State in which the real property redeemed by the United States is situated has not by law designated an office in which such certificate may be recorded, the Secretary or his delegate shall file such certificate in the office of the clerk of the United States district court for the judicial district in which such property is situated.

“(C) **EFFECT.**—A certificate of redemption executed by the Secretary or his delegate shall constitute prima facie evidence of the regularity of such redemption and shall, when recorded, transfer to the United States all the rights, title, and interest in and to such property acquired by the person from whom the United States redeems such property by virtue of the sale of such property.”

SEC. 110. PROCEEDINGS BY THIRD PARTIES AGAINST THE UNITED STATES.

(a) **ACTIONS BY THIRD PARTIES.**—Subchapter B of chapter 76 (relating to proceedings by taxpayers) is amended by inserting after

section 7425 (as added by section 109 of this Act) the following new section:

“SEC. 7426. CIVIL ACTIONS BY PERSONS OTHER THAN TAXPAYERS.

“(a) ACTIONS PERMITTED.—

“(1) WRONGFUL LEVY.—If a levy has been made on property or property has been sold pursuant to a levy, any person (other than the person against whom is assessed the tax out of which such levy arose) who claims an interest in or lien on such property and that such property was wrongfully levied upon may bring a civil action against the United States in a district court of the United States. Such action may be brought without regard to whether such property has been surrendered to or sold by the Secretary or his delegate.

“(2) SURPLUS PROCEEDS.—If property has been sold pursuant to a levy, any person (other than the person against whom is assessed the tax out of which such levy arose) who claims an interest in or lien on such property junior to that of the United States and to be legally entitled to the surplus proceeds of such sale may bring a civil action against the United States in a district court of the United States.

“(3) SUBSTITUTED SALE PROCEEDS.—If property has been sold pursuant to an agreement described in section 6325(b)(3) (relating to substitution of proceeds of sale), any person who claims to be legally entitled to all or any part of the amount held as a fund pursuant to such agreement may bring a civil action against the United States in a district court of the United States.

Ante, p. 1133.

“(b) ADJUDICATION.—The district court shall have jurisdiction to grant only such of the following forms of relief as may be appropriate in the circumstances:

“(1) INJUNCTION.—If a levy or sale would irreparably injure rights in property which the court determines to be superior to rights of the United States in such property, the court may grant an injunction to prohibit the enforcement of such levy or to prohibit such sale.

“(2) RECOVERY OF PROPERTY.—If the court determines that such property has been wrongfully levied upon, the court may—

“(A) order the return of specific property if the United States is in possession of such property;

“(B) grant a judgment for the amount of money levied upon; or

“(C) grant a judgment for an amount not exceeding the amount received by the United States from the sale of such property.

For the purposes of subparagraph (C), if the property was declared purchased by the United States at a sale pursuant to section 6335(e) (relating to manner and conditions of sale), the United States shall be treated as having received an amount equal to the minimum price determined pursuant to such section or (if larger) the amount received by the United States from the resale of such property.

68A Stat. 785.
26 USC 6335.

“(3) SURPLUS PROCEEDS.—If the court determines that the interest or lien of any party to an action under this section was transferred to the proceeds of a sale of such property, the court may grant a judgment in an amount equal to all or any part of the amount of the surplus proceeds of such sale.

“(4) SUBSTITUTED SALE PROCEEDS.—If the court determines that a party has an interest in or lien on the amount held as a fund pursuant to an agreement described in section 6325(b)(3) (relat-

ing to substitution of proceeds of sale), the court may grant a judgment in an amount equal to all or any part of the amount of such fund.

“(c) **VALIDITY OF ASSESSMENT.**—For purposes of an adjudication under this section, the assessment of tax upon which the interest or lien of the United States is based shall be conclusively presumed to be valid.

“(d) **LIMITATION ON RIGHTS OF ACTION.**—No action may be maintained against any officer or employee of the United States (or former officer or employee) or his personal representative with respect to any acts for which an action could be maintained under this section.

“(e) **SUBSTITUTION OF UNITED STATES AS PARTY.**—If an action, which could be brought against the United States under this section, is improperly brought against any officer or employee of the United States (or former officer or employee) or his personal representative, the court shall order, upon such terms as are just, that the pleadings be amended to substitute the United States as a party for such officer or employee as of the time such action was commenced upon proper service of process on the United States.

68A Stat. 876.
26 USC 7422.

“(f) **PROVISION INAPPLICABLE.**—The provisions of section 7422(a) (relating to prohibition of suit prior to filing claim for refund) shall not apply to actions under this section.

