***Seneca, Ltd. v. Commissioner, 92 T. C. 389 (1989)***

The absence of a tax matters partner does not invalidate a Final Partnership Administrative Adjustment (FPAA) if notice partners receive adequate notice of the adjustments and their rights to challenge them.

**Summary**

In Seneca, Ltd. v. Commissioner, the court addressed whether an FPAA was valid when sent to a partnership without a tax matters partner. Seneca, Ltd. had no tax matters partner at the time the FPAA was issued due to the bankruptcy of its sole general partner. Despite this, the IRS sent the FPAA to the partnership's address and directly to notice partners, providing them with all necessary information to challenge the adjustments. The Tax Court held that the FPAA was valid because the notice partners received adequate notice and instructions, and thus, the absence of a tax matters partner did not affect the validity of the FPAA. The court dismissed the case for lack of jurisdiction because the notice partners filed their petition out of time.

**Facts**

Seneca, Ltd. , a limited partnership, was formed by Richard E. Donovan in 1984. Donovan, the sole general partner, also served as the tax matters partner until his involvement in an involuntary bankruptcy action in December 1986, which terminated his designation. The IRS commenced an examination of Seneca's 1984 tax year and issued an FPAA on June 18, 1987, addressed to "Seneca, Ltd. , Tax Matters Partner" at the partnership's address. On July 6, 1987, the IRS also mailed copies of the FPAA to Seneca's notice partners, including the petitioners. The notice partners filed a petition for readjustment on November 17, 1987, one day after the 60-day filing period expired.

**Procedural History**

The IRS moved to dismiss the petition for lack of jurisdiction due to the untimely filing. The Tax Court considered whether the absence of a tax matters partner at the time of the FPAA's issuance invalidated the notice, and thus, whether the statutory period for filing had commenced.

**Issue(s)**

1. Whether the absence of a tax matters partner at the time of the FPAA's issuance invalidates the FPAA.

**Holding**

1. No, because the FPAA sent to the notice partners provided adequate notice of the adjustments and the time period for filing a petition, thus the absence of a tax

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matters partner did not affect the validity of the FPAA.

**Court’s Reasoning**

The court reasoned that the IRS’s power to appoint a tax matters partner under section 6231(a)(7) is discretionary, not mandatory, and is intended to ensure fair and efficient partnership proceedings. The court emphasized that the critical function of an FPAA is to provide adequate notice to affected taxpayers, which was achieved in this case. The FPAA sent to the notice partners included detailed instructions on how to challenge the adjustments, including the relevant time periods and contact information. The court cited previous cases like Computer Programs Lambda, Ltd. v. Commissioner to support its view that the absence of a tax matters partner does not necessarily invalidate partnership proceedings if notice is adequately provided. The court concluded that since the notice partners received all necessary information to protect their interests, the absence of a tax matters partner did not affect the validity of the FPAA. The court dismissed the case for lack of jurisdiction due to the untimely filing by the notice partners.

**Practical Implications**

This decision clarifies that the IRS’s failure to appoint a tax matters partner does not automatically invalidate partnership proceedings if notice partners receive adequate notice. Attorneys should ensure that their clients, as notice partners, carefully review any FPAA they receive, as they may need to act independently to protect their interests. This ruling may encourage the IRS to rely more heavily on direct notice to partners when a tax matters partner is absent, potentially shifting the burden of initiating judicial review to the notice partners. Subsequent cases have followed this precedent, reinforcing the importance of timely action by notice partners upon receipt of an FPAA. This case also underscores the importance of understanding the procedural nuances of partnership tax law, particularly the roles and responsibilities of tax matters partners and notice partners.

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