

## **15 T.C. 682 (1950)**

A taxpayer cannot simultaneously claim excess profits tax relief under both Section 722 and Section 713(f) of the Internal Revenue Code, as these sections provide mutually exclusive avenues for relief.

### **Summary**

Acme Breweries sought to utilize both Section 722 (for its yeast business, by stipulation) and Section 713(f) (for its beer business) of the Internal Revenue Code to minimize its excess profits tax liability. The Tax Court ruled against Acme, holding that these two sections are mutually exclusive. Acme could not apply Section 722 to one segment of its business and Section 713(f) to another to arrive at a reconstructed income for its entire business. The court approved the Commissioner's revised computation, which denied Acme the combined relief it sought.

### **Facts**

Acme Breweries contested the Commissioner's determination of its excess profits tax liability. Prior to trial, Acme and the Commissioner stipulated to certain standard issues, including relief under Section 722 for the yeast segment of Acme's business. The remaining issue before the court was whether Acme was entitled to additional relief under Section 722 regarding its beer business.

### **Procedural History**

The Tax Court initially ruled against Acme on its Section 722 claim regarding its beer business and directed a Rule 50 computation. Acme disagreed with the Commissioner's subsequent computation and filed this supplemental proceeding, arguing it was entitled to combine Section 722 relief for its yeast business with Section 713(f) relief for its beer business. The Tax Court rejected Acme's argument and approved the Commissioner's computation.

### **Issue(s)**

1. Whether Acme Breweries could utilize both Section 722 for its yeast business and Section 713(f) for its beer business to calculate a reconstructed income for the purpose of minimizing excess profits tax.

### **Holding**

1. No, because Sections 722 and 713(f) are mutually exclusive, and a taxpayer cannot use both to achieve a more favorable tax outcome.

### **Court's Reasoning**

The court reasoned that Acme’s proposed computation sought to combine relief under both Section 722 and Section 713(f), which is statutorily prohibited. The court emphasized the principle that these sections provide alternative, not cumulative, methods for calculating excess profits tax relief. The Court stated that there is “a statutory prohibition against using both sections which are mutually exclusive.” Acme argued that it wasn’t actually employing section 713(f), but simply using the underlying principle for growth, however, the court rejected this argument as passing over actualities.

### **Practical Implications**

This case clarifies that taxpayers must choose between Section 722 and Section 713(f) when seeking excess profits tax relief. It prevents taxpayers from cherry-picking the most advantageous aspects of each section to minimize their tax liability. This ruling reinforces the principle that tax laws must be interpreted according to their plain meaning and intent, preventing taxpayers from circumventing the rules through creative accounting or legal arguments. Later cases have cited this ruling to support the principle that taxpayers cannot combine mutually exclusive tax benefits to achieve a more favorable outcome.