

## ***National Forge & Ordnance Co., 29 T.C. 294 (1957)***

The IRS may waive its regulatory requirements regarding the specifics of excess profits tax claims, allowing consideration of amended claims even if filed after the statute of limitations, particularly when the IRS has considered the merits of such claims.

### **Summary**

National Forge & Ordnance Co. sought relief under Section 722(b)(4) of the Internal Revenue Code of 1939 for excess profits taxes, citing changes in products, increased production capacity, and changes in capital structure. While the company's original claim addressed increased capacity, amended claims were filed later to include the other factors. The IRS initially considered these amended claims but later argued that the company was limited to the original claim due to the statute of limitations. The Tax Court held that the IRS had waived its regulatory requirements by considering the amended claims and was thus required to consider all factors in determining the company's relief. The court emphasized that the IRS was fully aware of the company's reliance on the amended claims.

### **Facts**

National Forge & Ordnance Co. manufactured hydraulic presses and related products. The company developed new products (injection molding presses) and made improvements to existing ones. Prior to January 1, 1940, the company committed to a plant expansion. The company also decreased borrowed capital and increased equity, changing its capital structure. The company filed an initial claim for excess profits tax relief under Section 722(b)(4), focusing on the plant expansion. Later, at the IRS's suggestion, the company filed amended claims to include the new products and capital structure changes. The IRS considered the amended claims. The IRS later argued that the company was limited to the original claim, as the amended claims were filed after the statute of limitations.

### **Procedural History**

National Forge & Ordnance Co. petitioned the Tax Court for a redetermination of its excess profits tax liability. The IRS argued that the company's relief was limited to its original claim. The Tax Court reviewed the facts and legal arguments. The Tax Court held in favor of the taxpayer, finding the IRS had waived its regulatory requirements.

### **Issue(s)**

1. Whether the IRS waived its regulatory requirements by considering the amended claims filed by the taxpayer for excess profits tax relief.
2. Whether the taxpayer is entitled to relief based on the amended claims, even

though filed after the statute of limitations.

## **Holding**

1. Yes, because the IRS considered the merits of the amended claims, thus waiving any formal regulatory requirements.
2. Yes, because the IRS waived the regulatory requirements, the taxpayer is entitled to relief based on the amended claims, including factors not present in the original claim.

## **Court's Reasoning**

The Tax Court relied on the principle of waiver, stating, "...those regulatory requirements can be waived by respondent." The court found that the IRS, by considering the merits of the amended claims and even suggesting their filing, had waived any procedural objections based on the statute of limitations. The court emphasized that the IRS had been fully informed of the facts supporting the amended claims and had considered them during its determination. The court cited *\*Martin Weiner Corp.\** and *\*United States v. Memphis Cotton Oil Co.\**, holding that regulatory requirements could be waived by the IRS. The court distinguished the case from *\*Brown Paper Mill Co.\**, which did not involve a waiver issue.

## **Practical Implications**

This case emphasizes the importance of thorough communication and procedural fairness in dealing with the IRS. For taxpayers, it highlights the possibility of having claims considered, even if they are not perfectly compliant with all formal regulations, if the IRS has acknowledged and addressed the substance of the claim. For the IRS, the case underscores the need for consistent application of regulations and the potential consequences of implied waivers, particularly when the IRS is fully aware of the information supporting a claim, even if the claim is not formally perfect.