Morrison v. Commissioner, 81 T. C. 644 (1983)

Failure to timely respond to requests for admissions results in automatic admission of facts, and withdrawal of such admissions is not permitted if it prejudices the requesting party.

Summary

In Morrison v. Commissioner, the U. S. Tax Court denied the petitioners' motion to enlarge the time to respond to the Commissioner's requests for admissions and to withdraw or modify the deemed admissions. The petitioners failed to respond within the 30-day period, leading to automatic admissions that supported the Commissioner's motion for summary judgment. The court found that allowing withdrawal would prejudice the Commissioner due to reliance on the admissions and the petitioners' lack of cooperation in discovery. Consequently, the court granted summary judgment in favor of the Commissioner, disallowing a $13,089 deduction claimed by the petitioners for establishing a family trust.

Facts

The petitioners, Roger B. Morrison and Susan T. Morrison, claimed a $13,089 miscellaneous deduction on their 1978 tax return for expenses related to a family trust. The Commissioner disallowed this deduction and issued a notice of deficiency. The petitioners filed a petition in the Tax Court but failed to provide a clear statement of the facts and errors as required. The Commissioner attempted to clarify the issues through informal conferences and requests for admissions, which the petitioners did not respond to within the required 30 days. As a result, the facts in the requests were deemed admitted.

Procedural History

The Commissioner moved for summary judgment based on the deemed admissions. The petitioners, at the hearing on the motion, sought to enlarge the time to respond to the requests for admissions and to withdraw or modify the deemed admissions. The Tax Court denied both motions and granted the Commissioner's motion for summary judgment, upholding the disallowance of the deduction.

Issue(s)

1. Whether the court should enlarge the time for filing an answer to a request for admissions after the 30-day period has expired.
2. Whether the court should permit the withdrawal or modification of deemed admissions under Rule 90(e) of the Tax Court Rules.
3. Whether the Commissioner is entitled to summary judgment based on the deemed admissions.

Holding

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1. No, because the 30-day period for responding to a request for admissions expires automatically, and the court cannot enlarge the time after expiration.
2. No, because allowing withdrawal or modification of the admissions would prejudice the Commissioner who had relied on them.
3. Yes, because there was no genuine issue of material fact due to the deemed admissions, and the Commissioner was entitled to summary judgment as a matter of law.

Court's Reasoning

The court applied Rule 90(c) of the Tax Court Rules, which states that failure to respond within 30 days results in automatic admissions. The court rejected the petitioners' argument that it had discretionary authority to enlarge the time post-expiration, citing Freedson v. Commissioner and the automatic nature of Rule 90(c). For the withdrawal of admissions under Rule 90(e), the court considered the prejudice to the Commissioner, who had relied on the admissions and would face added expense and effort to prove the facts if withdrawal was allowed. The court noted the petitioners' lack of cooperation in discovery, which would further prejudice the Commissioner. On summary judgment, the court found no genuine issue of material fact because the deemed admissions conclusively established the facts, and the petitioners failed to provide specific facts to show otherwise as required by Rule 121(d).

Practical Implications

This decision underscores the importance of timely responding to requests for admissions in Tax Court proceedings. Practitioners must understand that failure to respond within the 30-day period leads to automatic admissions, which can be detrimental to their case. The decision also highlights the court's reluctance to allow withdrawal of admissions if it prejudices the requesting party, emphasizing the need for cooperation in discovery. For similar cases, attorneys should ensure they respond to discovery requests promptly and engage in the discovery process to avoid such adverse outcomes. The ruling impacts how tax practitioners advise clients on the deductibility of expenses for trusts, reinforcing that such expenses must be for income production or management to be deductible under section 212.

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