“(g) **INTEREST.**—Interest shall be allowed at the rate of 6 percent per annum—

“(1) in the case of a judgment pursuant to subsection (b) (2) (B), from the date the Secretary or his delegate receives the money wrongfully levied upon to the date of payment of such judgment; and

“(2) in the case of a judgment pursuant to subsection (b) (2) (C), from the date of the sale of the property wrongfully levied upon to the date of payment of such judgment.

“(h) **CROSS REFERENCE.**—

“For period of limitation, see section 6532(c).”

(b) **PERIOD OF LIMITATION ON SUIT.**—Section 6532 (relating to period of limitation on suits) is amended by adding at the end thereof the following new subsection:

“(c) **SUITS BY PERSONS OTHER THAN TAXPAYERS.**—

Ante, p. 1143.

“(1) **GENERAL RULE.**—Except as provided by paragraph (2), no suit or proceeding under section 7426 shall be begun after the expiration of 9 months from the date of the levy or agreement giving rise to such action.

Ante, p. 1138.

“(2) **PERIOD WHEN CLAIM IS FILED.**—If a request is made for the return of property described in section 6343(b), the 9-month period prescribed in paragraph (1) shall be extended for a period of 12 months from the date of filing of such request or for a period of 6 months from the date of mailing by registered or certified mail by the Secretary or his delegate to the person making such request of a notice of disallowance of the part of the request to which the action relates, whichever is shorter.”

(c) **PROHIBITION OF SUITS TO RESTRAIN ASSESSMENT OR COLLECTION.**—Section 7421(a) (relating to prohibition of suits to restrain assessment or collection of tax) is amended to read as follows:

“(a) **TAX.**—Except as provided in sections 6212 (a) and (c), 6213(a), and 7426 (a) and (b) (1), no suit for the purpose of restraining the assessment or collection of any tax shall be maintained in any court by any person, whether or not such person is the person against whom such tax was assessed.”

(d) CLERICAL AMENDMENTS.—

(1) The heading of subchapter B of chapter 76 is amended to read as follows:

“Subchapter B—Proceedings by Taxpayers and Third Parties”

(2) The table of sections for subchapter B of chapter 76 is amended by striking out

“Sec. 7424. Civil action to clear title to property.
“Sec. 7425. Cross references.”

and inserting in lieu thereof

“Sec. 7424. Intervention.
“Sec. 7425. Discharge of liens.
“Sec. 7426. Civil actions by persons other than taxpayers.
“Sec. 7427. Cross references.”

(3) The table of subchapters for chapter 76 is amended by striking out

“SUBCHAPTER B. Proceedings by Taxpayers.”

and inserting in lieu thereof

“SUBCHAPTER B. Proceedings by Taxpayers and Third Parties.”

SEC. 111. SALE OF PROPERTY ACQUIRED BY UNITED STATES.

(a) **PERSONAL PROPERTY ACQUIRED.**—Section 7505(a) (relating to sale of personal property purchased by the United States) is amended by striking out “purchased by the United States under the authority of section 6335(e) (relating to purchase for the account of the United States of property sold under levy)” and inserting in lieu thereof “acquired by the United States in payment of or as security for debts arising under the internal revenue laws”.

68A Stat. 896.
26 USC 7505.

(b) **REAL PROPERTY REDEEMED.**—Section 7506(a) (relating to person charged with administration of real estate acquired by the United States) is amended by striking out “for the payment of such debts,” and inserting in lieu thereof “for the payment of such debts, or which has been redeemed by the United States,”.

(c) CLERICAL AMENDMENTS.—

(1) The heading of section 7505 is amended by striking out “PURCHASED” and inserting in lieu thereof “ACQUIRED”;

(2) The table of sections for chapter 77 is amended by striking out

“Sec. 7505. Sale of personal property purchased by the United States.”

and inserting in lieu thereof

“Sec. 7505. Sale of personal property acquired by the United States.”

SEC. 112. FUND FOR REDEMPTION OF REAL PROPERTY BY UNITED STATES.

(a) **CREATION OF FUND FOR REDEMPTION OF REAL PROPERTY.**—Subchapter A of chapter 80 (relating to application of internal revenue laws) is amended by adding at the end thereof the following new section:

26 USC 7801-
7809.

“SEC. 7810. REVOLVING FUND FOR REDEMPTION OF REAL PROPERTY.

“(a) **ESTABLISHMENT OF FUND.**—There is established a revolving fund, under the control of the Secretary or his delegate, which shall be available without fiscal year limitation for all expenses necessary for the redemption (by the Secretary or his delegate) of real property

Ante, p. 1141.
Post, p. 1147.

as provided in section 7425(d) and section 2410 of title 28 of the United States Code. There are authorized to be appropriated from time to time such sums (not to exceed \$1,000,000 in the aggregate) as may be necessary to carry out the purposes of this section.

