Rea v. Commissioner, 60 T. C. 717 (1973)

The IRS can file an answer out of time if it shows good and sufficient cause for the delay, particularly when the delay results from an inadvertent error and causes no prejudice to the taxpayer.

Summary

In Rea v. Commissioner, the IRS mistakenly placed an amended petition in an emergency file, causing a five-month delay in filing their answer. The Tax Court allowed the late filing, finding that the IRS's error was unintentional, and the taxpayers demonstrated no harm from the delay. This case underscores the court's discretion to permit late filings when justified by good cause and lack of prejudice, distinguishing it from cases where the IRS deliberately ignored court orders.

Facts

Timothy and Sharon Rea filed a timely petition against a 1970 income tax deficiency notice. After filing an amended petition and paying a $20 check, the IRS mistakenly placed these documents in an emergency file instead of sending them to regional counsel for an answer. This error was not discovered until over five months later. The IRS promptly moved for leave to file their answer out of time once the mistake was found.

Procedural History

The Reas filed their petition on June 6, 1972, followed by an amended petition on July 17, 1972. The IRS's answer was due on September 18, 1972, but was not filed until February 26, 1973, after the IRS moved for leave to file out of time. The Tax Court heard arguments and considered briefs before deciding on the motion.

Issue(s)

1. Whether the IRS showed good and sufficient cause for filing its answer five months late.

Holding

1. Yes, because the delay was due to an unintentional, inadvertent error by the IRS, and the taxpayers demonstrated no harm or prejudice from the delay.

Court's Reasoning

The Tax Court emphasized its discretion to grant extensions under Rule 20(a) when good and sufficient cause is shown. The court found the IRS's error in misplacing the amended petition to be inadvertent and not deliberate, thus constituting good cause. The court noted that the taxpayers did not demonstrate any prejudice or

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harm from the delay. The court distinguished this case from Estate of Helen Moore Quirk, where the IRS deliberately violated a court order, and no good cause was shown for the delay. The court also referenced Shults Bread Co. and other precedents to support its discretion in allowing late filings when justified. The decision reflects the court's policy to balance procedural compliance with fairness to the parties involved.

Practical Implications

This decision informs attorneys that the Tax Court may allow the IRS to file late answers when the delay is due to an inadvertent error and causes no prejudice to the taxpayer. Practitioners should be prepared to demonstrate any harm caused by IRS delays in similar situations. The case also highlights the importance of maintaining clear communication and proper filing procedures within the IRS to avoid such errors. Subsequent cases may cite Rea v. Commissioner to argue for leniency in filing deadlines when good cause and lack of prejudice are shown. This ruling does not change the general requirement for timely filings but provides a precedent for exceptions based on specific circumstances.

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