Chomp Associates v. Commissioner, 92 T. C. 1078 (1989)

A Final Partnership Administrative Adjustment (FPAA) is valid if it provides minimal notice to the partnership and its tax matters partner (TMP), and a partner can file a petition if duly authorized by the partnership, even if not officially designated as TMP to the IRS.

Summary

In Chomp Associates v. Commissioner, the Tax Court addressed the validity of a Final Partnership Administrative Adjustment (FPAA) and the authority of a partner to file a petition. The IRS had sent an FPAA to Chomp Associates, addressing it generically to the "Tax Matters Partner" (TMP) at the address of the law firm representing Chomp, without naming a specific TMP. Melvin E. Pearl, a partner in Chomp, filed a petition within the 90-day period, claiming he was the TMP, despite the IRS's records showing Flick Associates as the designated TMP. The court ruled that the FPAA was valid as it provided adequate notice, and Pearl was authorized to file the petition as evidenced by a statement from partners holding a majority interest in Chomp.

Facts

Chomp Associates, an Illinois general partnership, had Melvin E. Pearl as a 3. 5% partner and Flick Associates as a 67. 8% partner. Pearl was also a partner in the law firm representing Chomp. In 1986, Chomp requested that the IRS correspond with Flick as the designated TMP. In April 1987, the IRS issued an FPAA to Chomp, addressed to the "Tax Matters Partner" in care of Pearl's law firm, without specifying a TMP. The FPAA included a settlement agreement form referencing Flick as TMP. Copies were also sent to Flick and Pearl's law firm. On June 22, 1987, Pearl filed a petition to readjust items in the FPAA within the 90-day period, asserting he was the TMP.

Procedural History

Both the petitioner (Chomp, through Pearl) and the respondent (IRS) moved to dismiss for lack of jurisdiction. The IRS argued that Pearl, not being the TMP, lacked authority to file the petition. Pearl contended that the FPAA was invalid due to its generic addressing. The Tax Court denied both motions, finding the FPAA valid and Pearl authorized to file the petition.

Issue(s)

1. Whether the FPAA was valid despite being addressed to an unspecified TMP.
2. Whether Pearl was the proper party to file the petition within the 90-day period under section 6226(a).

Holding

© 2025 SCOTUSreports.com. All rights reserved.

1. Yes, because the FPAA provided adequate notice to the partnership and its TMP by addressing it to the “Tax Matters Partner” in care of the law firm and referencing Flick as TMP in an attachment.
2. Yes, because Pearl was authorized by partners holding a majority interest in Chomp to file the petition, despite not being officially designated as TMP to the IRS.

Court’s Reasoning

The court reasoned that the FPAA was valid as it satisfied the requirement of providing “minimal” or adequate notice under section 6223(a). The court noted that the IRS addressed the FPAA to the “Tax Matters Partner” at the partnership’s known address, which was sufficient for notification purposes. The court also considered legislative history and temporary regulations that did not require the FPAA to name a specific TMP. Regarding Pearl’s authority to file the petition, the court found that a statement signed by partners holding over 96% of Chomp’s profits interest authorized Pearl to act as TMP, fulfilling the requirement under section 6226(a) for a TMP to file within 90 days. The court emphasized that the focus was on Pearl’s authorization by the partnership, not on whether he was officially designated as TMP to the IRS.

Practical Implications

This decision clarifies that an FPAA is valid if it provides adequate notice to the partnership, even if it does not name a specific TMP. Practitioners should ensure that FPAA notices are sent to the partnership’s known address and include any relevant attachments identifying the TMP. The ruling also highlights that a partner can file a petition if authorized by the partnership, regardless of official IRS designation. This may affect how partnerships designate TMPs and communicate with the IRS. The case has been cited in subsequent decisions regarding FPAA validity and TMP authority, reinforcing its significance in partnership tax law.

© 2025 SCOTUSreports.com. All rights reserved.