21 T.C. 470 (1954)

The Tax Court lacks jurisdiction to determine an overpayment of excess profits tax attributable to standard issue adjustments under I.R.C. § 322(d) unless there is a deficiency in the tax or an application for relief under I.R.C. § 722.

Summary

The Martin Weiner Corp. sought relief in the Tax Court regarding excess profits tax liabilities. The IRS determined deficiencies in income tax and overassessments in excess profits tax for 1942. The IRS disallowed a portion of the corporation's application for relief under I.R.C. § 722, but the corporation did not contest the income tax deficiencies. The Tax Court addressed whether it had jurisdiction to grant a refund for the overpayment in excess profits tax that arose from standard issue adjustments, and whether the petitioner had not taken appropriate steps to receive a refund for overpayment. The court held that it lacked jurisdiction to determine an overpayment in excess profits tax that was due to standard issue adjustments, since there was not a deficiency determined by the IRS and the overpayment was not related to relief under I.R.C. § 722.

Facts

Martin Weiner Corp. (formerly Wohl Fabrics Co.) had its income and excess profits tax liabilities for 1941-1944 reviewed by the IRS. The IRS determined income tax deficiencies and excess profits tax overassessments for the year 1942. The corporation applied for relief under I.R.C. § 722. The IRS partially allowed the relief and made adjustments, some of which were standard issue adjustments. The corporation did not contest the income tax deficiencies. The corporation's petition to the Tax Court sought relief solely regarding excess profits tax under I.R.C. § 722, but it was seeking to recover $4,646.45 of the 1942 overassessment which was the result of standard issue adjustments. The IRS moved to dismiss the petition regarding the income tax deficiencies, asserting they had been paid before the deficiency notice. The IRS also contended that the Tax Court lacked jurisdiction over the $4,646.45 portion of the overassessment because the overassessment resulted from standard issue adjustments and not from relief under I.R.C. § 722.

Procedural History

The IRS sent the corporation a notice of deficiency and disallowance. The corporation filed a petition with the Tax Court. The IRS moved to dismiss the petition regarding income tax deficiencies because they had been paid before the deficiency notice. The Tax Court addressed the IRS motion and one other issue. The IRS and the corporation settled all other issues by stipulation. The Tax Court reviewed the IRS's motion and determined whether it had jurisdiction to allow the corporation to recover $4,646.45 of the excess profits tax for 1942. The Tax Court issued a decision.

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Issue(s)

1. Whether the Tax Court had jurisdiction to consider the corporation's appeal from the IRS's determination of income tax deficiencies where the taxes had been paid before the notice of deficiency.

2. Whether the Tax Court had jurisdiction to permit the corporation to recover $4,646.45 of the $11,088.77 overassessment of excess profits tax for 1942, where the overassessment was attributable to standard issue adjustments.

Holding

1. No, because the corporation did not appeal the income tax deficiencies, and thus there was nothing to dismiss.

2. No, because the Tax Court lacked jurisdiction under I.R.C. § 322(d) to determine an overpayment where no deficiency was determined and where the overpayment stemmed from standard issue adjustments, and was not part of the determination of relief under I.R.C. § 722.

Court's Reasoning

The court first addressed the IRS's motion to dismiss the portion of the petition relating to income tax deficiencies. The court held that because the corporation did not assign any error to the income tax deficiencies, there was nothing before the court to dismiss. Thus, the IRS's motion was denied. The court then addressed whether it had jurisdiction to consider the portion of the overpayment that was due to standard issue adjustments. The court explained that the Tax Court's jurisdiction to grant refunds due to overpayments is defined under I.R.C. § 322(d). The court said that for each particular year, there must be a deficiency initially determined for the court to have jurisdiction to grant a refund. The court noted that an exception to this general rule is the Tax Court's special jurisdiction under I.R.C. § 732(a) to grant refunds for excess profits taxes pursuant to I.R.C. § 722. The court reasoned that since the $4,646.45 portion of the overpayment was attributable to standard issue adjustments and not from relief under I.R.C. § 722, the court lacked jurisdiction to decide the case under I.R.C. § 322(d). The court also cited prior precedent in *Mutual Lumber Co.*, where it had previously held that the Tax Court has no jurisdiction over tax imposed under general excess profits tax provisions where an overassessment was determined by the Commissioner.

Practical Implications

This case clarifies the limitations on the Tax Court's jurisdiction regarding tax overpayments, particularly in the context of excess profits tax and the interplay between general tax provisions and I.R.C. § 722 relief. Tax practitioners should be aware that the Tax Court's ability to order a refund under I.R.C. § 322(d) requires a deficiency determination by the IRS. A taxpayer cannot use a petition for I.R.C. §

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722 relief to challenge standard issue adjustments where no deficiency was determined. The court's ruling in *Martin Weiner Corp.* has implications for the scope of Tax Court review and the types of claims that can be brought before the court. It highlights the importance of correctly framing the issues in a tax case and understanding the specific statutory basis for the Tax Court's jurisdiction. This case shows how important it is for taxpayers to appeal all aspects of the IRS's determination if they disagree, as the court will not address an issue if it is not brought before it. This case serves as a reminder of the potential limitations in challenging a tax determination in situations where there is no deficiency, but only an overassessment, or where the overassessment results from adjustments other than those covered by a specific statutory provision.

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