“(b) REIMBURSEMENT OF FUND.—The fund shall be reimbursed from the proceeds of a subsequent sale of real property redeemed by the United States in an amount equal to the amount expended out of such fund for such redemption.

“(c) SYSTEM OF ACCOUNTS.—The Secretary or his delegate shall maintain an adequate system of accounts for such fund and prepare annual reports on the basis of such accounts.”

68A Stat. 918.
26 USC 7809.

(b) DEPOSIT OF MONEY RECEIVED.—Section 7809 (relating to deposit of collections) is amended by striking out “and 7654,” in subsection (a) and inserting in lieu thereof “7654, and 7810,”; and by amending subsection (b)—

- (1) by striking out “and” at the end of paragraph (2),
- (2) by striking out the period at the end of paragraph (3) and inserting in lieu thereof “; and”, and
- (3) by inserting after paragraph (3) the following new paragraph:

“(4) SURPLUS PROCEEDS IN SALES OF REDEEMED PROPERTY.—Surplus proceeds in any sale under section 7506 of real property redeemed by the United States, after making allowance for the amount of the tax, interest, penalties, and additions thereto, and for the costs of sale.”

(c) CLERICAL AMENDMENT.—The table of sections for subchapter A of chapter 80 is amended by adding at the end thereof the following:

“Sec. 7810. Revolving fund for redemption of real property.”

SEC. 113. EFFECT OF JUDGMENT ON TAX LIEN AND LEVY.

(a) LIEN NOT MERGED IN JUDGMENT.—Section 6322 (relating to period of lien) is amended by inserting after “liability for the amount so assessed” the following: “(or a judgment against the taxpayer arising out of such liability)”.

(b) LEVY.—Section 6502(a) (relating to length of period for collection after assessment) is amended by adding at the end thereof the following new sentence: “The period provided by this subsection during which a tax may be collected by levy shall not be extended or curtailed by reason of a judgment against the taxpayer.”

SEC. 114. EFFECTIVE DATE.

(a) GENERAL RULE.—Except as otherwise provided, the amendments made by this title shall apply after the date of enactment of this Act, regardless of when a lien or a title of the United States arose or when the lien or interest of any other person was acquired.

(b) EXCEPTIONS.—The amendments made by this title shall not apply in any case—

(1) in which a lien or a title derived from enforcement of a lien held by the United States has been enforced by a civil action or suit which has become final by judgment, sale, or agreement before the date of enactment of this Act; or

(2) in which such amendments would—

(A) impair a priority enjoyed by any person (other than the United States) holding a lien or interest prior to the date of enactment of this Act;

(B) operate to increase the liability of any such person; or
 (C) shorten the time for bringing suit with respect to transactions occurring before the date of enactment of this Act.

(c) **LIABILITY FOR WITHHELD TAXES.—**

(1) The amendments made by section 105(a) (relating to effect on third parties) shall apply only with respect to wages paid on or after January 1, 1967.

(2) The amendments made by section 105(b) (relating to performance bonds of contractors for public buildings or works) shall apply to contracts entered into pursuant to invitations for bids issued after June 30, 1967.

(d) **CIVIL ACTION TO CLEAR TITLE TO PROPERTY.—**If, before the date of enactment of this Act, any person has commenced a civil action to clear title to property pursuant to section 7424 of the Internal Revenue Code of 1954 as in effect immediately before the enactment of this Act, such action shall be determined in accordance with section 7424 of such Code as in effect immediately before the enactment of this Act.

68A Stat. 877.
26 USC 7424.

TITLE II—CONSENT OF UNITED STATES TO BE SUED IN ACTIONS AFFECTING PROPERTY IN WHICH IT HAS A LIEN OR INTEREST

SEC. 201. JOINDER OF UNITED STATES IN CERTAIN PROCEEDINGS.

Section 2410 of title 28 of the United States Code is amended by redesignating subsection (d) as subsection (e) and by striking out subsections (a), (b), and (c) and inserting in lieu thereof the following new subsections:

62 Stat. 972.

“(a) Under the conditions prescribed in this section and section 1444 of this title for the protection of the United States, the United States may be named a party in any civil action or suit in any district court, or in any State court having jurisdiction of the subject matter—

“(1) to quiet title to,

“(2) to foreclose a mortgage or other lien upon,

“(3) to partition,

“(4) to condemn, or

“(5) of interpleader or in the nature of interpleader with respect to,

real or personal property on which the United States has or claims a mortgage or other lien.

