22 T.C. 549 (1954)

The statute of limitations for filing applications for relief under Section 722 of the Internal Revenue Code, concerning excess profits taxes, begins from the due date of the return, not the earlier filing date, when the return was filed before the due date.

Summary

Central Outdoor Advertising Company sought relief from excess profits taxes under Section 722 of the Internal Revenue Code. The Commissioner limited the refund, arguing the application was filed outside the three-year statute of limitations under Section 322. The central issue was whether the filing deadline started from the return filing date (March 14, 1942) or the tax due date. The Tax Court ruled for the taxpayer, holding the applicable law, as amended, considered returns filed before the due date as filed on the due date. The application, filed within three years of the due date, was thus timely.

Facts

Central Outdoor Advertising Company filed its 1941 corporate excess profits tax return on March 14, 1942, and paid the first installment of the tax. The company applied for relief under Section 722 on March 15, 1945. The Commissioner of Internal Revenue partially disallowed the relief, citing the statute of limitations under Section 322, arguing the application was filed more than three years after the return filing date. The resolution of the case turned on interpreting the interplay between the statute of limitations under Sections 722 and 322 of the Internal Revenue Code.

Procedural History

The Commissioner disallowed the relief sought by Central Outdoor Advertising in part. Central Outdoor Advertising challenged this decision, leading to a hearing before the United States Tax Court. The Tax Court considered the case based on a stipulation of facts and exhibits. The court needed to determine whether the taxpayer met the statutory deadlines for filing an application for tax relief.

Issue(s)

1. Whether the application for relief under Section 722 was filed within the three-year period prescribed by Sections 722(d) and 322(b).

Holding

1. Yes, because the court held that the period of limitations began from the due date of the return, not the filing date, making the application timely.

Court’s Reasoning

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The court focused on the amendments made to Section 322, particularly Section 322(b)(4), by the Revenue Act of 1942. This amendment stated that returns filed before the due date should be considered filed on the due date for purposes of calculating the statute of limitations. While the Commissioner argued this amendment didn't apply retroactively, the court disagreed, reasoning that Congress, by referencing Section 322, intended to apply the existing provisions, including Section 322(b)(4). The court also noted Congress's intent to provide a reasonable outcome and avoid discrimination against applications for earlier years. The court distinguished applications for relief under Section 722 from standard claims for refund under Section 322.

Practical Implications

This case clarifies the application of the statute of limitations for applications under Section 722, particularly when the return was filed before the due date. Practitioners handling tax matters must understand that the period of limitations may start from the due date, not the earlier filing date, under the 1942 amendment. This decision influences how timeliness of filings for relief under Section 722 is determined, affecting the amount of tax that can be recovered. The holding emphasizes the importance of considering the specific statutory language and its amendments when calculating filing deadlines. Tax professionals must carefully consider the application of tax law amendments to different periods, ensuring that the relevant rules, including those concerning due dates, are correctly applied.

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