NOTE: Where it is feasible, a syllabus (headnote) will be released, as is being done in connection with this case, at the time the opinion is issued. The syllabus constitutes no part of the opinion of the Court but has been prepared by the Reporter of Decisions for the convenience of the reader. See *United States* v. *Detroit Lumber Co.,* 200 U. S. 321, 337.

SUPREME COURT OF THE UNITED STATES

Syllabus

BUFFERD *v.* COMMISSIONER OF INTERNAL REVENUE

CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

No. 91–7804. Argued November 30, 1992—Decided January 25, 1993

Subchapter S of the Internal Revenue Code seeks to eliminate tax disadvantages that might dissuade small businesses from adopting the corporate form and to lessen the tax burden on such businesses by means of a pass-through system under which corporate income, losses, deductions, and credits are attributed to individual shareholders in a manner akin to the tax treatment of partnerships. Petitioner Bufferd, a shareholder in an S corporation, Compo Financial Services, Inc., claimed on his 1979 income tax return a pro rata share of a loss deduction and investment tax credit reported by Compo on its return for the 1978–1979 tax year. Code §6501(a) establishes a generally applicable statute of limitations allowing the Internal Revenue Service to assess tax deficiencies ``within 3 years after *the* return was filed.'' (Emphasis added.) As provided in §6501(c)(4), Bufferd extended the limitations period on his return, but no extension was obtained from Compo with respect to its return. In 1987, the Commissioner determined that the loss deduction and credit reported by Compo were erroneous and sent a notice of deficiency to Bufferd based on the deduction and credit he had claimed on his return. The Tax Court found for the Commissioner, rejecting Bufferd's argument that the claim was time barred because the disallowance was based on an error in Compo's return, for which the 3-year period had lapsed. The Court of Appeals affirmed, holding that, where a tax deficiency is assessed against a shareholder, the filing date of the shareholder's return is the relevant date for purposes of §6501(a).

Held: The limitations period for assessing the income tax liability of an S corporation shareholder runs from the date on which the shareholder's return is filed. Plainly, ``the'' return referred to in

§6501(a) is the return of the taxpayer against whom a deficiency is assessed, since the Commissioner can only determine whether the taxpayer understated his tax obligation and should be assessed a deficiency after examining his return. That Compo erroneously asserted a loss and credit to be passed through to its shareholders is of no consequence. The errors did not and could not affect Compo's tax liability, and hence the Commissioner could only assess a deficiency against the shareholder whose return claimed the benefit of the errors. By contrast, the S corporation's return does not contain all of the information necessary to compute a shareholder's taxes and thus should not be regarded as triggering the period of assessment. Cf. *Automobile Club of Michigan* v. *Commissioner,* 353 U. S. 180, 188. The statutory evidence and policy considerations proffered by Bufferd offer no basis for questioning this conclusion. Pp. 3–10.

BUFFERD *v.* COMMISSIONER

Syllabus

952 F. 2d 675, affirmed.

WHITE, J., delivered the opinion for a unanimous Court.