***George M. Still, Inc. v. Commissioner*, 19 T.C. 1072 (1953)**

The filing of an amended tax return after the statutory deadline does not relate back to the original return to nullify the extended statute of limitations applicable when the original return omitted more than 25% of gross income.

Summary

George M. Still, Inc. filed amended tax returns more than a year after the statutory filing date, attempting to correct a substantial understatement of gross income in the original returns. The Commissioner assessed deficiencies based on the original returns, arguing that the omission exceeded 25% of the stated gross income, triggering a longer statute of limitations. The Tax Court held that the amended returns did not retroactively correct the original returns for statute of limitations purposes, allowing the assessment of deficiencies based on the original, deficient returns. This ruling prevents taxpayers from using hindsight to manipulate the assessment period after an audit begins.

Facts

- Taxpayer, George M. Still, Inc., filed original income tax returns for the year 1945.
- The original returns omitted an amount from gross income that exceeded 25% of the gross income stated in the return.
- More than a year after the statutory filing deadline, the taxpayer filed amended returns.
- The Commissioner assessed deficiencies based on the original returns, asserting the 5-year statute of limitations for substantial omissions from gross income applied.

Procedural History

The Commissioner determined deficiencies in the taxpayer's income tax. The taxpayer petitioned the Tax Court for a redetermination, arguing that the amended returns corrected the original returns, making the 3-year statute of limitations applicable. The Tax Court ruled in favor of the Commissioner, upholding the deficiency assessment.

Issue(s)

1. Whether the filing of amended tax returns after the statutory deadline relates back to the original returns for purposes of the statute of limitations under Section 275 of the Internal Revenue Code.
2. Whether an amended return filed after the due date, which reduces an omission from gross income to below 25%, prevents the application of the 5-year statute of limitations for substantial omissions.

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Holding

1. No, because the filing of amended tax returns after the statutory deadline does not retroactively correct the original returns for statute of limitations purposes.
2. No, because allowing amended returns to retroactively correct deficiencies would nullify the purpose of Section 275(c) and extend the filing time beyond what the Code permits.

Court's Reasoning

The Tax Court reasoned that amended returns have no statutory basis and their acceptance is within the Commissioner's discretion. Citing numerous prior cases, the court emphasized that the word "return" in the statute of limitations context refers to the original return. The court stated, "The phrase the return has a definite article and a singular subject; therefore, it can only mean one return, and that the return contemplated by the act under which it was filed." The court also highlighted the practical implications of allowing amended returns to retroactively correct deficiencies, stating that taxpayers could use hindsight to manipulate the assessment period. The court drew an analogy to cases involving fraud penalties, where filing an amended return does not absolve the taxpayer of the consequences of the original fraudulent return. The court concluded that permitting amended returns to retroactively correct omissions would "nullify section 275 (c) and to extend the time of filing beyond the time prescribed in the Code."

Practical Implications

This decision reinforces the principle that the original tax return is the key document for determining the applicable statute of limitations. It prevents taxpayers from strategically filing amended returns after an audit begins to shorten the assessment period. This ruling has significant implications for tax planning and compliance, as it clarifies the limits of using amended returns to correct errors and avoid penalties. Later cases have cited Still for the proposition that an amended return generally does not affect the statute of limitations triggered by the original return. This case provides a clear rule for the IRS and taxpayers regarding the effect of amended returns on the statute of limitations, promoting consistency in tax administration.

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