

***Law Office of John H. Eggertsen P. C. v. Commissioner, 143 T. C. No. 13 (U. S. Tax Court 2014)***

The U. S. Tax Court, in a reconsideration of its earlier decision, held that the general statute of limitations under I. R. C. § 6501, rather than the specific provision of I. R. C. § 4979A(e)(2)(D), governs the assessment of excise tax under I. R. C. § 4979A(a). This ruling overturned the court's initial finding that the limitations period had expired, determining instead that the tax could be assessed at any time due to the absence of a qualifying return, impacting how tax authorities enforce excise tax liabilities related to employee stock ownership plans.

**Parties**

Law Office of John H. Eggertsen P. C. (Petitioner) v. Commissioner of Internal Revenue (Respondent). The case was initially decided by the U. S. Tax Court in favor of the Petitioner on February 12, 2014 (Eggertsen I), but upon Respondent's motion for reconsideration and to vacate the decision, the court reconsidered its ruling and granted the Respondent's motion.

**Facts**

John H. Eggertsen owned 100% of the stock of the Petitioner, an S corporation, through an employee stock ownership plan (ESOP). For its taxable year 2005, the Petitioner filed Form 1120S, indicating that the ESOP owned all of its stock. The ESOP filed Form 5500 for its 2005 taxable year, showing assets valued at \$401,500, consisting exclusively of employer securities. An amended Form 5500 was later filed, reporting total assets of \$868,833, still including \$401,500 in employer securities. The Petitioner did not file Form 5330 for 2005, the form required to report the excise tax under I. R. C. § 4979A. The Respondent filed a substitute for Form 5330 on behalf of the Petitioner.

**Procedural History**

In the initial decision (Eggertsen I), the Tax Court held that I. R. C. § 4979A(a) imposed an excise tax on the Petitioner for its 2005 taxable year and that the period of limitations for assessing this tax under I. R. C. § 4979A(e)(2)(D) had expired. Following the Respondent's motion for reconsideration and to vacate the decision, the court reconsidered its holding on the statute of limitations issue and granted the Respondent's motions, determining that I. R. C. § 6501 controlled and that the excise tax could be assessed at any time under I. R. C. § 6501(c)(3).

**Issue(s)**

Whether I. R. C. § 6501, rather than I. R. C. § 4979A(e)(2)(D), controls the period of limitations for assessing the excise tax imposed by I. R. C. § 4979A(a) on the Petitioner for its taxable year 2005, given that the Petitioner did not file Form 5330 or any other document qualifying as a return for I. R. C. § 4979A(a) excise tax

purposes within the meaning of I. R. C. § 6501(a).

### **Rule(s) of Law**

I. R. C. § 6501(a) sets forth the general statute of limitations for assessing any tax, which begins upon the filing of a return. I. R. C. § 4979A(e)(2)(D) provides a specific limitations period for assessing the excise tax under I. R. C. § 4979A(a), triggered by the later of the allocation or ownership at issue or the date the taxpayer provides notification to the Commissioner. I. R. C. § 6501(c)(3) allows for the assessment of a tax at any time if no return is filed.

### **Holding**

The court held that I. R. C. § 6501, not I. R. C. § 4979A(e)(2)(D), controls the period of limitations for assessing the excise tax under I. R. C. § 4979A(a) on the Petitioner for its taxable year 2005. Since the Petitioner did not file Form 5330 or any other document that qualified as a return for I. R. C. § 4979A(a) excise tax purposes within the meaning of I. R. C. § 6501(a), the excise tax could be assessed at any time under I. R. C. § 6501(c)(3).

### **Reasoning**

The court reconsidered its initial decision and found that I. R. C. § 4979A(e)(2)(D) serves only to extend the period of limitations prescribed by I. R. C. § 6501 under specific circumstances, not to replace it. The court examined the record to determine whether the Petitioner filed a qualifying return for the excise tax under I. R. C. § 4979A(a). The Petitioner's Form 1120S and the ESOP's Forms 5500 and amended 5500 did not contain the necessary information to calculate the Petitioner's excise tax liability under I. R. C. § 4979A(a), such as the total value of all deemed-owned shares of all disqualified persons. The court thus concluded that no qualifying return was filed, allowing the tax to be assessed at any time under I. R. C. § 6501(c)(3). The court also considered statutory conflict resolution principles, finding that I. R. C. § 6501 should prevail over I. R. C. § 4979A(e)(2)(D) as a more general statute applicable to all taxes.

### **Disposition**

The Tax Court granted the Respondent's motion for reconsideration and motion to vacate the decision, vacating the decision entered on February 12, 2014, and entering a decision for the Respondent.

### **Significance/Impact**

This decision clarifies the applicability of the general statute of limitations under I. R. C. § 6501 to excise taxes under I. R. C. § 4979A, emphasizing the importance of filing the appropriate return (Form 5330) to trigger the limitations period. The ruling impacts the enforcement of excise taxes related to employee stock ownership

plans, providing the IRS with greater leeway to assess such taxes in the absence of a qualifying return. The case also demonstrates the court's willingness to reconsider and correct its own decisions based on substantial error or unusual circumstances, affecting legal practice and strategy in tax litigation.