“(b) The complaint or pleading shall set forth with particularity the nature of the interest or lien of the United States. In actions or suits involving liens arising under the internal revenue laws, the complaint or pleading shall include the name and address of the taxpayer whose liability created the lien and, if a notice of the tax lien was filed, the identity of the internal revenue office which filed the notice, and the date and place such notice of lien was filed. In actions in the State courts service upon the United States shall be made by serving the process of the court with a copy of the complaint upon the United States attorney for the district in which the action is brought or upon an assistant United States attorney or clerical employee designated by the United States attorney in writing filed with the clerk of the court in which the action is brought and by

sending copies of the process and complaint, by registered mail, or by certified mail, to the Attorney General of the United States at Washington, District of Columbia. In such actions the United States may appear and answer, plead or demur within sixty days after such service or such further time as the court may allow.

“(c) A judgment or decree in such action or suit shall have the same effect respecting the discharge of the property from the mortgage or other lien held by the United States as may be provided with respect to such matters by the local law of the place where the court is situated. However, an action to foreclose a mortgage or other lien, naming the United States as a party under this section, must seek judicial sale. A sale to satisfy a lien inferior to one of the United States shall be made subject to and without disturbing the lien of the United States, unless the United States consents that the property may be sold free of its lien and the proceeds divided as the parties may be entitled. Where a sale of real estate is made to satisfy a lien prior to that of the United States, the United States shall have one year from the date of sale within which to redeem, except that with respect to a lien arising under the internal revenue laws the period shall be 120 days or the period allowable for redemption under State law, whichever is longer, and in any case in which, under the provisions of section 505 of the Housing Act of 1950, as amended (12 U.S.C. 1701k), and subsection (d) of section 1820 of title 38 of the United States Code, the right to redeem does not arise, there shall be no right of redemption. In any case where the debt owing the United States is due, the United States may ask, by way of affirmative relief, for the foreclosure of its own lien and where property is sold to satisfy a first lien held by the United States, the United States may bid at the sale such sum, not exceeding the amount of its claim with expenses of sale, as may be directed by the head (or his delegate) of the department or agency of the United States which has charge of the administration of the laws in respect to which the claim of the United States arises.

64 Stat. 81.
72 Stat. 1213.

“(d) In any case in which the United States redeems real property under this section or section 7425 of the Internal Revenue Code of 1954, the amount to be paid for such property shall be the sum of—

Ante, p. 1141.

“(1) the actual amount paid by the purchaser at such sale (which, in the case of a purchaser who is the holder of the lien being foreclosed, shall include the amount of the obligation secured by such lien to the extent satisfied by reason of such sale),

“(2) interest on the amount paid (as determined under paragraph (1)) at 6 percent per annum from the date of such sale, and

“(3) the amount (if any) equal to the excess of (A) the expenses necessarily incurred in connection with such property, over (B) the income from such property plus (to the extent such property is used by the purchaser) a reasonable rental value of such property.”

SEC. 202. JURISDICTION AND VENUE IN CERTAIN ACTIONS AGAINST UNITED STATES.

(a) JURISDICTION IN PROCEEDINGS BROUGHT BY THIRD PARTIES.—Section 1346 of title 28 of the United States Code is amended by adding at the end thereof the following new subsection:

62 Stat. 933.

“(e) The district courts shall have original jurisdiction of any civil action against the United States provided in section 7426 of the Internal Revenue Code of 1954.”

Ante, p. 1143.

(b) VENUE IN PROCEEDINGS BROUGHT BY THIRD PARTIES.—Section 1402 of title 28 of the United States Code is amended by adding at the end thereof the following new subsection:

62 Stat. 937.

“(c) Any civil action against the United States under subsection (e) of section 1346 of this title may be prosecuted only in the judicial district where the property is situated at the time of levy, or if no levy is made, in the judicial district in which the event occurred which gave rise to the cause of action.”

Ante, p. 1148.

SEC. 203. EFFECTIVE DATE.

The amendments made by this title shall apply after the date of the enactment of this Act.

Approved November 2, 1966.

Public Law 89-720

AN ACT

To provide for the control or elimination of jellyfish and other such pests in the coastal waters of the United States, and for other purposes.

November 2, 1966
[H. R. 11475]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of conserving and protecting the fish and shellfish resources in the coastal waters of the United States and the Commonwealth of Puerto Rico, and promoting and safeguarding water-based recreation for present and future generations in these waters, the Secretary of the Interior is authorized to cooperate with, and provide assistance to, the States in controlling and eliminating jellyfish, commonly referred to as “sea nettles”, and other such pests and in conducting research for the purposes of controlling floating seaweed in such waters.

