Adler v. Commissioner, 95 T. C. 293 (1990)

The timeliness of a petition filed in response to a Final Partnership Administrative Adjustment (FPAA) is a jurisdictional prerequisite for the Tax Court to hear a case.

Summary

In Adler v. Commissioner, the Tax Court dismissed a petition for lack of jurisdiction because it was filed beyond the statutory 150-day period after the mailing of the FPAA. The petitioner argued that the FPAA was invalid due to the statute of limitations, but the court held that such a challenge must be raised within the jurisdictional time frame provided by section 6226. This case underscores that the timeliness of filing a petition in response to an FPAA is crucial for the Tax Court to have jurisdiction over partnership tax disputes, and it distinguishes the treatment of statute of limitations defenses in partnership cases from those involving individual taxpayers.

Facts

The IRS issued an FPAA to the Tax Matters Partner (TMP) of a partnership on November 17, 1986, for the taxable year ending December 31, 1982. The petitioner, the TMP, filed a petition on June 23, 1987, which was 218 days after the FPAA was mailed. The IRS moved to dismiss the case for lack of jurisdiction due to the untimely filing, while the petitioner cross-moved to dismiss, arguing the FPAA was invalid as it was issued beyond the statute of limitations period.

Procedural History

The petitioner filed a petition with the Tax Court on June 23, 1987. The IRS filed a motion to dismiss for lack of jurisdiction on November 3, 1988, citing the petition's untimeliness. The petitioner responded with a cross-motion to dismiss on December 30, 1988, claiming the FPAA was invalid. A hearing on the cross-motions occurred on February 6, 1989, and the court ultimately dismissed the case for lack of jurisdiction due to the untimely filing of the petition.

Issue(s)

1. Whether the Tax Court has jurisdiction over a petition filed more than 150 days after the mailing of the FPAA?

Holding

1. No, because the petition was filed 218 days after the FPAA was mailed, exceeding the 150-day statutory period under section 6226, and thus the court lacked jurisdiction.

Court's Reasoning

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The court applied section 6226, which allows the TMP 90 days from the mailing of the FPAA to file a petition, and any notice partner an additional 60 days, totaling 150 days. The court emphasized that this time limit is jurisdictional, stating, “Our jurisdiction is created by statute and we cannot expand that jurisdiction. ” The petitioner’s argument that the FPAA was invalid due to the statute of limitations was rejected because such a defense must be raised within the jurisdictional time frame. The court distinguished this from cases involving notices of deficiency, where the statute of limitations is a defense in bar but not a jurisdictional prerequisite. The court also noted that the partnership litigation statutory structure does not allow for a refund route if the petition is untimely, highlighting the unique procedural aspects of partnership cases.

Practical Implications

This decision clarifies that in partnership tax litigation, the timeliness of filing a petition in response to an FPAA is a strict jurisdictional requirement. Attorneys must ensure petitions are filed within the 150-day window to avoid dismissal for lack of jurisdiction. The ruling also highlights the difference between partnership and individual taxpayer cases regarding the statute of limitations, affecting how practitioners approach such defenses. This case impacts legal practice by emphasizing the importance of strict adherence to procedural deadlines in partnership tax disputes. Subsequent cases, such as those involving Administrative Adjustment Requests (AARs), may further explore the nuances of jurisdiction in partnership tax matters, but this ruling sets a clear precedent for the necessity of timely filings.

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