

Joint Tax: \$29,18

Single Leo Tax 0
TW ' 1364,79

1364,79

430

442 Bodway

142 Bodway

Ross,
1074
Cherry
2879

11500

500%

5000

3333

1074
Chamber

6500

~~XXXXXXXXXX~~

1951

7

Al 3995

Edward M. Stewart

~~+~~

Talbot 1331

WPA 148

Dr. Kern

Sum 142 SH 2734
Postway

Puech

Ke 2876

1015 15 K. Str.

Merriam

AC 3727

409 16

T.W.

Tax 1364,79
(Ft. Debt)

paid 1275,60

Lee

any book X 330 refund

10 124 97

562 50

400

→ 421

→ 195

110 87, 47

Travel expenses

616, 16 1 Twp

195

3x 140+1

420

616

With held

1958, 80

91, 70

1950, 50

06
60
132

140

March 15, 1955

Mrs. Rose Detre
830 Washington St.
Denver, Colorado

Dear Rose:

I was just advised this moment by the Internal Revenue Dept. that the tax case is satisfactorily concluded. This will now be confirmed to me in writing also, but it usually takes a long time with the red tape of the department to get the written notice actually into my hands.

Mr. S. Gorlin, whose name I have given you before, expressly authorized me again to let you know the favorable result which will solve your problem also. You may advise your Internal Revenue Agent of this matter and if he writes to the Internal Revenue Dept. in New York at 90 Church St., these people will confirm the favorable outcome in writing.

You may let your Internal Revenue Agent know also that the favorable result of the examination was established not only with respect to the fact that I was in possession of the property in the years before 1952, but also with respect to the fact that confiscation established the loss as having occurred on February 17, 1952, and finally with respect to the acceptability of the amount of the loss as claimed.

I am sending this letter in duplicate so that you may forward your original to the tax people.

Sincerely,

Copy for Lee

New York, December 3, 1954

Mrs. Rose Detre
831 Washington Street
Denver, Colorado.

Dear Mrs. Detre:

Your brother, Mr. Bela Silard, asked me to write this letter to you in re: Letter of Mr. James Bailey, Internal Revenue Agent, of October 7, 1954, referring to your Net Operating Loss Deduction claimed by your 1952 Federal Income Tax Return, which claim originated as a result of the seizure by the Hungarian Government of certain real estate property located in Hungary.

According to the information I got from your brother I could establish the following facts:

- 1) The property in question, consisting of 1/9 interest in an apartment building located 33 Vilma Kiralyno ut, Budapest, Hungary, was inherited by you from your deceased mother in 1939, as evidenced by a Certificate of Ownership issued by the Court of Real Estate Records in Budapest, Hungary, dated July 7, 1949.
- 2) You left Hungary before the war for Switzerland, where you lived until 1949. From Switzerland you immigrated into U.S.A., long after the armistice between the U.S.A. and Hungary had been signed in January, 1947.
- 3) At the time of your immigration into the U.S.A. you were undisputed owner of the aforesaid property as evidenced by the same Certificate of ownership made out by the Court of Real Estate Records, Budapest, dated July 7, 1949.
- 4) The seizure of the property mentioned above took place by decree No. 4/1952 of the Presidium of the Hungarian Peoples Republic, Budapest dated February 17, 1952, which was communicated to the American public by the Press Release of the Department of State No. 224 of March 24, 1952.
- 5) No seizure of the property involved had taken place before February 17, 1952, and, therefore, there could also not have been any previous recovery. Your and your co-owners' property rights had remained unviolated until the date mentioned as evidenced by the following facts and documents:
 - a) Before February 17, 1952, there was no law in Hungary which enabled the Hungarian government to confiscate or seize private property of the kind involved in your case except in condemnation proceedings for safety reasons or for public use, in the latter case only against just compensation through money or property of the like kind and value.
 - b) The entries on the Real Estate Records of the City of Budapest show no change of ownership as would have taken place in the case of any seizure as evidenced by the aforementioned Certificate of Ownership made out by the Court of Real Estate Records, Budapest, Hungary.

- c) Your tenants paid rent to you as evidenced by the letters of Dr. Oblath Karoly, Budapest, the administrator of the building in question, of October 11, 1951, and October 26, 1951, and a credit note of the Foreign Trade Bank Ltd., Budapest, dated October 25, 1951.
 - d) The U.S.A. Department of State took over the protection of the Building as partially the property of citizen's of the U.S.A.
- 6) The Commissioner contends that an actual seizure of the property involved occurred "prior to 1952, in fact prior to the end of World War II," and that, therefore, the loss deduction was improper for 1952. His disallowance of your deduction is based upon:
- a) Sec. 23(e) of the Internal Revenue Code
 - b) Sec. 122 of the Internal Revenue Code
 - c) Sec. 127 of the Internal Revenue Code
 - d) Decision in case Franke, Eric E. et al. 12 TCM 373, Docket No. 36887, entered 4/7/53.

To these points I should like to make the following remarks reflecting my sincere opinion in this matter:

ad 1), 2) and 3): Since you immigrated into the U.S.A. in 1949, two years after the armistice, and since you were, at that time, undisputed owner of the property involved as evidenced by official documents, your case has nothing to do with sec. 127 of the Internal Revenue Code which deals with war losses and their recovery. Practically, you did not suffer any war loss in connection with this property, as it was neither confiscated and taken away from you nor destroyed or severely damaged through acts of war. Even less did you suffer fictitious war losses as established by the war loss provisions of the Internal Revenue Code, which had, after the war, to be recovered fictitiously on the day the hostilities ceased, because you were neither at the time of the outbreak of the war nor at the time of the armistice between the U.S.A. and Hungary an American citizen or resident and, as such, an American taxpayer subject to American laws in general and the provisions of the Internal Revenue Code in special.

