***Cincinnati Transit, Inc. v. Commissioner, 55 T. C. 879 (1971)***

The U. S. Tax Court lacks jurisdiction over a party that has not received a notice of deficiency or notice of transferee liability, even if that party may be affected by the outcome of the case.

**Summary**

In Cincinnati Transit, Inc. v. Commissioner, the U. S. Tax Court addressed whether a wholly owned subsidiary, Cincinnati Transit, Inc. , could join as a party petitioner in a tax deficiency case against its parent company, The Cincinnati Transit Company. The IRS had issued a notice of deficiency to the parent for tax years 1956-1964, but not to the subsidiary. The court held that it lacked jurisdiction over the subsidiary because no notice of deficiency or transferee liability was issued to it, emphasizing that only the party receiving the notice can petition the Tax Court. This decision underscores the jurisdictional limits of the Tax Court and the necessity of a notice of deficiency for initiating proceedings.

**Facts**

In 1969, the IRS issued a notice of deficiency to The Cincinnati Transit Company for tax deficiencies from 1956-1964, primarily related to depreciation on transportation properties. In 1968, The Cincinnati Transit Company transferred certain assets and liabilities to its wholly owned subsidiary, Cincinnati Transit, Inc. , which then operated the transportation system. Both companies filed a petition in the U. S. Tax Court seeking redetermination of the deficiencies, naming Cincinnati Transit, Inc. , as a petitioner. The IRS moved to dismiss Cincinnati Transit, Inc. , from the case, arguing the court lacked jurisdiction over it.

**Procedural History**

The IRS issued a notice of deficiency to The Cincinnati Transit Company in November 1969. In February 1970, a petition was filed in the U. S. Tax Court by both The Cincinnati Transit Company and its subsidiary, Cincinnati Transit, Inc. The IRS moved to dismiss Cincinnati Transit, Inc. , in April 1970. After oral arguments and submission of briefs, the court ruled on February 25, 1971, granting the IRS's motion to dismiss Cincinnati Transit, Inc. , for lack of jurisdiction.

**Issue(s)**

1. Whether Cincinnati Transit, Inc. , a wholly owned subsidiary of The Cincinnati Transit Company, can join as a party petitioner in a U. S. Tax Court proceeding where it did not receive a notice of deficiency or notice of transferee liability from the IRS?

**Holding**

 

1. No, because the U. S. Tax Court's jurisdiction is limited to parties who have received a notice of deficiency or notice of transferee liability from the IRS, and Cincinnati Transit, Inc. , did not receive such a notice.

## Court's Reasoning

The court's decision was based on the statutory requirement that a notice of deficiency is a prerequisite for the Tax Court's jurisdiction. Section 6213(a) of the Internal Revenue Code (I. R. C. ) allows only the taxpayer to whom the notice of deficiency is addressed to petition the Tax Court for a redetermination of the deficiency. The court cited previous cases like Oklahoma Contracting Corporation and Bond, Incorporated, which dismissed similar attempts by non-noticed parties to join as petitioners. The court emphasized that allowing Cincinnati Transit, Inc. , to join would raise procedural issues and was unnecessary since The Cincinnati Transit Company, as the parent, would protect its subsidiary's interests. The court also rejected arguments based on collateral estoppel, res judicata, and due process, stating that these principles did not necessitate the subsidiary's inclusion as a party petitioner.

## Practical Implications

This decision clarifies that the U. S. Tax Court's jurisdiction is strictly limited to parties that have received a statutory notice of deficiency or notice of transferee liability. Legal practitioners must ensure that all parties they wish to involve in Tax Court proceedings have received the appropriate notice from the IRS. The ruling impacts how attorneys handle cases involving corporate restructurings or asset transfers, as they cannot include subsidiaries or successors in Tax Court proceedings without a direct notice from the IRS. This case may influence future IRS practices in issuing notices to multiple parties in complex corporate structures and could affect how businesses structure their operations to manage potential tax liabilities.