29 T.C. 796 (1958)

The statute of limitations bars amended tax refund claims that introduce a new claim for carryback of unused excess profits credit, if the original claim did not mention carryback and the statute of limitations has expired for the original tax year.

Summary

Royal Frocks, Inc. filed timely claims for relief from excess profits taxes for 1943 and 1944, claiming a constructive average base period net income (CABPNI). These claims did not mention an unused excess profits credit carryback from 1945. After the statute of limitations had run, Royal Frocks filed amended claims requesting a carryback of unused excess profits credit from 1945. The Tax Court determined that the amended claims were barred by the statute of limitations because they introduced a new claim for carryback, which was not present in the original, timely filed claims.

Facts

Royal Frocks, a New York corporation, filed timely corporate income and excess profits tax returns for the fiscal years ending June 30, 1943, 1944, and 1945. The company paid excess profits taxes for these years. Royal Frocks filed timely applications for relief under Section 722 of the Internal Revenue Code of 1939 for 1943 and 1944, requesting refunds based on CABPNI. The company did not initially include any claim for an unused excess profits credit carryback from 1945. Later, after the statute of limitations had run, the company filed amended applications for relief, adding a claim for an unused excess profits credit carryback from 1945 to 1943 and 1944. The IRS disallowed the carryback based on the statute of limitations.

Procedural History

Royal Frocks filed timely tax returns for 1943, 1944, and 1945. It filed timely applications for relief under Section 722 for the fiscal years 1943 and 1944. The IRS considered and partially allowed these initial claims. After the statute of limitations had run, Royal Frocks filed amended claims for relief, seeking a carryback of unused excess profits credit from 1945. The Commissioner disallowed the carryback. Royal Frocks petitioned the United States Tax Court.

Issue(s)

Whether the statute of limitations bars the allowance of petitioner’s claims for an unused excess profits credit carryback, based on the agreed CABPNI, from the taxable year ended June 30, 1945, to the taxable years ended June 30, 1943, and 1944, to the extent applicable.

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Holding

Yes, because the amended claims were filed after the statute of limitations had run and introduced a new claim for a carryback that was not included in the original timely filed applications.

Court’s Reasoning

The court relied on the principle that an amendment to a tax refund claim cannot introduce a new ground for relief after the statute of limitations has expired. The court noted that the original applications for relief for 1943 and 1944 did not contain any reference to the use of an unused excess profits credit carryback. The amended applications, which were filed after the limitations period, introduced this new claim. The court cited prior cases, emphasizing that claims for relief under Section 722 were distinct from claims involving carrybacks. The court pointed out that the taxpayer had an opportunity to include the carryback claim in the original applications, but did not. The court reasoned that to allow the amended claims would circumvent the statute of limitations, which is designed to provide finality to tax assessments and refunds. The court stated, “Petitioner is here asking the benefit of unused excess profits credit carryback based on a CABPNI from its fiscal year 1945 to its fiscal years 1943 and 1944 even though no mention of carryback credits to the latter years was made in its timely filed applications for relief as to those years or until petitioner filed so-called amended applications after the statute of limitations in each case had run.”

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