ad 4) and 5) In contrast to Germany, which country confiscated the property of certain classes of citizens and residents, among them the Jews, in Germany and, after its annexation, also in Austria, no such steps were taken in Hungary. Owners of real property were free during the whole time of the war and in the post war period which ended February 17, 1952, to exercise their property rights and were only restricted as far as the needs of the State in war times and the legislation aiming at the protection of the tenants were concerned; this has nothing to do with seizure in its legal meaning and was a common procedure in war and post war times in almost all countries of the world including the U.S.A., where even today tenants can only be evicted under special circumstances and the amount of the rents is, in most cases, legally limited. In your special case, the Hungarian Government or, respectively, its agency acquired merely a leasehold interest in your property (see, as an example, Int. Rev. Bull. 1953-1, page 16, Rev. Rule 38). Not the fact that rent had to be paid, but only the amount of the rent, paid partly by assumption of the maintenance costs etc. by the tenants and partly by cash, was a matter of discussion and was finally settled according to law. The actual seizure of the property, on which your claim was based, occurred in this same year of 1952, in contrast to the happenings in the case Franke Eric E. et al., where the seizure had taken place through official act of the Czechoslovak government in 1946, but the deduction was claimed only in 1950. As far as I have been informed by your brother, you seem to have made

the mistake to refer to the fact that the Hungarian Government made use of your property as to a fact of seizure. This was, of course, a misleading statement caused by the loose use of the term "seizure" and should be corrected by you.

ad 6) The assumption of your revenue agent that any seizure of your property had occurred already before 1952 is, after all that has been said above, erroneous and might have been caused by the lack of precision in the language used by you in your explanatory notes to your 1952 federal income tax return. As already shown, his reference to sec. 127 of the Internal Revenue Code and to the case Franke Eric E. et al. does not apply to your case. The substance of your case is simply that you owned a share in an apartment building operated for profit, i.e. in property used in a trade or business, according to most numerous and generally accepted decisions, that this property was taken away from you by seizure of the Hungarian State, and that you thus suffered a loss deductible under sec. 23(e)(1) or (2) of the Code of Internal Revenue, in the same year in which the seizure took place, i.e. in 1952 (see many decisions and also Int. Rev. Bull 1952-1, page 29, 1952-13-13843).

I refrain from going now deeper into this matter and from quoting more pertinent cases and decisions in order not to confuse you. I believe to have covered every point contained in the letter of Mr. Bailey and should suggest that you contact him now and give him the information as outlined in this letter. If he wants any further information or proofs or raises any other objections, please inform either your brother or myself and we will try to satisfy him with our cooperation. In order to avoid misunderstandings it would be useful if Mr. Bailey would be so kind as to set down what he wants in writing - just a little note would be sufficient - and if you would send it to Bela or myself. As far as my experience with our tax people goes, they are very nice and helpful towards decent and cooperative tax payers, so I am sure, Mr. Bailey would do you this favor if you ask him.

With my best regards

Sincerely yours,

Harry B. Gutman, C.P.A.
690 Academy Street
New York 34, N.Y.

December 5, 1954.

Dear Rozsi,

I have now the result of my conversations with my tax expert. We have looked over carefully all the data that I have found so far in my very voluminous files and he has written to you as per enclosure. Please mail Gutman's letter, the translations, and my present letter which contains important additions, immediately to Mr. Bailey. I am giving you a full set of copies for your own files in the enclosure also. Here are the addenda to what is expounded in Gutman's letter:

A. Oblath's letter of July 11, 1949 shows that the certificate of ownership was obtained by him at that time. A translation was enclosed with your tax return for 1952, but it was not expressly pointed out that the certificate was dated as late as July 7, 1949.

B. The same letter also shows that regular rent was paid before July 1949. Just how long before, I cannot tell at this moment, but this is not material. At any rate, the remark in the "Enclosure to Schedule C for 1952" that the tenant did not pay cash, but only took care of the direct expenses of the house ^{up to 1951,} must be corrected.

C. Oblath's letter of Aug. 5, 1949 shows that property levy was assessed on the basis of the ownership of the house, an ownership unencumbered, unchallenged, and undisputed.

D. Oblath's letter of October 24, 1949, particularly under 3., indicates that there was previously, apparently for several years, quite some income which resulted in that balance of about Ft. 4000 in our favor.

E. Oblath's letter of Nov. 25, 1949 finally shows that there was tax assessed as early as 1947, for the house as our property.

F. The two letters by Oblath, written in 1951 and mentioned by Gutman, and particularly the detailed accounting shows clearly what orderly, meticulous management was carried out in our interest by him. I am sorry that I could not find yet the accounting for the year 1950 in between. However there is no doubt that what we have to show is completely sufficient to show that we owned the house all right up to 1952. I regret very much to have caused you difficulties by having let you state your case in the tax return for 1952 in rather unclear terms. I should have dug out all these letters at that time from my files as I obviously did not remember correctly from what date on the rents were paid. Those efforts by our relatives which did not succeed in the beginning, now are shown to have been earlier, probably in 1945 and 1946.

G. Gutman did not mention this but it makes things clearer to indicate that you were not an enemy citizen or denizen with respect to Hungary at any time. While it can be shown that not even former enemy citizens were disturbed by Hungary in their property rights up to 1952, of course you were even less so.

H. With respect to the protection of the house by the U.S. Government, on the basis of American citizens having been part owners, I have also found detailed information in my files. I have not only the original wire from Budapest received in July 1946 requesting the protection by the American Legation in Budapest but I find that I and Leo have made out an "Application for a Special Certificate of Naturalization for Recognition by a Foreign State" on State Department Form No. N-577. After that was taken care of I visited Mr. McKesson and Mr. Smith in the Division of Foreign Service Administration of the State Department and obtained their help and they sent a cable to the Legation in Budapest. The cable was dated July 30, 1946. I paid the bill for it. Later the relatives reported from Budapest that the Legation had a large sign affixed to the door of the house certifying that the house was partly owned by American Citizens. So far I have found also true copies of my letter and telegram of July 15, 1946 to the State Department by which this action for protection was started.

