

Sack v. Commissioner, 82 T. C. 741 (1984)

The Tax Court lacks jurisdiction to issue a declaratory judgment on a pension plan's qualification status based on proposed but unadopted amendments.

Summary

In *Sack v. Commissioner*, the petitioner sought a declaratory judgment from the Tax Court to affirm the qualification status of a pension plan under proposed amendments. The Commissioner had issued an adverse determination on the plan as it was actually adopted, without considering the proposed amendments. The Tax Court dismissed the case for lack of jurisdiction, emphasizing that under IRC section 7476, the court can only review plans or amendments that have been put into effect. This ruling clarifies that the Tax Court cannot adjudicate the qualification of plans based on hypothetical future changes.

Facts

The Anthony C. Vigliotti, D. M. D. , P. C. Defined Benefit Pension Plan was established on October 31, 1975, and amended on October 24, 1979. In January 1980, the petitioner applied for a determination of the plan's qualified status. After discussions with IRS representatives, proposed amendments to the plan were submitted in March 1982. On November 5, 1982, the Commissioner issued an adverse determination letter regarding the plan as it was currently adopted, not considering the proposed amendments. The petitioner filed for a declaratory judgment in February 1983, seeking a ruling based on the proposed amendments.

Procedural History

The petitioner submitted Form 5300 to the IRS in January 1980 to determine the plan's qualification. Following discussions and proposed amendments in 1982, the Commissioner issued an adverse determination on November 5, 1982. The petitioner then filed a petition for declaratory judgment in the Tax Court in February 1983, which was submitted without trial. The Tax Court dismissed the case for lack of jurisdiction on May 21, 1984.

Issue(s)

1. Whether the Tax Court has jurisdiction to issue a declaratory judgment on a pension plan's qualification status based on proposed but unadopted amendments.

Holding

1. No, because under IRC section 7476(b)(4), the Tax Court can only review plans or amendments that have been put into effect before the filing of the pleading.

Court's Reasoning

The Tax Court's decision hinged on the interpretation of IRC section 7476, which authorizes declaratory judgments only for plans or amendments that have been implemented. The court emphasized that the proposed amendments were not in effect at the time of the petition, thus falling outside its jurisdiction. The court cited legislative history stating that an actual controversy must exist, which requires the plan or amendment to be in effect before filing. The court also noted the Commissioner's determination letter was based on the plan as adopted, not the proposed amendments, further supporting the dismissal. The decision reflects the court's adherence to statutory limits on its jurisdiction, preventing it from ruling on hypothetical scenarios.

Practical Implications

This ruling has significant implications for pension plan administrators and their legal counsel. It underscores the necessity of implementing plan amendments before seeking judicial review of their qualification status. Practitioners must ensure that all amendments are formally adopted and in effect before pursuing declaratory judgments. This case also highlights the importance of understanding the jurisdictional limits of the Tax Court, particularly under IRC section 7476. For businesses and plan sponsors, it emphasizes the need for careful planning and timing when amending pension plans to ensure they can seek timely legal recourse if necessary. Subsequent cases have cited *Sack v. Commissioner* to reinforce the principle that only implemented plans or amendments are subject to judicial review under section 7476.