Sanderling, Inc. v. Commissioner, 68 T. C. 766 (1977)

A director of a dissolved corporation has authority to bind the corporation to an extension of the statute of limitations, even if signed in a different representative capacity.

Summary

In Sanderling, Inc. v. Commissioner, the Tax Court addressed the validity of statute of limitations extensions signed by a director of a dissolved corporation, Sanderling, Inc. , and the IRS. The court held that the director had authority to bind the corporation despite signing as a 'trustee for stockholders. ' The court also upheld the validity of IRS extensions signed by acting group supervisors without written authorization. Additionally, the court found no reasonable cause for the corporation's late filing of its final return, affirming the IRS's penalty assessment. This case clarifies the authority of directors in dissolved corporations and the IRS's internal procedures regarding statute extensions.

Facts

Sanderling, Inc. , a New Jersey corporation, was dissolved on October 31, 1969, after distributing its assets on January 22, 1969. The IRS assessed deficiencies for the tax years ending February 28, 1969, December 31, 1969, and April 16, 1971, but later conceded that the correct taxable year ended January 22, 1969. Two Forms 872 were signed to extend the statute of limitations beyond May 14, 1972. The first was signed by William A. Sternkopf, Jr. , as 'Trustee for Stockholders,' and the second by John Morro under a power of attorney. Both forms were signed by IRS agents acting as group supervisors. Sanderling filed its final return late, leading to a penalty under section 6651(a)(1).

Procedural History

The Tax Court considered Sanderling's motion to dismiss for lack of jurisdiction due to the incorrect taxable year listed in the deficiency notice. The court also addressed the validity of the statute of limitations extensions and the penalty for late filing. The IRS conceded the correct taxable year after the notice was issued, and the court ultimately upheld jurisdiction and the validity of the extensions.

Issue(s)

1. Whether the Tax Court lacks jurisdiction because the notice of deficiency was issued for an incorrect taxable year.
2. Whether the consents extending the statute of limitations are invalid due to improper authority or incorrect taxable year.
3. Whether the late filing of Sanderling's return was due to reasonable cause, precluding the addition to tax under section 6651(a)(1).

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Holding

1. No, because the notice covered the entire period of the taxpayer's operations, the court had jurisdiction.
2. No, because Sternkopf, as a director, had authority to bind Sanderling, and the IRS agents were properly designated to sign the consents.
3. No, because Sanderling failed to show reasonable cause for the late filing, and the IRS carried its burden to show otherwise.

Court's Reasoning

The court reasoned that despite the incorrect taxable year in the notice, it had jurisdiction over the entire period of Sanderling's operations. Regarding the extensions, the court applied New Jersey law, finding that Sternkopf, as a director, had authority to bind Sanderling, even if he signed as a trustee. The court also upheld the IRS's oral designations of acting group supervisors to sign the consents, citing Internal Revenue Service procedures and prior case law. On the issue of late filing, the court shifted the burden to the IRS due to the amended answer increasing the penalty, but found the IRS met this burden, as Sanderling's reliance on its accountant to file the return did not constitute reasonable cause.

Practical Implications

This decision clarifies that directors of dissolved corporations retain authority to bind the corporation to statute of limitations extensions, even if they sign in a different capacity. It also supports the IRS's internal procedures for designating acting supervisors to sign such consents. Practitioners should be aware that reliance on accountants for ministerial tasks like filing does not necessarily constitute reasonable cause for late filing. Subsequent cases may reference Sanderling for guidance on the authority of directors in dissolved corporations and the validity of IRS extensions signed by acting supervisors.

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