§ 301.6503(f)–1 Suspension of running of period of limitation; wrongful seizure of property of third-party owner and discharge of lien for substitution of value.

(a) Wrongful seizure. The running of the period of limitations on collection after assessment prescribed in section 6502 (relating to collection after assessment) shall be suspended for a period equal to a period beginning on the date property (including money) is wrongfully seized or received by the appropriate official and ending on the date 30 days after the date on which the appropriate official returns the property pursuant to section 6343(b) (relating to authority to return property) or the date 30 days after the date on which a judgment secured pursuant to section 7426 (relating to civil actions by persons other than taxpayers) with respect to such property becomes final. The running of the period of limitations on collection after assessment shall be suspended under this section only with respect to the amount of such assessment which is equal to the amount of money or the value of specific property returned. This section applies in the case of property wrongfully seized or received after November 2, 1966. The following example illustrates the principles of this section:

Example. On June 1, 1968 (at which time 10 months remain before the period of limitations on collection after assessment will expire), the appropriate official wrongfully seizes $1,000 in B's account in Bank X and properly seizes $500 in taxpayer A's account in Bank Y in an attempt to satisfy A's assessed tax liability of $1,500. The appropriate official determines that the $1,000 seized in Bank X was not the property of taxpayer A and, on March 1, 1969, he returns the $1,000 to B. As a result of the wrongful seizure, the running of the period of limitations on collection after assessment of the amount owed by taxpayer A is suspended for the 9-month period (beginning June 1, 1968, when the money was wrongfully seized and ending March 1, 1969, when the money was returned to B), plus 30 days. Therefore, the period of limitations on collection after assessment prescribed in section 6502 will not expire until February 1, 1970, which is 10 months plus 30 days after the money was returned.

(b) Discharge of wrongful lien for substitution of value. If a person other than the taxpayer submits a request in writing for a certificate of discharge for a