10 T.C. 14 (1948)

A specific statutory provision and its associated regulations regarding tax refunds take precedence over general tax refund provisions when the specific provision addresses the particular facts of the case, and a regulation requiring application for benefits within a set timeframe is not unreasonable if the timeframe provides sufficient opportunity for compliance.

Summary

Ruud Manufacturing Co. sought a refund of excess profits taxes based on a retroactive provision in the Revenue Act of 1942. The Commissioner argued that Ruud was ineligible because it failed to apply for the benefits within the deadline set by Treasury Regulations. The Tax Court addressed whether the regulation's deadline was valid and whether it superseded the general statute of limitations for tax refunds. The court held that the specific regulation controlled and was not unreasonable, thus Ruud was not entitled to the refund.

Facts

Ruud Manufacturing Co., a New Jersey corporation, ceased business on June 30, 1941, following a merger. Ruud filed its excess profits tax return for the short period ending June 30, 1941, on March 14, 1942. The Revenue Act of 1942, enacted on October 21, 1942, included Section 711(a)(3)(B), which provided a tax benefit to Ruud retroactively. Treasury Regulations required taxpayers to apply for these benefits by June 15, 1943. Ruud did not apply until September 4, 1945, when it filed a protest.

Procedural History

The Commissioner initially determined a deficiency in Ruud's excess profits tax. Ruud petitioned the Tax Court. The Commissioner conceded no deficiency existed but contested Ruud's claim for a refund based on Section 711(a)(3)(B). The Tax Court was tasked with determining if Ruud was entitled to the refund, despite missing the regulatory deadline.

Issue(s)

1. Whether the specific application deadline in Regulations 109, section 30.711(a)-4(d) superseded the general statute of limitations for tax refunds under Section 322(b)(3) of the Internal Revenue Code.
2. Whether the deadline of June 15, 1943, for applying for benefits under Section 711(a)(3)(B), as prescribed by the Treasury Regulation, was unreasonable and thus invalid.

Holding

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1. No, because the specific provision of Section 711(a)(3)(B), implemented by Regulations 109, section 30.711(a)-4(d), takes precedence over the general provision of Section 322(b)(3).
2. No, because the regulation was not unreasonable in its requirement that an application for the benefits of the statute be filed within two and one-half months after the regulation was promulgated.

Court's Reasoning

The court reasoned that specific statutory provisions and their associated regulations take precedence over general provisions. The court cited *Ginsberg & Sons v. Popkin, 285 U.S. 204*, to support the principle that specific limitations prevail over general ones. The court acknowledged that the statute in question "expressly provided that a regulation be drafted to supply the necessary administrative details." Regarding the reasonableness of the deadline, the court noted that the regulation was promulgated over seven months after the law's approval and two and a half months before the application deadline. The court stated, "The period thus set was not obviously impossible to meet, unreasonably short, or arbitrary." The court found Ruud's inaction until September 1945 to be a result of its own negligence rather than the regulation's unreasonableness. Judge Opper dissented, arguing that the Tax Court's jurisdiction, triggered by the Commissioner's deficiency determination, allowed consideration of the overpayment irrespective of the missed regulatory deadline for the refund claim.

Practical Implications

This case reinforces the principle that taxpayers must adhere to specific regulatory deadlines for claiming tax benefits, even when general statutes of limitations might otherwise allow for later claims. It emphasizes the importance of monitoring tax law changes and associated regulations promptly. The decision provides precedent for upholding the validity of Treasury Regulations that set reasonable deadlines for claiming benefits or refunds, particularly when Congress has explicitly delegated authority to the Treasury to issue such regulations. The case informs tax practitioners that specific provisions and deadlines related to tax benefits must be carefully observed, as these will generally supersede more general rules. Later cases would likely cite this to uphold similar regulations with defined deadlines, unless those deadlines were deemed impossibly short or arbitrary.

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