

**OFFICE OF TAX APPEALS
STATE OF CALIFORNIA**

In the Matter of the Appeal of:) OTA Case No. 220911290
CHANNEY FAMILY TRUST)
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OPINION

Representing the Parties:

For Appellant: Michael Chaney, Trustee
For Respondent: Joel Smith, Attorney
Phillip C. Klean, Attorney

A. VASSIGH, Administrative Law Judge: Pursuant to Revenue and Taxation Code (R&TC) section 19324, Chaney Family Trust (appellant) appeals an action by respondent Franchise Tax Board (FTB) denying appellant’s claim for refund of \$15,484 for the 2014 tax year.

Office of Tax Appeals (OTA) Administrative Law Judges Cheryl L. Akin, Huy “Mike” Le, and Amanda Vassigh held an oral hearing for this matter in Sacramento, California, on August 15, 2023. At the conclusion of the hearing, the record was closed and this matter was submitted for an opinion.

ISSUE

Whether the statute of limitations bars appellant’s claim for refund for the 2014 tax year.

FACTUAL FINDINGS

1. Appellant filed its 2014 California tax return on April 15, 2022, seven years after the original due date of April 15, 2015.
2. On the tax return, appellant reported withholding payments of \$15,485, and a refund due of \$15,484.

3. FTB treated appellant's 2014 tax return as a claim for refund and denied appellant's claim because the statute of limitations had expired.
4. Appellant then filed this timely appeal.

DISCUSSION

R&TC section 19306 sets forth the statute of limitations to file a claim for refund. R&TC section 19306(a) provides, in part, that no credit or refund shall be allowed unless a claim for refund is filed within the later of: (1) four years from the date the return was filed, if the return was timely filed within the extended filing period pursuant to an extension of time to file; (2) four years from the due date prescribed for filing the return (determined without regard to any extension of time for filing the return); or (3) one year from the date of the overpayment. The taxpayer has the burden of proof in showing entitlement to a refund and that the claim for refund is timely. (*Appeal of Jacqueline Mairghread Patterson Trust*, 2021-OTA-187P.)

The language of R&TC section 19306 is explicit and must be strictly construed, without exception. (*Appeal of Cornbleth*, 2019-OTA-408P.) A taxpayer's failure to file a claim for refund, for whatever reason, within the statutory period bars the taxpayer from doing so later, even if the tax is alleged to have been erroneously, illegally, or wrongfully collected. (*Appeal of Benemi Partners, L.P.*, 2020-OTA-144P; *Appeal of Estate of Gillespie*, 2018-OTA-052P.) This is true even when it is later shown that the tax was not owed in the first place. (*U.S. v. Dalm* (1990) 494 U.S. 596, 602; *Benemi, supra.*) While fixed deadlines may appear harsh because they can be missed, the resulting occasional harshness is redeemed by the clarity imparted. (*Prussner v. U.S.* (7th Cir. 1990) 896 F.2d 218, 222-223, citing *U.S. v. Locke* (1985) 471 U.S. 84, 100-101 and *U.S. v. Boyle* (1985) 469 U.S. 241, 249; *Benemi, supra.*)

Since appellant did not file a timely return, the applicable statute of limitations in this appeal is the later of four years from the last day prescribed for filing the tax return (without regard to any extension of time to file) or one year after the date of the overpayment. (R&TC, § 19306(a).) For the 2014 tax year, the four-year statute of limitations period expired on April 15, 2019 (four years from the original due date of April 15, 2015). Appellant did not file a claim for refund until April 15, 2022. Appellant's claim for refund for the 2014 tax year is therefore barred under the four-year statute of limitations.

The one-year statute of limitations only applies to payments made within one year of the date the claim for refund is filed. (R&TC, § 19306(a).) The record shows withholdings for 2014

that are deemed paid on April 15, 2015. (R&TC, § 19002(c)(1).) Since appellant filed its claim for refund on April 15, 2022, which is several years after the one year from overpayment date of April 15, 2016, appellant's claim is also barred by the one-year statute of limitations.

In this appeal, appellant does not contend that it filed its California tax return within the prescribed time period set forth in R&TC section 19306. Rather, appellant's assertions are equitable in nature. Appellant's trustee explained during the hearing that his brother had a medical disability when appellant's 2014 tax return was due. Appellant's trustee delayed filing returns on behalf of the trust because his brother was concerned that filing would jeopardize his medical coverage. Appellant's trustee stated that he was not aware of the statute of limitations until after filing the tax return.¹

OTA can only grant relief where the law specifically allows. The law is clear that the language of the statute of limitations must be strictly construed, and the law does not provide for reasonable cause or an equitable basis for suspending the statute of limitations. (*Benemi, supra.*) As explained above, this is true even when it is later shown that the tax was not owed in the first place. (*Ibid.*) As a result, without a timely refund claim, appellant's claim for refund is barred by the statute of limitations.

¹ In appellant's opening brief, appellant's trustee explained that he had assumed that the tax withholdings would be considered "unclaimed property." However, refunds of tax withholdings are bound by the statute of limitations, as explained above. Therefore, a discussion of the unclaimed property law is not necessary.

HOLDING

The statute of limitations bars appellant’s claim for refund for the 2014 tax year.

DISPOSITION

FTB’s action denying appellant’s claim for refund for the 2014 tax year is sustained.

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Amanda Vassigh
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Amanda Vassigh
Administrative Law Judge

We concur:

DocuSigned by:
Cheryl L. Akin
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Cheryl L. Akin
Administrative Law Judge

DocuSigned by:
Huy "Mike" Le
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Huy "Mike" Le
Administrative Law Judge

Date Issued: 11/15/2023