117211

*Copy to be
Sample*

Mrs. Rose Detre
3337 Harrison Street
Denver 7, Colorado

February 20, 1953

Collector of Internal Revenue
Denver, Colorado

Gentlemen:

I am submitting herewith my Tax Return for 1952. It will be noted that on the basis of the data given in my return I am claiming a tax refund of \$767.50.

I am also enclosing an ^{*a claim*} ~~Amended Tax Return~~ for 1951. This has become necessary so as to carry back the net operating loss from 1952. It will be noted that I claim a tax refund for 1951 in the amount of \$366.00.

The total claim for refund for these two years is \$1,133.50.

Very sincerely yours,

BS:m
Encls.

Registered

Translation from Hungarian

Dr. Bela Szilard
New York

Budapest, Oct. 26, 1951

Dear Doctor:

With reference to my letter of October 11, I wish to advise that the Hungarian National Bank has taken note, from the angle of monetary regulations, of the accounting which I have sent to you also and that in accordance with directions of the Hungarian National Bank I have deposited ~~for~~ in individual blocked accounts for you and your brother and sister Ft. 300 each or a total of Ft. 900.--, with the Hungarian Foreign Trade Bank, Ltd., under yesterday's date. In view of the fact that I possess only your address may I ask you to communicate to me the addresses of Dr. Leo Szilard and of Mrs. Lorant Detre so that I may be able to give them to the bank.

Very sincerely yours,

(signed) Dr. Karoly Oblath

W. H. H.
Mrs. Rose Detre

Sample
Enclosure to Schedule "D" for 1952

*Property at 33,
Vilma
Királyno
ut
Budapest
Hungary*

This is an explanation of the loss shown in Schedule "D", paragraph 2: Property other than capital assets. The property in question is real property at 33 Vilma Kiralyno ut, Budapest, Hungary.

I had a 1/9 interest in this property. My share is shown on Item 10 of Section "A" in a Certificate of Ownership made out by the Court of Real Estate Records in Budapest, of which I am enclosing a photostatic copy. My interest is expressed in that Certificate as 2/18 which is equivalent to 1/9.

The notation in the Records of my ownership was made, as the Certificate shows, on June 10, 1939, in accordance with a Court Document dated May 23, 1939, to which there is reference in the Certificate and which certified my share of inheritance from my Mother, who died April 9, 1939. An English translation of the item mentioned here and referring to my inheritance, as well as that of my brothers, is also appended here. In this English translation I have given the names exactly as shown in the Certificate and in brackets the names now being used by my brothers and by myself. On the basis of these facts my interest in this property is deemed to have been acquired in 1939.

I was living since before the Second World War in Switzerland up to 1950, in which year I came to this Country as an immigrant. I am now a resident alien. I have been in Hungary for the last time in 1939 shortly after my Mother died.

This property was seized by the Hungarian Government sometime before the end of the War and used in various ways, in the latter years to house a Government operated facility for students of a music school of the Hungarian State.

After the War ended members of my family who are the other owners of interests in this property made many efforts to regain possession and control over the property, or to obtain rent from the occupying agency. The enclosed photostatic copy of a cable from Budapest shows the start of these efforts. ~~There are also enclosed photostatic copies of a wire and of a letter addressed by my brother, P. A. Silard, to the Department of State in the same matter.~~ Verbal information obtained later at the State Department in Washington ^{has} born out the fact that the Legation in Budapest actually took protective steps by posting on the property a sign on which the property rights of American citizens was certified by the American Legation. Letters received subsequently from my relatives in Hungary have born out the fact that these and many other efforts of their own have remained fruitless except that the occupants of the apartment house were induced to restore damages, carry out all the necessary repairs and to maintain the building, until the summer of 1951, at which time they succeeded to obtain an agreement from the above-mentioned agency of the Hungarian Government that a rent will be paid.

*Vilma
K
ut.
Vilma Kiralyno
Budapest Hungary
Prop at 33*

Mrs. Rose Detre

Enclosure to Schedule "D" for 1952 (Cont'd.)

It appears that at that time a lawyer in Budapest by the name of Carl Oblath was retained to collect the rents and act as an agent for the owners in other respects also. He acted by representing all the owners, received rent and disbursed the expenditures by also deducting his fee and, he finally appears, to have deposited the amount of 300 Hungarian Forint on a blocked account in my name, also the same amount in the name of each of my two brothers. I am enclosing a photostatic copy of a notification from the Foreign Trade Bank, Ltd., dated October 25, 1951, addressed to my brother, B. A. Silard, in New York City, certifying that this amount was paid to them by said lawyer on that date. I, myself, have not received a similar notification and neither did my other brother, probably because our addresses were unknown to that Hungarian bank, while the address of my brother, B. A. Silard, may have been given to the Bank by said lawyer.

Whether there was any rent collected after October, 1951, and whether any further deposits were made by the lawyer, I do not know.

The Hungarian Government by Decree No. 4/1952 dated February 17, 1952, confiscated (nationalized) the property, together with other similar properties, as is generally known. This Decree was made available in English translation by the Department of State press release 224 dated March 24, 1952. A copy of the press release is enclosed herewith. Inquiries with the State Department have also resulted in the information that the American Legation in Budapest made representations to the Hungarian Government twice, on February 19th and again on April 2nd, 1952, concerning compensation to American owners whose property had been nationalized, but the State Department, thereafter expressed its opinion that no such compensation will be paid.

