Estate of Shella B. Gardner, Deceased, T. Aleen Macy, Executrix, Petitioner v. Commissioner of Internal Revenue, Respondent, 82 T. C. 989 (1984)

The Tax Court has jurisdiction to review the IRS's discretionary denial of an extension of time to file an estate tax return when such denial impacts the validity of the return and related elections.

Summary

The Estate of Shella B. Gardner sought to elect special use valuation under IRC section 2032A but filed the estate tax return late. The IRS denied the estate's request for an 18-day extension to file, asserting the return was untimely. The Tax Court held that it has jurisdiction to review the IRS's denial of an extension under IRC section 6081(a), emphasizing that the denial directly affected the estate's ability to make the special use election. The court denied the IRS's motion for partial summary judgment, finding there were genuine issues of material fact regarding whether the IRS abused its discretion in denying the extension.

Facts

Shella B. Gardner died on November 14, 1979. Her estate, represented by T. Aleen Macy as executrix, failed to file the estate tax return within the required nine months, due on August 14, 1980. The estate's attorney, delayed by other litigation, requested an 18-day extension on August 25, 1980, and filed the return on August 30, 1980. The IRS denied the extension without considering the reasons provided, leading to a deficiency notice asserting the invalidity of the estate's special use valuation election under section 2032A due to the late filing.

Procedural History

The estate filed a petition in the U. S. Tax Court for redetermination of the deficiency. The IRS moved for partial summary judgment, arguing that the court lacked jurisdiction to review the denial of the extension and that the estate's election under section 2032A was invalid as a matter of law because the return was not timely filed.

Issue(s)

1. Whether the U. S. Tax Court has jurisdiction to review the Commissioner's denial of an extension of time to file an estate tax return under IRC section 6081(a)?
2. Whether there remains a genuine issue of material fact as to whether the Commissioner abused his discretion in denying the estate's request for an extension of time to file the estate tax return?

Holding

1. Yes, because the Tax Court's jurisdiction extends to reviewing all elements of a

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deficiency determination, including the Commissioner's discretionary denial of an extension under IRC section 6081(a), when such denial directly impacts the existence and amount of an asserted deficiency.
2. Yes, because there are genuine issues of material fact regarding whether the Commissioner abused his discretion by denying the extension without considering the reasons provided or due to bias against farmers, the intended beneficiaries of section 2032A.

Court's Reasoning

The Tax Court reasoned that there is a strong presumption of judicial reviewability of administrative actions unless expressly precluded by statute or committed to agency discretion by law. The court found no statutory preclusion in section 6081(a) and determined that the Commissioner's action was not committed to his discretion by law because it was subject to ascertainable standards, including those in the regulations and related Code provisions. The court emphasized the need to review the Commissioner's actions under an abuse-of-discretion standard, which courts are well-equipped to apply. The court cited the estate's allegations of an automatic denial and bias against farmers as potential evidence of abuse of discretion, necessitating a factual determination.

Practical Implications

This decision establishes that taxpayers can challenge the IRS's denial of an extension of time to file estate tax returns in Tax Court when such denial affects the validity of the return and related elections. Practitioners should document and submit compelling reasons for extension requests to bolster their case against potential denials. The ruling may encourage the IRS to exercise its discretion more judiciously, considering the specific circumstances of each request. For estates seeking special use valuation or other time-sensitive elections, timely filing remains crucial, but this case offers a pathway to contest unfair denials of extensions. Subsequent cases, such as *Estate of Young v. Commissioner*, have applied this principle, though they found no abuse of discretion in the specific circumstances of those cases.

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