Page v. Commissioner, 86 T. C. 1 (1986)

The proper taxable period for determination of a windfall profit tax deficiency for a producer is the calendar year, not quarterly periods.

Summary

William J. Page challenged the IRS's determination of a windfall profit tax deficiency for the calendar year 1980, arguing that the deficiency should have been calculated quarterly. The U. S. Tax Court held that the proper taxable period for a producer's windfall profit tax deficiency is the calendar year. This decision was based on the statutory and regulatory framework of the windfall profit tax, which requires annual returns and computations from producers. The court also considered practical administrative considerations and the legislative intent behind the tax, concluding that an annual determination was appropriate and valid.

Facts

The Commissioner determined a windfall profit tax deficiency of $6,335. 77 against William J. Page for the calendar year 1980. The notice of deficiency included a schedule showing the deficiency aggregated from quarterly amounts. Page moved to dismiss for lack of jurisdiction, arguing that the deficiency should have been determined for each quarter of 1980. The notice of deficiency was based on the full calendar year but included quarterly breakdowns.

Procedural History

The Commissioner mailed the statutory notice of deficiency to Page, who then filed a petition with the U. S. Tax Court. Page moved to dismiss for lack of jurisdiction, arguing that the deficiency determination for a full calendar year was improper. The court heard arguments and issued an opinion denying the motion to dismiss.

Issue(s)

1. Whether the proper taxable period for determination of a windfall profit tax deficiency against a producer is a calendar year or quarters of a calendar year.

Holding

1. Yes, because the statutory and regulatory framework for windfall profit tax mandates that producers file annual returns, and the deficiency determination must correspond to the same period as the return.

Court's Reasoning

The court analyzed the statutory and regulatory provisions of the windfall profit tax, noting that while the tax is computed quarterly, the net liability is determined

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annually. The court emphasized the practical administrative solution provided by the regulations, which require producers to file annual returns only if the withholding is insufficient or if a refund is sought. The court also considered the legislative intent, which anticipated annual deficiency determinations as evidenced by the prohibition on assessments or refunds before the close of the year. The court rejected Page's argument that the quarterly definition of taxable period in the statute should apply to deficiency determinations, finding that the annual period was consistent with the overall statutory scheme and administrative practicality. The court also distinguished this case from others where notices of deficiency covered improper periods, noting that the notice in this case covered the entirety of four quarters within a calendar year.

Practical Implications

This decision clarifies that for producers subject to windfall profit tax, deficiencies must be determined on an annual basis, aligning with the requirement for annual returns. This ruling simplifies the administrative process for both taxpayers and the IRS by avoiding multiple quarterly disputes and ensuring that annual adjustments to withholding can be considered. Practitioners should advise clients to file annual returns if necessary and to expect deficiency determinations on an annual basis. This case also underscores the importance of understanding the interplay between statutory provisions and administrative regulations in tax law, particularly in complex areas like the windfall profit tax.

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