In view of the above my 1/9 interest in this property was lost in 1952. The basis of the loss is the fair market value, as per 1939, of my 1/9 interest amounting to \$13,880.00 (1/9 of \$125,000.00 for the entire property). The adjusted basis as per 1952, is arrived at by deducting, for 13 years that had elapsed from the beginning of 1939 to the beginning of 1952, depreciation at the rate of 1 1/2% per annum, or a total depreciation of 19 1/2%, calculated on the amount that represents 1/9 value of the building or 1/9 of \$110,000.00 which is \$12,222.00. The amount of depreciation, therefore, was \$2,380.00 and the adjusted basis is \$11,500.00. As my entire interest was lost, this adjusted basis of \$11,500.00 is my loss.

The losses were shown by me properly as referring to property other than capital assets as I have held it for the purpose of profit from rents.

Enclosures

CLASS OF SERVICE

This is a full-rate Telegram or Cablegram unless its deferred character is indicated by a suitable symbol above or preceding the address.

WESTERN UNION

1201

A. N. WILLIAMS
PRESIDENT

SYMBOLS

DL = Day Letter

NL = Night Letter

LC = Deferred Cable

NLT = Cable Night Letter

Ship Radiogram

The filing time shown in the date line on telegrams and day letters is STANDARD TIME at point of origin. Time of receipt is STANDARD TIME at point of destination

B2CC 5C INTL

CD BUDAPEST VIA MACKAY RADIO 38 10

NLT BELA SILARD

MSR

601 WEST 113 STREET NEWYORK CITY (EMD)

KINDLY SUBMIT PROOF OF YOUR AND LEO SILARD S CITIZENSHIP TO STATE DEPARTMENT WASHINGTON REQUESTING THEM TO FORWARD DATA TO LEGATION BUDAPEST NEEDED FOR PROTECTING YOUR HOUSE

SCHEIBER KAROLY

1109P

When keep this, but don't file it

Have copy for files *do not fold*

Description of Property

Location of the property: 3 Vilma Kiralyne ut, Budapest, Hungary.

The lot is rectangular. It has a frontage of 80 ft. and a depth of 250 ft. The area is 21,600 sq. ft. (36 sq. ft. are the same as 1 Hungarian square rod). The area is 600.5 Hungarian square rods.

The building on this lot is an apartment house. It is 55 ft. wide, 120 ft. long, and, therefore, covers an area of 6,700 sq. ft. The building consists of a basement, first, second and third floors and an attic floor. A plan showing the lay-out of the first, second and third floors is enclosed. There is also enclosed a drawing showing the elevation and the heights of the several floors.

The basement extends over the entire area of the building. It is so arranged that more than half of its height is above ground. Half of its area is utilized for apartments while the other half is storage space (the facilities for the central heating plant, etc. are in the sub-basement). The apartments in the basement are one large apartment, converted from what was originally an architects office and two smaller apartments for janitors.

Each of the first, second and third floors comprises one larger and one smaller apartment, but the dividing line is in a different place on each floor. The enclosed plan actually shows the first floor.

The attic floor contains one small apartment. The rest of the attic is storage space.

The entire building is built of brick. All the ceilings are constructed of solid brick arches between steel shapes (girders). Up to a level of the first floor the building is faced by carved field stones. Above that the entire building is stucco covered. The roof is tile covered.

The building, in its entirety, is constructed of the best materials and each apartment is completely equipped with all facilities, central steam heating system, hot and cold water, tile bathrooms and lavatories, oak floors, etc.

The building was always maintained in excellent repair.

(Copy)

to have to keep

July 15, 1946

U. S. Department of State
Washington, D. C.

Gentlemen:

I have sent you a wire today as per enclosed copy.

I will greatly appreciate your forwarding the citizenship data, which I have given to the Legation in Budapest, Hungary. It appears from a cable just received from a relative of mine residing in Budapest that a certification of my citizenship and that of my brother Dr. Leo Szilard is essential for protecting our property rights in the real property identified in my wire. My brother and I own each one-ninth of said property. Both of us have reported this to the Treasury Department, when this was required several years ago on TR 500.

May I hope that you have found it possible to verify the data in short order and that you have sent the confirming cable to the Legation in Budapest. I will be glad to be advised of this, and as I mentioned in my wire, to pay for the cost of the cable.

Thanking you for your kind cooperation, I am,

Very sincerely yours,

B. A. Silard
601 W. 113th St.
New York, N. Y.

BAS:AM

P. S. My brother's address is

c/o Weiss

5816 Blackstone Ave.

Chicago, Ill.

let to keep

(Copy)

PHOTOVOLT CORPORATION, 95 Madison Ave.

DAYLETTER

JULY 15, 1946

DEPARTMENT OF STATE
WASHINGTON, D. C.

HAVE JUST BEEN ADVISED BY CABLE FROM BUDAPEST HUNGARY OF NECESSITY OF PROTECTING MY PROPERTY RIGHTS AND THOSE OF MY BROTHER DR. LEO SZILARD IN REAL PROPERTY LOCATED AT 33 VILMA KIRALYNOE UT, BUDAPEST, BY REQUESTING YOU TO FORWARD IMMEDIATELY BY CABLE CITIZENSHIP DATA TO U. S. LEGATION BUDAPEST. THESE ARE AS FOLLOWS. LEO SZILARD NATURALIZATION CERTIFICATE 5314229 MARCH 29, 1943, BELA A. SILARD NATURALIZATION CERTIFICATE 5962793 JULY 25, 1944, BOTH BY U.S. DISTRICT COURT SOUTHERN DISTRICT NEW YORK. I SHALL CONFIRM THIS DATA IN LETTER TODAY AND WILL BE GLAD TO PAY COST OF CABLE.

B. A. SILARD
601 W. 113th ST.
NEW YORK, N.Y.

3

Translation of Certain Parts of the
Enclosed Certificate of Ownership

(In this translation the names of the owners are given exactly as they appear in the original and in addition, in brackets, the names as now used are given.)

Section A Parcel

Parcel Item 1:

No. of Record of Parcel: 33489/1.

Identification and legal standing of the property:

Building with yard and garden at 33 Vilma Kiralyo ut, Budapest, Hungary, in the VIIth District (Elizabethville).