Jellyfish.
Control or elimination in coastal waters.

SEC. 2. In carrying out the purposes of this Act, the Secretary, in cooperation with the States and the Commonwealth of Puerto Rico, is authorized (1) to conduct, directly or by contract, such studies, research, and investigations, as he deems desirable, to determine the abundance and distribution of jellyfish and other such pests and their effects on fish and shellfish and water-based recreation, (2) to conduct studies of control measures of such pests and of floating seaweed, (3) to carry out, based on studies made pursuant to this Act, a program of controlling or eliminating such pests and such seaweed, and (4) to take such other actions as the Secretary deems desirable: *Provided*, That the costs of such actions shall be borne equally by the Federal Government and by the States and the Commonwealth of Puerto Rico, acting jointly or severally.

Studies.

SEC. 3. There is authorized to be appropriated not to exceed \$500,000 for the fiscal year ending June 30, 1968, \$750,000 for the fiscal year ending June 30, 1969, and \$1,000,000 for the fiscal year ending June 30, 1970.

Appropriation.

SEC. 4. The Congress consents to any compact or agreement between any two or more States for the purpose of carrying out a program of research, study, investigation, and control of jellyfish and other such pests in the coastal waters of the United States. The right to alter, amend, or repeal this section or the consent granted herein is expressly reserved.

Compacts.

SEC. 5. Nothing in this Act shall be construed to alter, amend, repeal, modify, or diminish the present general authority of the Secretary of the Interior to conduct studies, research, and investigations related to the mission of the Department of the Interior.

Approved November 2, 1966.

Public Law 89-721

November 2, 1966
[H. R. 11660]

AN ACT

Relating to interest on income tax refunds made within 45 days after the filing of the tax return, and for other purposes.

Income tax.
Interest on re-
funds.
68A Stat. 819.
26 USC 6611.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 6611(e) of the Internal Revenue Code of 1954 (relating to income tax refunds within 45 days after due date of tax) is amended to read as follows:

“(e) **INCOME TAX REFUND WITHIN 45 DAYS AFTER RETURN IS FILED.**—If any overpayment of tax imposed by subtitle A is refunded within 45 days after the last date prescribed for filing the return of such tax (determined without regard to any extension of time for filing the return) or, in case the return is filed after such last date, is refunded within 45 days after the date the return is filed, no interest shall be allowed under subsection (a) on such overpayment.”

(b) The amendment made by subsection (a) shall apply with respect to refunds made more than 45 days after the date of the enactment of this Act.

SEC. 2. (a) The first two sentences of section 6411(a) of the Internal Revenue Code of 1954 (relating to quick refunds of income taxes attributable to a net operating loss carryback) are amended to read as follows: “A taxpayer may file an application for a tentative carryback adjustment of the tax for the prior taxable year affected by a net operating loss carryback provided in section 172(b), or by an investment credit carryback provided in section 46(b), from any taxable year. The application shall be verified in the manner prescribed by section 6065 in the case of a return of such taxpayer, and shall be filed, on or after the date of filing of the return for the taxable year of the net operating loss or unused investment credit from which the carryback results and within a period of 12 months from the end of such taxable year, in the manner and form required by regulations prescribed by the Secretary or his delegate.”

76 Stat. 963.

68A Stat. 749.

(b) Paragraph (1) of such section 6411(a) is amended by inserting after the words “net operating loss” the following: “or unused investment credit”.

(c) Paragraph (5) of such section 6411(a) is amended by striking out the words “of such loss” and inserting in lieu thereof “from which the carryback is made”.

(d) Subsections (b) and (c) of section 6411 of such Code are amended by inserting the words “or unused investment credit” after the words “net operating loss” each time they appear in such subsections.

(e) Subsection (c) of such section 6411 is amended by striking out the words “such loss” and inserting in lieu thereof “such loss or credit”.

76 Stat. 971.

(f) Subsection (j) of section 6501 of such Code (relating to investment credit carrybacks) is amended by striking out “investment credit carryback,” and inserting in lieu thereof “investment credit carryback (including deficiencies which may be assessed pursuant to the provisions of section 6213(b)(2)).”

68A Stat. 772.

(g) The amendments made by this section shall apply with respect to taxable years ending after December 31, 1961, but only in the case of applications filed after the date of the enactment of this Act. The period of 12 months referred to in the second sentence of section 6411(a) of the Internal Revenue Code of 1954 (as amended by this section) for filing an application for a tentative carryback adjustment of tax