***Sonnenborn v. Commissioner, 57 T. C. 373, 1971 U. S. Tax Ct. LEXIS 13 (1971)***

To obtain relief from joint and several liability under Section 6013(e), the innocent spouse must prove lack of knowledge and significant benefit from the omitted income.

**Summary**

In Sonnenborn v. Commissioner, Ethel Sonnenborn sought relief from joint tax liability under Section 6013(e), claiming she was unaware of her husband's unreported income from their corporation, Monodon Corp. The court denied her relief, finding she failed to prove she had no reason to know of the omitted income, including significant payments charged to a loan account. The court emphasized that the burden of proof lies with the spouse seeking relief and that failure to provide evidence on key issues, like the use of the loan account payments, undermines the claim of innocence. This decision highlights the stringent requirements for innocent spouse relief and the importance of demonstrating both lack of knowledge and absence of significant benefit from unreported income.

**Facts**

Jerome and Ethel Sonnenborn, husband and wife, filed joint Federal income tax returns for 1965, 1966, and 1967. They owned all the stock of Monodon Corp. , with Jerome as president and Ethel as treasurer. The IRS determined that certain expenditures by Monodon, including payments charged to a loan account, constituted constructive dividends to the Sonnenborns. Jerome conceded the deficiencies, while Ethel sought relief under Section 6013(e), claiming she was unaware of the unreported income. Ethel received weekly checks of $900 from Monodon, used for household expenses. The record lacked details on the nature and use of the loan account payments.

**Procedural History**

The IRS issued a deficiency notice to the Sonnenborns, determining that various Monodon expenditures were unreported dividends. Jerome conceded the deficiencies, while Ethel filed a petition with the U. S. Tax Court seeking innocent spouse relief under Section 6013(e). The Tax Court heard the case and issued its opinion denying Ethel's claim for relief.

**Issue(s)**

1. Whether Ethel Sonnenborn established that she did not know of, and had no reason to know of, the omission of income from their joint returns under Section 6013(e)(1)(B)?
2. Whether Ethel Sonnenborn significantly benefited directly or indirectly from the omitted income, considering all facts and circumstances, under Section

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6013(e)(1)(C)?

## Holding

1. No, because Ethel failed to prove she had no reason to know of the omitted income, especially regarding the payments charged to the loan account.
2. No, because Ethel failed to demonstrate that she did not significantly benefit from the omitted income, particularly the loan account payments, due to lack of evidence on their use.

## Court’s Reasoning

The court applied the requirements of Section 6013(e), emphasizing the burden of proof on the spouse seeking relief. Ethel’s weekly receipt of Monodon checks and the disclosed withholdings on their returns indicated she knew or should have known of unreported income. The court noted Ethel’s failure to challenge or provide evidence about the significant loan account payments, which were conceded as income. The absence of her husband’s testimony and lack of explanation for these payments led the court to infer they may have benefited Ethel. The court also considered policy concerns about maintaining the integrity of joint and several liability while allowing relief in truly inequitable situations, which Ethel did not demonstrate.

## Practical Implications

This decision underscores the challenges in obtaining innocent spouse relief under Section 6013(e). Practitioners must advise clients on the necessity of proving both lack of knowledge and absence of significant benefit from omitted income. The case highlights the importance of providing comprehensive evidence, including details on the nature and use of unreported income, to support claims of innocence. It also serves as a reminder that the absence of key witnesses or evidence can be detrimental to a spouse’s claim. Subsequent cases have further refined the application of Section 6013(e), but Sonnenborn remains a key precedent in understanding the stringent requirements for relief from joint tax liability.

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