33 T.C. 365 (1959)

Taxpayers are subject to penalties for failing to file a timely declaration of estimated tax and for substantially underestimating their tax liability, even if they file a declaration late.

Summary

In Harkins v. Commissioner, the Tax Court addressed whether a taxpayer was liable for penalties related to estimated tax payments under the 1939 Internal Revenue Code. The taxpayer filed a declaration of estimated tax late and significantly underestimated her actual tax liability. The court held that the taxpayer was liable for additions to tax under both sections 294(d)(1)(A) and 294(d)(2) of the Code. The decision emphasizes the importance of timely and accurate filing of estimated taxes, and provides clarification on the application of underestimation penalties.

Facts

Rose S. Harkins, the taxpayer, operated a retail apparel store and derived taxable income from rents and dividends. She filed a declaration of estimated tax on September 16, 1953, estimating her tax liability for 1953 at $6,666.67 and paid $5,000. This declaration was not based on her 1952 income. Her actual tax liability for 1953 was $28,771.12. Eighty percent of her actual tax liability substantially exceeded the amount stated in her declaration. The IRS determined deficiencies in her income tax and assessed penalties for failure to file a timely declaration and substantial underestimation of estimated tax.

Procedural History

The IRS determined deficiencies and penalties against Harkins. The case was brought before the United States Tax Court. The court considered the parties' stipulations of facts and determined whether the IRS correctly applied penalties. The Tax Court ruled in favor of the Commissioner.

Issue(s)

1. Whether the Commissioner correctly determined additions to tax under Section 294(d)(1)(A) of the 1939 Code for the taxpayer's failure to file a timely declaration of estimated tax.

2. Whether the Commissioner correctly determined additions to tax under Section 294(d)(2) of the 1939 Code for the substantial underestimation of estimated tax.

Holding

1. Yes, because the taxpayer failed to present any evidence to demonstrate that the declaration was timely or that the failure to file a timely declaration was due to

© 2025 SCOTUSreports.com. All rights reserved.

reasonable cause.

2. Yes, because the taxpayer's declaration of estimated tax was substantially less than 80% of her actual tax liability.

Court's Reasoning

The court found that the taxpayer did not file a timely declaration of estimated tax. The court stated,

© 2025 SCOTUSreports.com. All rights reserved.