Estate of Fred M. Warner v. Commissioner, B.T.A. Memo. 1949-55 (1949)

A request for prompt assessment of taxes under Section 275(b) of the Internal Revenue Code must provide the Commissioner with reasonable notice that it is intended as such a request.

Summary

The Estate of Fred M. Warner petitioned for review of the Commissioner's determination of transferee liability for unpaid corporate taxes. The estate argued that a letter attached to the corporation's final tax return constituted a request for prompt assessment under Section 275(b) of the Internal Revenue Code, which would have shortened the statute of limitations. The Board of Tax Appeals held that the letter did not provide sufficient notice to the Commissioner that it was intended as a request for prompt assessment, and thus the normal statute of limitations applied, making the transferee liability assessment timely.

Facts

A corporation, prior to its dissolution, filed its final income tax returns for the calendar year 1943 and for the period ending June 30, 1944. Attached to the June 30, 1944, return was a letter requesting an "immediate audit" and an early "final determination of the Income Tax Liability" so the stockholders could accurately report profits on their individual returns. The corporation had dissolved and completely distributed its assets. The Commissioner mailed transferee notices to the petitioners (estate of stockholders) more than three years after the 1943 return and more than two and a half years after the June 1944 return.

Procedural History

The Commissioner determined a deficiency in the corporation's taxes and sought to hold the petitioners liable as transferees of the corporation's assets. The petitioners contested the transferee liability, arguing that the statute of limitations had expired due to a request for prompt assessment. The Board of Tax Appeals heard the case to determine if the letter attached to the tax return was a valid request for prompt assessment under Section 275(b) of the Internal Revenue Code.

Issue(s)

Whether the letter attached to the corporation's final tax return constituted a valid request for prompt assessment of taxes under Section 275(b) of the Internal Revenue Code, thereby shortening the statute of limitations for assessment.

Holding

No, because the letter did not provide reasonable notice to the Commissioner that it was intended as a request for prompt assessment under Section 275(b). The letter's

© 2025 SCOTUSreports.com. All rights reserved.

language was insufficient to trigger the shortened statute of limitations.

Court’s Reasoning

The court reasoned that Section 275(b) is an exception to the general statute of limitations, and the taxpayer bears the burden of demonstrating compliance with its requirements. While the statute does not prescribe a specific form for the request, it must give the Commissioner “reasonable notice that it is intended to be a request for prompt assessment under this provision.” The court noted the letter did not mention Section 275(b) or use the word “assessment.” The request for an “immediate audit” and “early final determination of Income Tax Liability” was deemed insufficient, especially since the stated purpose was to allow shareholders to accurately report profit on their individual returns. The court distinguished this situation from one where the corporation was awaiting final assessment before distributing assets, noting, “The corporation had already made complete distribution of its assets and was not waiting for final assessment of its taxes.” The court concluded that the Commissioner’s interpretation of the letter as not constituting a request under Section 275(b) was reasonable.

Practical Implications

This case underscores the importance of clear and explicit language when requesting a prompt assessment of taxes under Section 275(b) (or its successor provisions) of the Internal Revenue Code. Taxpayers seeking to shorten the statute of limitations must use language that unequivocally informs the IRS that they are requesting a prompt assessment under the relevant statutory provision. A mere request for an audit or final determination of tax liability, without reference to prompt assessment or the relevant code section, is unlikely to be sufficient. This ruling highlights the IRS’s discretion in interpreting such requests and the taxpayer’s burden of proof in demonstrating compliance with the statute. Later cases have emphasized the need for specificity in these requests, requiring taxpayers to clearly articulate their intention to invoke the shortened statute of limitations.

© 2025 SCOTUSreports.com. All rights reserved.