20 T.C. 685 (1953)

For a tax overpayment to be refundable, the agreement extending the statute of limitations must be executed by both the Commissioner and the taxpayer within the statutorily prescribed time, even if the last day of the period falls on a Sunday.

Summary

The U.S. Tax Court addressed whether a tax refund was barred by the statute of limitations. The taxpayer had filed a tax return and made payments, resulting in an overpayment. An agreement was made to extend the statute of limitations, but the Commissioner's signature on this agreement was affixed after the three-year period following the tax payment. The court held that the refund was barred because the agreement extending the statute of limitations was not executed by both parties within the required timeframe, even though the taxpayer had timely signed the agreement.

Facts

General Lead Batteries Co. filed its 1946 tax return on March 14, 1947, and paid the tax due, including a payment on January 15, 1947. The IRS determined deficiencies. An overpayment of $19,067.80 was established. The company and the Commissioner subsequently agreed to extend the statute of limitations by signing Form 872. The taxpayer signed the form on January 13, 1950, and mailed it that same day, a Friday. The IRS office was closed on Saturday, January 14, 1950, so the form was not received by the IRS until Monday, January 16, 1950, and the Commissioner signed on the 16th. The IRS argued that the refund of $2,500 was barred because the agreement was not executed within three years of the payment of the tax on January 15, 1947.

Procedural History

The Commissioner determined deficiencies in income, excess-profits and declared value excess-profits taxes against General Lead Batteries Co. The case was brought before the U.S. Tax Court. The Tax Court ruled that the refund was barred by the statute of limitations.

Issue(s)

1. Whether the refund of an agreed overpayment is barred by the statute of limitations where the Commissioner signed the waiver extending the statute of limitations more than three years after the tax payment, even though the taxpayer signed and returned the waiver within the three-year period.

Holding

1. Yes, because the statute of limitations for the refund had expired because the

agreement extending the statute of limitations was not executed by both parties within the three-year period, even though the last day to do so fell on a Sunday.

Court's Reasoning

The court focused on the clear and unambiguous language of Section 322(d) of the Internal Revenue Code, which stipulated that the refund could be made if the agreement extending the statute of limitations was executed by both the Commissioner and the taxpayer within three years of the tax payment. The court reasoned that the Commissioner's signature was required for the agreement to be effective and that the date of the Commissioner's signature was the operative date for determining the timeliness of the agreement. The court cited several Supreme Court cases to support the requirement for a formal agreement, signed by both parties. The court also noted that the fact the last day of the three-year period fell on a Sunday did not extend the deadline.

Practical Implications

This case highlights the critical importance of strict adherence to statutory deadlines in tax matters, particularly when dealing with the statute of limitations. Practitioners must ensure that both the taxpayer and the IRS execute agreements extending the statute of limitations within the prescribed timeframe. It also underscores that the date of the Commissioner's signature, not the date of receipt, is key. The case emphasizes the need to account for weekends and holidays when calculating deadlines. Moreover, any failure to meet deadlines may result in the loss of rights to a tax refund or other actions.

