

[INDIVIDUAL TAXPAYERS],

Petitioners

v.

DECISION

MAINE REVENUE SERVICES,

Respondent

[Taxpayer and Spouse] (collectively, the “Taxpayers”) appeal from Maine Revenue Services’ (“MRS’s”) denial of their request for a refund of Maine income tax for tax year [year 1]. The Taxpayers filed their refund request on April 17, [year 5]. Because the requested relief is barred by statute, we uphold MRS’s refund denial.

I. Background

At all relevant times, the Taxpayers were Maine resident individuals. For several years, including the tax year at issue, the Taxpayer’s Spouse suffered from a debilitating, life-threatening illness. Owing to the Spouse’s illness, the Taxpayers did not timely file a [year 1] Maine income tax return for the [year 1] tax year at issue. For that year, however, the Taxpayers’ income tax withholding amount exceeded their Maine income tax liability.

Subsequently, on April 17, [year 6], the Taxpayers filed their married-joint Maine return for [year 1], showing a tax overpayment of \$[amount] and requesting a refund in that amount. Upon reviewing the return, MRS determined that the refund request was not filed within the period of limitation and therefore denied the request. This appeal followed.

On appeal, the Taxpayers argue that because they made a timely request for an extension to file the subject return, their request for refund was therefore timely filed. Additionally, the Taxpayers contend that their refund request should be allowed because the delay in filing their refund request was caused by the Spouse’s medical circumstances which were beyond their control. It is the Taxpayers’ burden to show that MRS incorrectly denied the requested refund. 36 M.R.S. § 151-D(10)(F).

II. Discussion

A. Limitation of Refund

Under Maine income tax law, a request for refund is timely filed if it is made “within 3 years from the date the return was filed, whether or not the return was timely filed, or 3 years from the date the tax was paid, whichever period expires later.” 36 M.R.S. § 5278(1). In the present case, because the Taxpayers filed the refund request with the return, the refund request was timely filed. Even though a claim for refund is timely filed, however, Maine tax law limits the amount of tax eligible for refund to “the portion of the tax that was paid within the 3 years immediately preceding the filing of the claim plus the period of any extension of time for filing the return.” 36 M.R.S. § 5278(2). To determine whether the Taxpayers’ payments were eligible for refund, we must determine when they made the payments and the amount of any applicable extension. In this case, the tax payments were made throughout [year 1] by virtue of income tax withholding. Under circumstances such as these, the tax is deemed to have been paid on April 15, [year 2]—the return due date. 36 M.R.S. § 5279(2)(B).

We next determine the period of extension. Maine income tax law provides that MRS may grant a reasonable extension of time for filing a Maine income tax return “not [to] exceed 8

months.”¹ 36 M.R.S. § 5231(1). Additionally, for the tax year at issue, MRS granted an automatic six-month extension for the filing of Maine returns, so the due date of the Taxpayers’ original [year 1] return was on or before October 15, [year 2]. *Now see* https://www.maine.gov/revenue/faq/individual-income-tax#faq1040_2 (MRS website FAQ page, Individual Income Tax section) (last visited July 21, 2020). Thus, in the absence of a formal grant of extension by MRS, the maximum period of limitation for a Maine income tax refund is three years and six months from the date the tax was paid; a formal extension would expand that period to a maximum of three years and eight months from when the tax was paid.

In the present case, the Taxpayers’ [year 1] income tax withholding was deemed paid on April 15, [year 2], and the applicable period of extension was six months thereafter—October 15, [year 2]. Accordingly, the last day for requesting a refund for overpayment was three years after that date, or October 15, [year 5]. Even had MRS granted an additional, formal extension, which has not been shown in this case, the last day would be December 15, [year 5]. Because the refund request was not filed until April 17, [year 6]—more than six months after the deadline—the [year 1] income tax withholding amount is ineligible for refund under 36 M.R.S. § 5278(2). Based upon the applicable provisions of Maine income tax law, MRS properly denied the Taxpayers’ request for refund.

¹ Subsection 1-A of section 5231 also provides that, for cases where the Internal Revenue Service (“IRS”) has granted an extension of time within which to file a federal income tax return for any taxable year, the due date for filing the taxpayer’s [Maine] income tax return with respect to the tax imposed by this Part is automatically extended for an equivalent period.

36 M.R.S. § 5231(1-A). However, no evidence has been submitted showing that the IRS granted a federal filing extension in the present case.

B. Relief from Limitation

The Taxpayers argues on appeal that the requested refund should be approved and allowed in light of the tragic circumstances of the Spouse's illness.

“Statutes of limitation are strictly construed. Their purpose is to provide eventual repose for potential defendants and to avoid the necessity of defending stale claims.” *Dowling v. Salewski*, 2007 ME 78 ¶ 11, 926 A.2d 193 (citations and internal quotation marks omitted); accord *United States v. Dalm*, 492 U.S. 596, 610 n.7 (1990) (“The very purpose of statutes of limitations in the tax context is to bar the assertion of a refund claim after a certain period of time has passed, without regard to whether the claim would otherwise be meritorious.”). The Legislature did not provide that a taxpayer's or spouse's illness constitutes an exception to the refund limitation under section 5278(2).² Although we are sympathetic to the Taxpayers' hardship, we are unable to create an exception to the refund limitation under section 5278(2) that the Legislature did not provide. No adjustment to the refund denial is warranted.

III. DECISION

Based upon the law and the evidence presented, the Taxpayers have not shown that they are entitled to a refund on their claim for tax year [year 1] in the amount of \$[amount]. The denial of that claim is hereby upheld in full.

The Board may, in limited circumstances, reconsider its decision on any appeal. If either party wishes to request reconsideration, that party must file a written request with the Board within 20 days of receiving this decision. Contact the Appeals Office at 207-287-2864 or see the Board's rules, available at <http://www.maine.gov/boardoftaxappeals/lawsrules/>, for more

² We note that an extension of time to request a refund is provided where a taxpayer suffers from an “overall inability to function in society that prevents an individual from protecting the individual's legal rights.” 36 M.R.S. § 144(2)(B). However, no claim or evidence of such inability was submitted on appeal.

information on when the Board may grant reconsideration. If no request for reconsideration is filed within 20 days of the date of this proposed decision, it will become the Board's final administrative action. If either party wishes to appeal the Board's decision in this matter to the Maine Superior Court, that party must do so within 60 days of receiving this decision.

Issued by the Board: July 24, 2020