

In the Matter of the Consolidated Appeals of:) OTA Case Nos. 230312865, 230814137
N. SHAW AND)
D. JOHNSON)

¹ Respondent calculated an overpayment of \$13,681.82 for the 2013 tax year, and this is the amount stated in respondent's claim denial letter.

3. After demanding but not receiving a Return from N. Shaw for the 2012 through 2016 tax years, respondent issued a Notice of Proposed Assessment (NPA) for tax and various other charges for each of these tax years based on an estimate of N. Shaw's income.
4. N. Shaw did not protest the NPAs and they became final (i.e., due and payable).
5. On December 7, 2020, N. Shaw made a payment which satisfied the outstanding balance for the 2012, 2013, 2014, and 2015 tax years.
6. N. Shaw made two payments on July 28, 2022, and November 2, 2022, which satisfied the outstanding balance for the 2016 tax year.
7. On December 2, 2022, appellants filed joint California income tax returns (Returns) for the 2012, 2013, and 2014 tax years reporting \$0 total tax.
8. On December 5, 2022, appellants filed joint Returns for the 2015 and 2016 tax years reporting \$0 total tax.
9. Respondent accepted the 2012, 2014, 2015, and 2016 Returns as filed and after processing, computed overpayments of \$5,142.59, \$13,836.31, \$13,806.61, and \$183.07,² respectively. Treating the Returns as claims for refund, respondent denied the claims on grounds that the Returns were filed outside the general limitation period for making a refund claim.
10. Appellants' 2013 Return requested a refund of \$11,196. Respondent processed this Return and computed an overpayment of \$13,681.82. Respondent, however, did not refund or credit this amount to appellants because it determined that the Return was filed outside the general limitation period for making a refund claim.
11. Respondent issued claim denial notices to appellants for the tax years at issue.
12. Appellants filed a timely appeal for the 2012 tax year, and a separate appeal for the 2013 through 2016 tax years, which were consolidated for decision by OTA.

DISCUSSION

R&TC section 19306(a) sets forth the general period in which a refund claim must be filed, which is by the later of: (1) four years from the date the return is filed, if filed on or before the extended due date; (2) four years from the due date of the return without regard to any extensions; or (3) one year from the date of overpayment. Appellants do not dispute that their 2012 through 2016 Returns were not filed within this period.

² The \$183.07 amount was computed after accounting for a \$4,130.64 credit transfer to appellants' 2019 tax year account on December 14, 2022; in other words, appellants received a credit for most of the overpayment on their 2016 tax year account. The credit amount consists of payments made within one year of the filing of the Return, plus interest on the overpayment.

Appellants, however, argue that the claims were timely filed because the overpayments for the years at issue were the result of an “adjustment” by respondent following the filing of their Returns. Appellants circled the section of respondent’s claim denial notices explaining the statute of limitations for filing a refund claim based on a federal adjustment. It appears appellants are referring to R&TC section 19311 as support for their position.

R&TC section 19311 is part of a statutory scheme pertaining to situations where the IRS makes a change or correction to a taxpayer’s federal income tax liability, otherwise referred to as a federal adjustment. Where a federal adjustment results in additional California income tax owed, a taxpayer is required to report the adjustment to respondent within six months after the date the adjustment becomes final. (R&TC, § 18622(a).) The timely reporting of a federal adjustment begins a two-year limitation period for respondent to issue a proposed assessment for the additional tax. (R&TC, § 19059(a).) Where the federal adjustment results in an overpayment of California income tax, R&TC section 19311 provides an equal amount of time, that is, two years from the date the adjustment becomes final for the taxpayer to file a refund claim. R&TC section 19311 is not applicable to appellants’ situation, where there was no federal adjustment and appellants’ overpayments were merely based on the late filing of their Returns reporting a lower tax liability than was previously assessed by respondent.

Appellants’ alternative argument is that the statute of limitations should be suspended for equitable reasons. Namely, appellants argue they relied in good faith on respondent’s determination of N. Shaw’s tax liability for the years at issue, and that it was not until the date the Returns were filed that appellants became aware they had overpaid their tax liability for these years. Appellants assert it would be inequitable to allow the statute of limitations to run during the time they were unaware of the overpayments.

The statute of limitations for making a refund claim must be strictly construed. (*Appeal of Estate of Gillespie*, 2018-OTA-052P.) In other words, a taxpayer’s untimely filing of a refund claim for *any reason* bars a refund. (*Ibid.*) OTA does not have the authority to abrogate the statute of limitations to achieve a more equitable result for taxpayers or to avoid a seemingly harsh outcome. (*Ibid.*) Although a strict application of the statute of limitations may result in occasional unfairness, it is necessary in order to maintain a more workable tax enforcement system and is redeemed by the clarity imparted. (*Ibid.*)

Accordingly, because appellants failed to file their Returns within the general limitation period specified in R&TC section 19306, their claims are untimely.

HOLDING

Appellants' refund claims are untimely.

DISPOSITION

Respondent's actions are sustained.

DocuSigned by:

Kenneth Gast

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Kenneth Gast
Administrative Law Judge

We concur:

Signed by:

Veronica I. Long

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Veronica I. Long
Administrative Law Judge

DocuSigned by:

Sara A. Hosey

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Sara A. Hosey
Administrative Law Judge

Date Issued: 2/26/2025