15 T.C. 529 (1950)

A request for prompt assessment under Section 275(b) of the Internal Revenue Code must be directed to the Commissioner, filed by the corporation itself with demonstrated corporate authority, and contain sufficient information to allow the Commissioner to comply with the request.

Summary

This case addresses whether a letter attached to a dissolved corporation's tax return constituted a valid request for prompt assessment under Section 275(b) of the Internal Revenue Code. The Tax Court held that a letter from the corporation's accountant to the Collector of Internal Revenue, lacking explicit corporate authority and not directly addressed to the Commissioner, did not meet the statutory requirements for a prompt assessment request. Therefore, the normal statute of limitations applied, and deficiencies assessed against the transferees were valid.

Facts

Central Oil Co. was a Texas corporation dissolved on July 28, 1945. Upon dissolution, its assets and liabilities were transferred to its stockholders, the petitioners. The corporation's final tax returns for the period of May 1 to July 31, 1945, were filed with the Collector of Internal Revenue. Attached to these returns was a letter from J.R. Gibson, Central's accountant, addressed to the Collector, requesting an early examination of the return to determine the stockholders' transferee liability. The corporation noted on the return that it had been dissolved.

Procedural History

The Commissioner determined deficiencies in Central's excess profits tax. Notices of deficiency were mailed to the petitioners as transferees on March 7, 1949. The petitioners conceded Central's tax liability but argued that the statute of limitations barred assessment due to the accountant's letter constituting a valid request for prompt assessment. The Tax Court consolidated the proceedings and ruled in favor of the Commissioner.

Issue(s)

Whether a letter attached to the tax returns of a dissolved corporation, addressed to the Collector of Internal Revenue and signed by the corporation's accountant without explicit corporate authorization, constitutes a valid "request for prompt assessment" under Section 275(b) of the Internal Revenue Code, thereby shortening the statute of limitations for assessment.

Holding

No, because the letter was not directed to the Commissioner, did not clearly

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demonstrate corporate authorization, and thus failed to meet the strict requirements of Section 275(b) of the Internal Revenue Code.

Court’s Reasoning

The court reasoned that Section 275(b) provides a benefit to corporations contemplating dissolution by allowing them to request a prompt assessment of taxes, which reduces the assessment period from three years to eighteen months. However, this places a significant burden on the Commissioner, who must then expedite the investigation. Therefore, strict compliance with the statute is required. The court emphasized that the request must notify the Commissioner directly and be filed “by the corporation.” The letter in this case was addressed to the Collector, not the Commissioner, and lacked clear corporate authority, as it was merely signed by the accountant. The court distinguished this case from *Kohlhase v. Commissioner*, 181 F.2d 331, where the letter was addressed to the Commissioner and signed by corporate officers. The Tax Court quoted *Lucas v. Pilliod Lumber Co.*, 281 U.S. 245, to emphasize the need for strict compliance with such provisions.

Practical Implications

This case underscores the importance of meticulously following the statutory requirements when seeking a prompt assessment of taxes for a dissolving corporation. To effectively shorten the statute of limitations under Section 275(b), legal practitioners should ensure that the request: (1) is explicitly directed to the Commissioner of Internal Revenue; (2) is made in the name of the corporation, with clear authorization from corporate officers; (3) contains all necessary information for the Commissioner to act, independent of the tax return itself. Failure to meet these requirements will result in the request being deemed invalid, leaving the corporation and its transferees subject to the standard statute of limitations. This ruling emphasizes that taxpayers seeking the benefits of expedited assessment must bear the responsibility of ensuring full compliance with the relevant statutory and regulatory provisions. Later cases cite this case to emphasize the need for strict compliance to shorten the usual statute of limitations.

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