Transpac Drilling Venture 1982-22 v. Commissioner, 87 T. C. 874, 1986 U. S. Tax Ct. LEXIS 32, 87 T. C. No. 57 (1986)

A notice partner's petition to readjust partnership items is only effective after the close of the 90-day period for the tax matters partner to file such a petition.

Summary

In Transpac Drilling Venture 1982-22 v. Commissioner, the U. S. Tax Court clarified the timing requirements for filing petitions by notice partners in partnership audits. The IRS issued a final partnership administrative adjustment, and the notice partners filed a petition on the last day of the tax matters partner's 90-day filing period, which fell on a Sunday. The court held that the notice partners' petition was ineffective because it was filed before the close of the 90-day period, which extended to the next business day. This ruling underscores the importance of precise timing in partnership litigation procedures.

Facts

The IRS issued a notice of final partnership administrative adjustment to Transpac Drilling Venture 1982-22 on April 14, 1986. The tax matters partner did not file a petition for readjustment within the 90-day period, which ended on July 13, 1986, a Sunday. Notice partners filed a petition on July 14, 1986, and an identical petition on July 15, 1986. The IRS moved to dismiss the latter as a duplicate petition.

Procedural History

The IRS issued a notice of final partnership administrative adjustment on April 14, 1986. No petition was filed by the tax matters partner within the 90-day period. Notice partners filed petitions on July 14 and July 15, 1986. The IRS moved to dismiss the July 15 petition as a duplicate. The Tax Court denied the motion, ruling that the July 14 petition was ineffective, making the July 15 petition the valid commencement of the action.

Issue(s)

1. Whether a notice partner's petition filed on the last day of the tax matters partner's 90-day period is effective to commence a partnership action.

Holding

1. No, because the notice partner's petition was filed before the close of the 90-day period, which extended to the next business day due to the last day falling on a Sunday.

Court's Reasoning

The court applied Section 6226 of the Internal Revenue Code, which allows the tax matters partner 90 days to file a petition for readjustment of partnership items. Since the last day of this period was a Sunday, it extended to the next business day, July 14, 1986, under Section 7503. Section 6226(b) permits notice partners to file only after the close of this 90-day period. The court ruled that the notice partners' petition filed on July 14 was ineffective because it was filed before the period closed. Therefore, the petition filed on July 15 was the effective commencement of the partnership action. The court emphasized the statutory language and the legislative intent to ensure orderly proceedings in partnership audits.

Practical Implications

This decision clarifies that notice partners must wait until the close of the tax matters partner's 90-day period before filing their own petition. This impacts how attorneys advise clients in partnership disputes, ensuring they adhere strictly to statutory deadlines. The ruling affects the timing of legal actions in partnership audits and underscores the need for precise calendar management in tax litigation. It also influences how businesses structure their partnership agreements and audit strategies to comply with these procedural requirements. Subsequent cases have followed this ruling, reinforcing the importance of timing in partnership litigation.