Area in square rods: 600.5.

Section B Ownership

Ownership Items 8, 9, & 10

Received June 10, 1939, under No. 25921, On the basis of Decree of Inheritance No. Pk II. 564216/4/1939 dated May 23, 1939, issued by the Central County Court of Budapest the ownerships are recorded as follows:

Item 8: dr. Szilard Leo (name now Leo Szilard) 2/18 interest.

Item 9: dr. Szilard Bela (name now Bela A. Silard) 2/18 interest.

Item 10: Detre Lorant Jozsefne, the former Szilard Rozsa (name now Rose Szilard Detre) 2/18 interest.

Dated Budapest July 8, 1949

Signature

*Mr. Leo, Keep this.
Do not file it
Say Mankiewicz*

DEPARTMENT OF STATE
FOR THE PRESS

MARCH 24, 1952

NO. 224

NATIONALIZATION OF CERTAIN HOUSES AND OTHER REAL ESTATE
BY THE HUNGARIAN GOVERNMENT

The following is released as of interest to American owners of houses, apartments, stores, factories and warehouses in Hungary.

The Department has now received the text of the Hungarian Nationalization Decree, dated February 17, 1952, affecting such property, together with the texts of other pertinent laws and regulations.

The American Legation at Budapest informed the Hungarian Government on February 19, 1952 that it reserves the right to make subsequent representations on behalf of any American citizen whose property may be affected by the Decree.

Persons in the United States who have not been notified by their caretakers or agents in Hungary about the decree and the possibility of appeal from the act of nationalization on or before May 3, 1952 may obtain copies of the translation by writing to the Division of Protective Services, Department of State, Washington 25, D.C.

* * *

Translation from Hungarian

Budapest, July 11th 1949

Dr. Bela Szilard
New York.

Dear Doctor:

With reference to your brother's letter I want to let you know that I have filed an application with the Hungarian National Bank for permission to pay maintenance to Dr. Laszlo Fejer, State Secretary retired, in the amount of Ft. 400.- monthly. I hope that the Bank ~~will~~ will accede to my request.

Upon request by Leo Szilard I have obtained an official Certificate of Ownership with respect to your property at VII. Wilma kiralyne-ut 33 and enclose it herewith.

In answer to your question I wish to report that the Bela Bartok Music College which rents the entire house pays a monthly rent, including the 15% special fee which is due to the State in the total amount of / Ft. 1204.50. In conformity with the presently valid regulations the tax, as well as all the utility fees i.e. those for water and sewerage are to be borne by the landlord and they cannot be charged to the tenant.

My accounting of the Management of the house was sent Mrs. Vilmos Quastler as well as Mrs. Karoly Scheiber. In case that you, dear Doctor, want it I will send my accounting in the future to you also, and I will do it at time periods as specified by you.

Very sincerely yours,

(signed) Dr. Karoly Oblath

/ correct figure: 2 2401.50
Two Thousand Four Hundred One Ft.
and 50/100

Translation from Hungarian

Budapest, August 5th, 1949

Dr. Bela Szilard
New York.

I have your letter of the 22nd ultimo and I am giving you my answer as follows.

The 20 million Pengo repair loan was taken at a time before I assumed the management of the house. I asked Mr. Quastler in this matter and he advised me that even that part of the loan which will be subject to revaluation is entirely negligible. The repayment of this loan can, however, not be charged to the tenant.

The three items appearing as a charge on April 20, 1948, are not taxes after inheritance from your mother, in view of the fact that that tax was still assessed in Pengo so that its payment, due to complete devaluation of the Pengo, has become unnecessary. Rather, these refer to a property levy. Kindly advise me whether you wish that I check the correctness of this tax assessment at the Tax Office of the VIIth District, and whether, if these taxes are correct, I should pay them out of the rents which I am collecting. Incidentally, I wish to advise that I have paid, with permission of the Hungarian National Bank, last month as well as this month Ft. 400 each to Dr. Laszlo Fejer.

Very sincerely yours,

(signed) Dr. Karoly Oblath

Translation from Hungarian

Budapest, October 24, 1949.

Dr. Bela Szilard
New York

Dear Dr. Szilard,

I have your letter of the 30th of this month and wish to say that I had not received your letter of the beginning of August, this being to my regret the reason for my not having answered.

I am replying to your questions as follows;

1./ In the matter of the loan of Pengo 20 million, I myself had advised the owners here not to bother about a repayment at this time, in view of the present quiescent situation. I believe my advice to be correct, and the owners here have accepted it. Furthermore I can report that, according to a recently issued order of the Government, these mortgages which were given in Pengos are to be ~~expunged~~ expunged anyway, therefore this loan will be expunged in accordance with the regulation.

2./ I shall check the correctness of the amounts of the assessed property levies and report further to you. I shall also advise you whether the assessment was legal and to whom it was mailed, and whether it could be appealed, or rather whether there is any purpose to an appeal. Incidentally, according to the regulations, the Revenue Department may charge a penalty for belated payment, in the amount of 3 % per month.

3./ It is true that this spring there were about Ft. 4000 available for the three of ~~km~~ you, from which I am paying Ft. 400 per month to your father-in-law, with permission of the Hungarian National Bank. So far I have paid for four months, July through October, Ft. 400 each, to your father-in-law. The balance in your favor was quite small in the months July through September, namely:

July	Ft.	91.40
August	"	60.16
September	"	212.55

I have given the detailed accountings to the other owners, and if you wish they will be put at your disposal also, as a matter of ~~course~~ course. The unfavorable results were mainly due to a very high bill for water. It was determined that there was a break in the water line; the repair of the break was also costly.

I shall be at your disposal for further desired information.

Very sincerely yours
(signed) Dr. Karoly Oblath

Translation from Hungarian

Budapest, Nov. 25, 1949

Dr. Bela Szilard
New York

Dear Doctor:

With reference to my letter of the 24th of last month, I wish to advise that, in the meantime, I have checked into the figures and the justification of the levy on your property.

