16 T.C. 645 (1951)

For the purpose of calculating an excess profits tax credit, interest payments on different types of tax deficiencies (e.g., income tax and excess profits tax) are considered to belong to the same ‘class of deductions’.

Summary

Walter Motor Truck Co. sought to increase its excess profits tax credit by restoring a deduction for interest paid on a 1940 income tax deficiency to its 1940 income. The company argued this was an abnormal deduction. The Tax Court disallowed this, finding that because the company took a deduction for interest paid on excess profits taxes in 1945, the limiting provisions of Section 711(b)(1)(K)(iii) of the Internal Revenue Code prevented the restoration. The court reasoned that interest payments on different kinds of tax deficiencies are of the same class, thus limiting the amount of abnormal deductions that could be restored.

Facts

Walter Motor Truck Co. paid $8,627.03 in interest on federal income tax deficiencies for the fiscal year ending June 30, 1940. In prior years (1936-1939) interest paid on such deficiencies was significantly lower. In 1945, the company paid $9,234.23 in interest on previously deferred excess profits taxes after withdrawing an election to defer payment. In computing its excess profits tax credit for 1945, the company attempted to treat $8,175.60 of the 1940 interest payment as an abnormal deduction, restoring it to income under Section 711(b)(1)(J)(ii) of the Internal Revenue Code.

Procedural History

The Commissioner of Internal Revenue determined a deficiency in Walter Motor Truck Co.’s excess profits tax for the year ending June 30, 1945. The company petitioned the Tax Court, contesting the Commissioner’s refusal to disallow the interest paid on the 1940 income tax deficiency as an abnormal deduction.

Issue(s)

Whether the interest paid on a federal income tax deficiency in 1940 is of the same

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