Stokby v. Commissioner, 26 T.C. 912 (1956)

A taxpayer who files a return and pays taxes is entitled to a declaration of overpayment, even if the income was later determined to be attributable to another taxpayer and the other taxpayer has not yet paid their deficiencies.

Summary

Edith Stokby reported income from an unincorporated business and paid taxes. The Commissioner later determined the business income belonged to her husband, who was assessed with tax deficiencies. Stokby filed for refunds, claiming overpayment. The Tax Court held that Stokby was entitled to an order of overpayment, despite the husband's tax liability and the fact that the business funds were used to pay the taxes. The court reasoned that Stokby was a "taxpayer" who filed returns and paid taxes, thus entitling her to a refund, irrespective of her husband's tax obligations, although the court noted it was possible for the government to seek other remedies to prevent the refund from reaching her.

Facts

Edith Stokby conducted an unincorporated business, Stokby Company, and reported income from it for the tax years 1942-1944. She paid taxes on this income. The Commissioner later determined the business's income was earned by her husband, Axel S. Stokby. The Commissioner issued tax deficiencies against Axel, which the Tax Court upheld, becoming final. Edith Stokby filed claims for refunds of the taxes she paid.

Procedural History

The Tax Court initially considered a case against Edith's husband. After a final decision against the husband and the Commissioner's abandonment of deficiency claims against Edith, the Tax Court considered Edith's claims for a refund of taxes she had paid.

Issue(s)

Whether Edith Stokby, who filed tax returns and paid taxes on income later determined to belong to her husband, is entitled to an order of overpayment, even though the husband has not paid his tax deficiencies.

Holding

Yes, because Edith Stokby filed a return, paid taxes, and is therefore entitled to an order of overpayment, regardless of the husband's tax liability or the source of funds used for the payments.

Court's Reasoning

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The court emphasized that Edith Stokby was a “taxpayer” because she filed returns and paid taxes. The court found no grounds to consider her a mere “nominee” of her husband, despite the husband’s tax liability and the source of funds used. The court distinguished this case from situations where the filer acted as a “straw man” or filed returns under fictitious names. The court asserted, “Petitioner filed a return and we know of no tenable ground for holding that she was not a ‘taxpayer.’

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