I have determined that for you as well as for your brother Leo there was assessed for 1947 Ft. 100 each as a property levy and a penalty of Ft. 50 each for failure to file a tax return. This amounts to Ft. 150 each per year. On the other hand, your sister was assessed by error for ~~incorrectly~~ property levy for the entire property, and therefore she was charged for both 1947 and 1948 with Ft. 380 each on account of levy and with Ft. 190 each for penalty. I agreed with the tax agent that this obviously erroneous assessment will be corrected on the basis of a request which I will have to file, so that your sister's assessment will be identical with yours, i.e., Ft. 150 for each year. Although I will also make an effort that the penalty be cancelled, I do not believe that this will succeed because the assessment of a penalty is legally justified when no tax return was filed.

On behalf of
Furthermore, I wish to report that, for the time being, I was compelled to pay ~~for~~ each of you, Ft. 311 on account of property levy because the rents had been attached on account of these overdue taxes, which may have resulted in unnecessary complications.

I will now pay the actually remaining property levies and income taxes.

For the sake of good order, I wish to say that for the current year only the income tax was assessed, while property levy was not assessed for any one of you because of the lowering of the value of the property. The income tax assessed is Ft. 30 each.

I am at your disposal at any time for further information.

Very sincerely yours,

(signed) Dr. Karoly Bbalth

Translation from Hungarian

Budapest, October 11, 1951

Dr. Bela Szilard
New York

Dear Doctor:

Lastly I accounted on Feb. 10, 1950, for the income and its disposition, from your property at VII, Gorkij Avenue 33. I want to let you know that in the meantime I conducted negotiations with the governmental agency which rents your house and I agreed with them in conformity with the existing legal regulations that they pay me a rent of Ft. 303.69, while monthly they also assume all real estate taxes, utility fees, and maintenance expenses for the house, so that these Ft. 303.69, less the negligible income tax, will be available to the owners without further costs.

Having now reported, I am enclosing my accounting with respect to the house and also an accounting personally with you, both accountings having been submitted to the Hungarian National Bank also. One-third of the balance of Ft. 1625.72 from the accounting for the house I have transferred to your personal accounting and I have debited this accounting with the income tax paid on behalf of the three of you, further with ~~the~~ my attorneys fee and expenses in connection with my activities on behalf of your income tax matter for two years. The amount of Ft. 1002.44 thereby resulting in favor of the three of you will be deposited by me into a blocked account to be opened with the Hungarian Foreign Trade Bank Ltd., in accordance with the ruling of the Hungarian National Bank.

Please accept this, my accounting,

Very sincerely yours,

(signed) Dr. Karoly Oblath

2 enclosures

Translation from Hungarian

ACCOUNTING

Of income and expenses of the house at VII, Gorkij Avenue 33
from January 1st, ~~1951~~ to September 30th, 1951.

INCOME

"Tanfolyamellato N. V." (may be translated as School Supply N.V.)
paid on July 2nd, 1951, the monthly amount of Ft. 303.69 for the
period from September 1st, 1949 to May 31st, 1951, or a total of
Ft. 5.770.11

Received for the months from June through September 1951 1.214.76

Total Income 6.984.87

EXPENDITURES

July 15, 1950	Real Estate tax paid	224.--	
Dec. 6	Fees paid	132.--	
May 1951	Real Estate tax paid	42.--	
Sept.	Tax on fee for super- intendent paid	1.165.--	
	My fee for above period	360.--	
	Cash expenses	<u>184.70</u>	<u>2.107.70</u>
			<u>4.877.17</u>

1/3 of this sum 1.625.72

Thousand Six Hundred Twenty Five and 72/100 Ft.

Budapest, September 30, 1951

(signed) Dr. Karoly Oblath

Translation from Hungarian

ACCOUNTING

For administration on behalf of Dr. Bela Szilard, Dr. Leo Szilard,
and Mrs. Lorant Detre, for the time period from October 1st, 1950,
to September 30th, 1951.

Debit balance from accounting of Sept. 25, 1950	Ft. 86.58
1/3 of income of property at Gorkij Avenue 33, as per enclosed accounting	1.625.72
Paid for income tax of Dr. Bela Szilard	29.---
" " " " " Dr. Leo Szilard	23.---
" " " " " Mrs. Lorant Detre	151.---
My fee for the years 1950 and '51 in con- nection with income tax matter of all three parties	300.---
My cash expenditures in the same matter from September 1st, 1949 to end of September, 1951	<u>33.70</u>
	1.625.72
	623.28

Expenditures deducted from income

623.28

Results in favor of clients . Ft. 1.002.44

(Thousand two and 44/100 Ft.)

Budapest, Sept. 30, 1951

(signed) Dr. Karoly Oblath

Maule 3/5
February 25, 1953

Dear Leo:

I am now sending you in the enclosure copies of the papers which I am filing as well as those which Rose is filing.

I hope that by comparing your case with that of Rose's and mine you will have no difficulty in writing up your own. However, here are a few pointers which you should not overlook:

1. War Losses. It appears to have been established that a war loss has occurred to a taxpayer irrespective of whether he has made use of the loss as a deduction in the loss year. In other words, the loss is considered to have occurred anyway, and if there would not have been a recovery for him in a subsequent year, a loss by confiscation would not be recognized in a year subsequent to that.

This, applied to your case, means that you have to explain the war loss and its recovery in a similar manner as I did. Of course, you will simply say that your interest in the property was deemed to have been lost at the outbreak of the war, although you did not make a deduction in 1942. Then you will go on the same as I did, explaining the recovery in 1951 and finally the loss by confiscation.

2. You must not overlook the fact that, for 1952, you will lose the benefit of your deductions unless you itemize your deductions because non-itemized deductions are limited to 10% of adjusted gross income. As there is no gross income, there cannot be any non-itemized deductions. However, I don't see any reason why you should not itemize your deductions.

