Estate of Virginia V. Simmons, Deceased, Virginia H. Wilder, Executrix, Petitioner v. Commissioner of Internal Revenue, Respondent, 94 T. C. 682 (1990)

A failure to calculate and report alternative minimum tax does not constitute a 'grossly erroneous item' for innocent spouse relief under section 6013(e)(2) of the Internal Revenue Code.

Summary

In Estate of Simmons v. Commissioner, the Tax Court addressed whether a failure to calculate and report alternative minimum tax on a joint tax return could qualify as a 'grossly erroneous item' under section 6013(e)(2), which could allow for innocent spouse relief. The court ruled that only omitted gross income or erroneous claims of deductions, credits, or basis qualify as 'grossly erroneous items'. Since the Simmons' return included all reportable income and the error was merely computational, the court denied the relief, emphasizing the strict interpretation of the statutory language.

Facts

Virginia V. Simmons and her husband filed a joint income tax return for 1986, failing to calculate and report the alternative minimum tax. After Virginia's death, her executrix, Virginia H. Wilder, sought innocent spouse relief from the resulting tax deficiency. The Commissioner of Internal Revenue argued that the failure to compute the alternative minimum tax did not qualify as a 'grossly erroneous item' under section 6013(e)(2). The tax return included all reportable income, and the deficiency was solely due to computational errors in calculating the tax liability.

Procedural History

The case was filed in the United States Tax Court. The parties submitted the case fully stipulated, and the Tax Court was tasked with deciding whether the failure to calculate alternative minimum tax constituted a 'grossly erroneous item' for innocent spouse relief under section 6013(e).

Issue(s)

1. Whether the failure to calculate and report alternative minimum tax on a joint tax return constitutes a 'grossly erroneous item' under section 6013(e)(2) of the Internal Revenue Code.

Holding

1. No, because the failure to calculate and report alternative minimum tax does not fall within the statutory definition of 'grossly erroneous items', which is limited to omitted gross income or erroneous claims of deductions, credits, or basis.

Court’s Reasoning

The court’s decision hinged on the interpretation of section 6013(e)(2), which defines ‘grossly erroneous items’ as omitted gross income or erroneous claims of deductions, credits, or basis. The court found the statutory language to be clear and unambiguous, stating, “The meaning of the terms ‘deduction,’ ‘credit,’ and ‘basis’ is not ambiguous. ” The court emphasized that the understatement of tax in this case was due to computational errors, not errors in the reported income or claimed deductions, credits, or bases. The court cited Sivils v. Commissioner, where similar computational errors were held not to constitute ‘grossly erroneous items’. The court concluded that expanding the statutory definition to include computational errors would be contrary to the clear language of the statute.

Practical Implications

This decision clarifies that innocent spouse relief under section 6013(e) is limited to situations involving omitted income or erroneous claims of deductions, credits, or basis. Tax practitioners must ensure that clients seeking innocent spouse relief focus on these specific categories of errors, rather than computational mistakes. The ruling underscores the importance of accurate tax calculations but limits relief to narrowly defined statutory criteria. Subsequent cases, such as Flynn v. Commissioner, have followed this precedent, reinforcing the strict interpretation of ‘grossly erroneous items’.