Gray v. Commissioner, 73 T. C. 639 (1980)

An attorney's authority to file a petition on behalf of a taxpayer is presumed, and a tax notice is valid if sent to the address on the taxpayer's most recent return unless a different address is provided.

Summary

Shirley Gray contested a tax deficiency notice, claiming it was not sent to her last known address and that her attorneys lacked authority to file a petition on her behalf. The U. S. Tax Court held that attorneys admitted to practice before the court are presumed to have authority to file petitions unless proven otherwise. The court also ruled that a notice of deficiency sent to the address listed on Gray's 1975 tax return was valid, as she had not notified the IRS of an address change. The decision emphasizes the importance of proper notification to the IRS of address changes and the presumption of attorney authority in tax disputes.

Facts

Shirley and Dean Gray filed a joint federal income tax return for 1975, listing their address as 1349 Princeton Avenue, Salt Lake City, Utah. They later moved to 1571 East Tomahawk Drive in December 1976, and used this address on their 1976 return. They divorced in April 1978, with Dean Gray agreeing to bear any tax liabilities from joint returns. In April 1979, the IRS sent a notice of deficiency for 1975 to Shirley at the Princeton address and a duplicate to Dean's address at 329 South 12th East. Dean received the duplicate notice and forwarded it to an officer of Clark Financial Corp. (CFC), who then sent it to attorneys at Prince, Yeates & Geldzahler. These attorneys, representing CFC, filed a petition on behalf of both Grays. After the IRS challenged their authority to represent Shirley, she ratified the filing of the petition.

Procedural History

The IRS filed a motion to dismiss the petition against Shirley Gray, alleging that the attorneys did not represent her and that the notice was not sent to her last known address. Shirley Gray filed a motion to dismiss the case, arguing the notice was invalid. The Tax Court denied both motions, finding the petition validly filed and the notice properly sent.

Issue(s)

1. Whether an attorney filing a petition on behalf of a taxpayer is presumed to have authority to do so?
2. Whether a notice of deficiency sent to the address on a taxpayer's most recent return is valid if the taxpayer has not notified the IRS of an address change?
3. Whether a separate notice of deficiency to a divorced spouse is permissible?

Holding

1. Yes, because attorneys admitted to practice before the Tax Court are presumed to have the authority to file petitions, and the IRS must prove lack of authority.
2. Yes, because a notice sent to the address listed on the taxpayer's most recent return is valid absent notification of an address change.
3. Yes, because the IRS may send separate notices to divorced spouses who filed a joint return.

Court's Reasoning

The court applied the long-standing principle that attorneys are presumed to have the authority to represent clients, citing cases like Booth v. Fletcher and Osborn v. United States Bank. The IRS failed to provide substantial proof that the attorneys lacked authority. Shirley Gray's ratification of the petition filing under Tax Court Rule 60(a) further validated the petition. Regarding the notice of deficiency, the court relied on prior cases like Alta Sierra Vista, Inc. v. Commissioner, which established that the address on the most recent return is the last known address unless the taxpayer notifies the IRS otherwise. The court also followed Dolan v. Commissioner, which allows the IRS to send separate notices to divorced spouses who filed a joint return.

Practical Implications

This decision reinforces the importance of attorneys maintaining clear communication with clients to avoid challenges to their authority. Taxpayers must proactively notify the IRS of address changes to ensure proper receipt of notices. The ruling allows the IRS flexibility in sending deficiency notices to divorced spouses, which may affect how practitioners advise clients on post-divorce tax matters. Subsequent cases have continued to apply these principles, emphasizing the need for clear communication and proper record-keeping in tax disputes.