- I should probably explain that a loss in place of an adjusted gross income results from the fact that you must deduct from your gross income under page 1, no. 2, the loss on page 1, no. 3 and not somewhere else. The details of the loss shown there are taken from page 2 Schedule "C", ~~on page 2~~ ~~attached~~ ~~depending on whether~~ ~~one considers the loss as~~

Do not be misled by the title of Schedule "D" which reads: "Net gain or loss from sales or exchanges of capital assets, etc." Your case is covered by the "etc." You will see that line 1 in Schedule "D" is for capital assets but line 2 is for property other than capital assets. So you show the loss on line 2. The "Separate Schedule 'D'" must also be enclosed. This form is simple. It is to be filled in all the way down where you reach (2) Property Other Than Capital Assets where you just say "real property, date acquired: April 19, 1939, date sold: February 1952, sales price: nil, loss: \$11,500.00, see enclosed explanation".

3. You may lose part of the benefit of your deductions in your amended return for 1951, because of the reduction of the gross income by the net operating loss carry-back. Again as above, you should itemize your deductions.

if you decide to file an amended return for 1951.

Make sure carry-back provisions, and do carry-back
During copy that this has been found the burden was in order to qualify for net operating loss

4. You will ^{probably} completely lose the benefit of your personal exemption for 1952, and possibly partly lose such benefit in 1951.

In following the form for the tax return closely and accurately you will understand that, in 1952 your adjusted gross income will be turned into a net loss instead of into a net income. This is the loss which is carried back to 1951, but as there is no net income for 1952 there is nothing from which to deduct the exemption.

Needless to say, that your comparatively small exemption doesn't make much difference anyway as compared to the loss deduction. In my case it is different as I have so many dependents. However, even I do not mind losing the benefit of these exemptions. It is understood that if the loss is disallowed to such an extent that a benefit from deductions and exemptions would result, the amended return that would have to be made out after a settlement, will provide ^{again} the proper benefit from deductions and exemptions.

It is understood that you have to show and to claim your exemption even though it is not used now to reduce your tax.

5. Our lawyer with whom I discussed this matter twice in detail has no doubt about the correctness of the claim in every respect including the claim of the property having been held for the production of income and, therefore, not having been a capital asset. However, if this should be challenged and if one has to settle for the property being considered a capital asset you will not lose much by amending the returns later accordingly.

6. I have also discussed with the lawyer the possible challenge of the claim of the property having been held for the production of income by reason of Father having obtained the benefit of income. He does not want to broach this question now even though the Certificate of Ownership shows that Father's benefit was entered under Section "C", Item 5.

He says that if this should come up as an objection we would offset the objection by submitting Father's renunciation of this benefit which he made out in October, 1939. This renunciation, as you remember, nullified the above-mentioned entry in the Certificate of Ownership. It contains a clause which entitled us any time to submit the document to the Court of Records for the purpose of voiding the original entry.

The lawyer says that the fact that we have never submitted the document for the above purpose to the Court of Records is of no consequence.

7. Referring again to the war losses: you may, if you find this necessary, mention that you did not report this property in 1941 on Form TFR 500 to the Treasury Department because lacking details you thought the value of your interest to be less than \$10,000.00 which was the sum above which the property in enemy territory had to be reported.

8. I am sending you these things in good time so that you may ask me, if necessary, to give further explanations before the deadline of filing. However, if you need further information do not delay, because I may not be available in the very last days.

9. The lawyer does not consider it necessary at all to put into any specific form the information on the building that Father has compiled on various sheets. However, if I will have enough time and energy I may put this information in better order and will have him sign it.

BAS:m
Enclosures.

LEO SZILARD

~~B. A. Szilard~~

~~Sample for her~~

Enclosure to Schedule "C" for 1952

This is an explanation of the loss shown in Schedule "C", paragraph 2. ~~Property other than capital assets.~~ The property in question is ~~real property~~ at 33 Vilma Kiralyo, ut, Budapest, Hungary. *An apartment house*

acquired
I had a 1/9 interest in this property, *by inheritance in 1939*. My share is shown in Item 3 of Section "A" in a Certificate of Ownership made out by the Court of Real Estate Records in Budapest, of which I am enclosing a photostatic copy. ~~My interest is expressed in that Certificate as 2/18 which is equivalent to 1/9.~~

The notation in the Records of my ownership was made, as the Certificate shows, on June 10, 1939, in accordance with a Court Document dated May 23, 1939, to which there is reference in the Certificate and which certified my share of inheritance from my Mother, who died April 9, 1939, ~~an~~ An English translation of the item mentioned here and referring to my inheritance, as well as that of my brother and my sister, is also appended here. In this English translation I have given the names exactly as shown in the Certificate and in brackets the names now being used by my brother, my sister and by myself. ~~On the basis of these facts my interest in this property is deemed to have been acquired in 1939.~~

~~At the time of my Mother's death I was a resident alien but I have become a citizen in July, 1944.~~ *1939-1945*

This property was seized by the Hungarian Government sometime before the end of the War and used in various ways, in the latter years to house a Government operated facility for students of a music school of the Hungarian State.

After the War ended members of my family who are the other owners of interests in this property made many efforts to regain possession and control over the property, ~~and~~ *and* to obtain rent from the occupying agency. ~~The enclosed photostatic copy of a cable from Budapest shows the start of these efforts.~~ There are also enclosed photostatic copies of a wire and of a letter addressed by me to the Department of State in the same matter. Verbal information obtained later at the State Department in Washington, ~~born~~ *has* born out the fact that the Legation in Budapest actually ~~took~~ the protective steps by posting on the property a sign on which the property rights of American citizens was certified by the American Legation. Letters received ~~subsequently~~ from my ~~relatives~~ in Hungary have born out the fact that these and many other efforts of their own have remained fruitless, except that the occupants of the apartment house were induced to restore damages, carry out all the necessary repairs and to maintain the building, until the summer of 1951, at which time ~~they~~ succeeded to obtain an agreement from the above-mentioned agency of the Hungarian Government that a rent will be paid.

