Blount v. Commissioner, 86 T. C. 383 (1986)

An incomplete tax return, even without a Form W-2, starts the statute of limitations for assessment if it contains sufficient data to calculate tax liability and reflects a genuine effort to comply with tax laws.

Summary

In Blount v. Commissioner, the Tax Court ruled that the statute of limitations for assessing a tax deficiency began when the taxpayers filed their return, despite omitting a Form W-2. The Blounts filed their 1980 tax return within an extended deadline but without the Form W-2. The IRS returned it for resubmission, which was done with the Form W-2 attached. The court held that the initial filing, though incomplete, was sufficient to start the statute of limitations, rendering the IRS's later notice of deficiency untimely. This decision emphasizes the importance of the content of a tax return over strict adherence to form requirements in starting the limitations period.

Facts

Sherwood and Phyllis Blount obtained an extension to file their 1980 income tax return until June 15, 1981. They filed their return within this period but omitted the Form W-2 for Mr. Blount's salary income. The IRS received the return on June 17, 1981, and returned it to the Blounts on June 30, 1981, requesting the Form W-2. The Blounts resubmitted their return with the Form W-2 on July 7, 1981, which was received by the IRS on July 9, 1981. On July 5, 1984, the IRS issued a notice of deficiency for the 1980 tax year.

Procedural History

The Blounts filed a petition with the U. S. Tax Court, moving for summary judgment on the basis that the IRS's notice of deficiency was untimely. The Tax Court granted the motion, ruling that the statute of limitations had expired before the notice was issued.

Issue(s)

1. Whether the omission of a Form W-2 from the Blounts' initial tax return filing rendered it incomplete for purposes of starting the statute of limitations under section 6501(a).

Holding

1. No, because the initial return, despite the missing Form W-2, was deemed sufficient to start the statute of limitations as it contained the necessary data to calculate tax liability and showed an honest effort to comply with tax laws.

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Court’s Reasoning

The court applied the four-pronged test from Supreme Court cases to determine the sufficiency of a tax return for starting the statute of limitations. The test requires that the return: (1) contain sufficient data to calculate tax liability, (2) purport to be a return, (3) reflect an honest and reasonable attempt to satisfy tax law, and (4) be signed under penalties of perjury. The Blounts’ initial return met these criteria despite the missing Form W-2. The court cited Zellerbach Paper Co. v. Helvering, emphasizing that perfect completeness is not necessary if the return shows a genuine effort to comply with the law. The court rejected the IRS’s argument that administrative convenience justified treating the return as a nullity until resubmitted with the Form W-2, holding that the statute of limitations begins to run once a return is filed, regardless of minor omissions.

Practical Implications

This decision impacts how tax practitioners should view the filing of tax returns and the statute of limitations. It suggests that taxpayers should not delay filing due to minor missing documentation, as the return can still start the limitations period if it otherwise complies with the four-pronged test. For the IRS, this case may necessitate a review of procedures for handling returns with missing forms, ensuring that the statute of limitations is not inadvertently extended. The ruling also implies that taxpayers might have a defense against untimely assessments if they can show their initial filing was a genuine attempt to comply with tax laws. Subsequent cases, such as Beard v. Commissioner, have cited Blount to reinforce the principle that a return’s sufficiency is based on its content and intent rather than strict form adherence.

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