Estate of DiRezza v. Commissioner, 85 T. C. 558 (1985)

The Tax Court has jurisdiction over late-filing additions to tax attributable to an agreed additional tax liability, and a personal representative cannot delegate their duty to ensure timely filing of estate tax returns.

Summary

In Estate of DiRezza, the Tax Court addressed two issues: its jurisdiction over a late-filing addition to tax under section 6651(a)(1) when no tax deficiency was determined, and whether the executor's reliance on an attorney to file the estate tax return constituted reasonable cause for the late filing. The court found jurisdiction over the addition because it was attributable to an additional tax liability previously agreed upon. However, it ruled that the executor's failure to ascertain the return's due date and ensure timely filing did not constitute reasonable cause, emphasizing the nondelegable duty of personal representatives.

Facts

Nero DiRezza died on April 17, 1975, and his son, James L. DiRezza, was appointed executor of his estate. The estate tax return, due on January 17, 1976, was filed late on January 10, 1977. DiRezza hired attorney Harold Fielding to handle the estate, including the preparation and filing of tax returns. Despite receiving notices from the IRS about the missing return, DiRezza did not follow up on the filing status, relying completely on Fielding. The IRS assessed an addition to tax under section 6651(a)(1) for the late filing, which DiRezza contested.

Procedural History

The IRS sent a statutory notice determining an addition to tax for late filing but no deficiency in estate tax. DiRezza filed a petition with the Tax Court challenging the addition. The court addressed the jurisdictional issue and the reasonable cause for the late filing.

Issue(s)

1. Whether the Tax Court has jurisdiction to redetermine an addition for late filing attributable to an agreed additional tax liability if the IRS sends a statutory notice determining the addition but no deficiency in tax.
2. If the Tax Court has jurisdiction, whether the executor's reliance on an attorney to prepare and timely file the estate tax return constitutes reasonable cause for the late filing under section 6651(a)(1).

Holding

1. Yes, because the addition was attributable to a deficiency in tax subject to deficiency procedures under section 6659(b)(1).

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2. No, because the executor failed to exercise ordinary business care and prudence in ensuring the timely filing of the return.

Court’s Reasoning

The court reasoned that it had jurisdiction over the late-filing addition under section 6659(b)(1) because it was attributable to an additional tax liability subject to deficiency procedures. The court emphasized that the relevant factor was the type of assessment (deficiency versus self-assessment) rather than whether a deficiency existed at the time of the statutory notice. For the reasonable cause issue, the court held that DiRezza’s complete delegation of responsibility to his attorney without ensuring the return’s timely filing did not constitute ordinary business care and prudence. The court cited cases establishing that personal representatives have a nondelegable duty to ascertain the return’s due date and ensure its timely filing.

Practical Implications

This decision clarifies that the Tax Court has jurisdiction over late-filing additions even when no deficiency is determined, as long as the addition is attributable to an additional tax liability. It also reinforces the nondelegable duty of personal representatives to ensure timely filing of estate tax returns, emphasizing that reliance on attorneys without proper oversight does not constitute reasonable cause for late filing. Practitioners should advise clients to maintain active involvement in the estate administration process, including monitoring the preparation and filing of tax returns. This case has been cited in subsequent decisions to support the principle that personal representatives cannot abdicate their responsibilities to attorneys or other professionals.

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