Berry v. Commissioner, 26 T.C. 360 (1956)

A corporation that ceases business and disposes of all assets may file a tax return for the fractional part of the year in which it was in existence, and the Commissioner may determine a deficiency for that period, even if the corporation is not formally dissolved.

Summary

The case involves a tax deficiency assessed against the Berrys as transferees of a corporation's assets. The primary issue was whether the corporation properly filed its final income tax return for the correct period, triggering an addition to tax for late filing. The Tax Court held that, based on the parties' stipulation that the corporation ceased business and disposed of its assets on a specific date, the return was filed for the correct period. The court found the Berrys did not prove that the late filing was due to reasonable cause and not willful neglect, thereby upholding the addition to tax. The court emphasized a pragmatic approach, determining that the corporation effectively ceased to exist, even without formal dissolution.

Facts

Edison Vegetable Growers, Inc., a California corporation, disposed of all its assets and ceased business on October 31, 1949. The corporation's taxable year began on March 1. The corporation filed its final income tax return for the period March 1, 1949, to October 31, 1949, on February 20, 1950. The Berrys, shareholders of the corporation, were assessed as transferees of the corporation's assets for a tax deficiency. The parties stipulated these facts, with the corporation's last board meeting occurring on November 17, 1949, and a check payable to the corporation also dated that day. The Berrys contended that the corporation was in business beyond October 31, 1949.

Procedural History

The Commissioner of Internal Revenue determined a tax deficiency against the Berrys as transferees of the corporation's assets, along with an addition to tax. The Berrys challenged this determination in the United States Tax Court.

Issue(s)

1. Whether the corporation's final tax return was filed for the correct taxable period, considering that the corporation ceased business and disposed of its assets on October 31, 1949.

2. Whether the failure to file the return on time was due to reasonable cause and not willful neglect.

Holding

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1. Yes, because the Tax Court accepted the parties' stipulation that the corporation ceased operations on October 31, 1949, thus allowing a tax return for the period ending on that date.

2. No, because the Berrys failed to carry the burden of proof to show that the late filing of the tax return was due to reasonable cause and not willful neglect.

Court's Reasoning

The court primarily relied on the parties' stipulation that the corporation disposed of its assets and ceased business on October 31, 1949. The court emphasized that this fact was unambiguous and decisive, and that even though there was a board meeting and a check dated November 17, those facts did not contradict the stipulation. The court applied a

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