3 T.C. 847 (1944)

Petitions based on unilateral orders in renegotiation cases should conform as closely as possible to Tax Court Rule 64, which allows for some flexibility in application.

Summary

Allen Tool Corporation filed a petition with the Tax Court challenging a unilateral order from the Secretary of the Navy determining excessive profits under the Renegotiation Act. The Secretary of the Navy moved to compel Allen Tool to amend its petition to comply with Tax Court Rule 64, which governs petitions filed under the Renegotiation Act. The Tax Court held that while strict compliance with Rule 64 is preferred, some flexibility is allowed when the petitioner lacks information due to the unilateral nature of the order. However, the court found Allen Tool's petition deficient in its assignments of error and factual allegations, ordering them to file an amended petition that more closely aligns with the court's rules.

Facts

The Secretary of the Navy issued a unilateral order determining that Allen Tool Corporation had received excessive profits under government war contracts, pursuant to the Renegotiation Act. Allen Tool then filed a petition with the Tax Court for a redetermination of these excessive profits. The order did not specify which contracts were subject to renegotiation or the amounts of excessive profits for each.

Procedural History

Allen Tool filed its initial petition on March 1, 1944. Subsequently, the Secretary of the Navy filed a motion on April 12, 1944, requesting the Tax Court to compel Allen Tool to amend its petition to conform to Rule 64, which had been promulgated on March 28, 1944. The Tax Court then considered the Secretary's motion.

Issue(s)

Whether Allen Tool Corporation's petition, based on a unilateral order determining excessive profits, adequately complied with the requirements of Tax Court Rule 64 for petitions filed under the Renegotiation Act.

Holding

No, because Allen Tool's petition lacked clear assignments of error and sufficiently detailed factual allegations, but some flexibility is allowed due to the unilateral nature of the order underlying the petition.

Court's Reasoning

The Tax Court recognized that Rule 64 was primarily designed for petitions arising

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from determinations made by the War Contracts Price Adjustment Board, where more information would be available to the petitioner. The court acknowledged that petitioners responding to unilateral orders might lack detailed information about the renegotiation process and specific contracts involved. However, the court emphasized that petitioners should still strive for strict compliance with Rule 64 to the extent possible. The court found Allen Tool's petition deficient because it did not contain clear and concise assignments of error, and its factual allegations were commingled with arguments and lacked sufficient detail regarding the type and character of business done. The court suggested that Allen Tool could allege on information and belief which contracts were renegotiated to force the respondent to admit or deny each allegation, thereby narrowing the issues.

Practical Implications

This case clarifies the requirements for petitions filed with the Tax Court under the Renegotiation Act, particularly when based on unilateral orders. While strict compliance with Rule 64 is generally required, the court acknowledged a degree of flexibility for petitioners lacking information due to the nature of the order. Attorneys should ensure that petitions contain clear assignments of error and detailed factual allegations, even if based on information and belief. This case also highlights the importance of utilizing Tax Court rules to narrow the issues in dispute and compel the opposing party to disclose relevant information. Later cases addressing similar procedural issues in Tax Court will look to this case for guidance on balancing the need for comprehensive pleadings with the realities of limited information available to petitioners in certain contexts.

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