The owners

B. A. Silard

Enclosure to Schedule "D" for 1952 (Cont'd.)

*brother
my
mother*

~~It appears that~~ at that time a lawyer in Budapest by the name of Carl Oblath was retained to collect the rents and act as an agent for the owners in other respects also. He acted by representing all the owners, received rent and disbursed the expenditures by also deducting his fee and, he finally appears, to have deposited the amount of 300 Hungarian Forint on a blocked account in my name. I am ~~also~~ enclosing a photostatic copy of a notification from the Foreign Trade Bank, Ltd., dated October 25, 1951, addressed to ~~me~~, certifying that this amount was paid to them by said lawyer on that date.

Whether there was any rent collected after October, 1951, and whether any further deposits were made by the lawyer, I do not know.

The Hungarian Government by Decree No. 4/1952 dated February 17, 1952, confiscated (nationalized) the property, together with other similar properties, as is generally known. This Decree was made available in English translation by the Department of State press release 224 dated March 24, 1952, ~~copy of the press release is enclosed herewith.~~ Inquiries with the State Department have also resulted in the information that the American Legation in Budapest made representations to the Hungarian Government twice, on February 19th and again on April 2nd, 1952, concerning compensation to American owners whose property had been nationalized, but the State Department, thereafter expressed its opinion that no such compensation will be paid.

In view of the above my 1/9 interest in this property was lost in 1952. The basis of the loss is the fair market value, as per 1939, of my 1/9 interest amounting to \$13,880.00 (1/9 of \$125,000.00 for the entire property). The adjusted basis as per 1952, is arrived at by deducting, for 13 years that had elapsed from the beginning of 1939 to the beginning of 1952, depreciation at the rate of 1-1/2% per annum, or a total ~~of~~ depreciation of 19-1/2%, calculated on the amount that represents 1/9 value of the building or 1/9 of \$110,000.00 which is \$12,222.00. The amount of depreciation, therefore, was \$2,380.00 and the adjusted basis is \$11,500.00. As my entire interest was lost, this adjusted basis of \$11,500.00 is my loss.

The losses were shown by me properly as referring to property other than capital assets as I have held it for the purpose of profit from rents.

Encls.

Leo Szilard

ENCLOSURE TO SCHEDULE "C" FOR 1952

This is an explanation of the loss shown in Schedule "C". The property in question is an apartment house at 33 Vilma Kiralyno,ut,Budapest, Hungary.

I acquired a 1/9 interest in this property by inheritance in 1939 as shown in Item 8 of Section "A" in a Certificate of Ownership made out by the Court of Real Estate Records in Budapest, of which I am enclosing a photostatic copy.

The notation in the Records of my ownership was made, as the Certificate shows, on June 10, 1939, in accordance with a Court Document dated May 23, 1939, to which there is reference in the Certificate and which certified my share of inheritance from my mother, who died April 9, 1939. An English translation of the item mentioned here and referring to my inheritance, as well as that of my brother and my sister, is also appended here. In this English translation I have given the names exactly as shown in the Certificate and in brackets the names now being used by my brother, my sister and by myself.

This property was seized by the Hungarian Government sometime before the end of the War of 1939-1945 and used in various ways, in the later years to house a Government operated facility for students of a music school of the Hungarian State.

After the War ended members of my family who are the other owners of interests in this property made many efforts to regain possession and control over the property, and to obtain rent from the occupying agency. Letters received from Hungary have born out the fact that these and many other efforts of their own have remained fruitless, except that the occupants of the apartment house were induced to restore damages, carry out all

the necessary repairs and to maintain the building, until the summer of 1951, at which time the owners succeeded to obtain an agreement from the above-mentioned agency of the Hungarian Government that a rent will be paid.

At that time a lawyer in Budapest by the name of Carl Oblath was retained to collect the rents and act as an agent for the owners in other respects also. He acted by representing all the owners, received rent and disbursed the expenditures by also deducting his fee and, he finally appears to have deposited the amount of 300 Hungarian Forint on a blocked account in my brother's name. I am enclosing a photostatic copy of a notification from the Foreign Trade Bank, Ltd., dated October 25, 1951, addressed to my brother, certifying that this amount was paid to them by said lawyer on that date.

Whether there was any rent collected after October, 1951, and whether any further deposits were made by the lawyer, I do not know.

The Hungarian Government by Decree No. 4/1952 dated February 17, 1952, confiscated (nationalized) the property, together with other similar properties, as is generally known. This Decree was made available in English translation by the Department of State press release 224 dated March 24, 1952. Inquiries with the State Department have also resulted in the information that the American Legation in Budapest made representations to the Hungarian Government twice, on February 19th and again on April 2nd, 1952, concerning compensation to American owners whose property had been nationalized, but the State Department, thereafter expressed its opinion that no such compensation will be paid.

In view of the above my 1/9 interest in this property was lost in 1952. The basis of the loss is the fair market value, as per 1939, of NY

1/9 interest amounting to \$13,880.00 (1/9 of \$125,000.00 for the entire property). The adjusted basis as per 1952, is arrived at by deducting, for 13 years that had elapsed from the beginning of 1939 to the beginning of 1952, depreciation at the rate of 1-1/2% per annum, or a total depreciation of 19-1/2%, calculated on the amount that represents 1/9 value of the building or 1/9 of \$110,000.00 which is \$12,222.00. The amount of depreciation, therefore, was \$2,380.00 and the adjusted basis is \$11,500.00. As my entire interest was lost, this adjusted basis of \$11,500.00 is my loss.

The losses were shown by me properly as referring to property other than capital assets as I have held it for the purpose of profit from rents.

Encls.