

§1341 Deduction for Restoration of Amounts Tax to Decedent under a Claim of Right.

Sometimes a taxpayer finds it is necessary any subsequent year to repay the amount he or she had taxed any previous taxable year, received under an apparent claim of right. Which turns out to be an erroneous overpayment which should have not been taxed in that prior year. §1341 assures the taxpayer that the tax savings from deducting, if it exceeds \$3,000, in the year of repayment will be at least as great as the tax burden that resulted from inclusion in the year of receipt.

§1341, entitled "Computation of Tax Where Taxpayer Restores Substantial Amount Held under a Claim of Right". The general rule is that if an item was included in gross income for a prior taxable year because it appeared that the taxpayer had an unrestricted right to such item, a deduction is allowable for the tax year because it was established after the close of such prior tax year that the taxpayer did not have an unrestricted right to such item or a portion of such item and the amount exceeds \$3,000.00.

There are some limitations as to the amount of the adjustment. See §1341.