Tempest Associates, Ltd. v. Commissioner, 94 T. C. 794 (1990)

An amended petition filed after the statutory period cannot confer jurisdiction over additional tax years not included in the original petition, and the filing period for a tax matters partner is not tolled by bankruptcy.

Summary

Tempest Associates, Ltd. faced a Final Partnership Administrative Adjustment (FPAA) for tax years 1983, 1984, and 1985, issued when its tax matters partner was in bankruptcy. A partner other than the tax matters partner timely contested the 1985 adjustments but later sought to amend the petition to include 1983 and 1984. The Tax Court denied this amendment, ruling it lacked jurisdiction over the additional years. Additionally, after emerging from bankruptcy, the tax matters partner's petition was dismissed as untimely, clarifying that bankruptcy does not toll the 90-day filing period for a tax matters partner under section 6226(a).

Facts

Tempest Associates, Ltd. , a California limited partnership, received an FPAA for the tax years 1983, 1984, and 1985 on February 1, 1988, addressed to its tax matters partner, Benjamin A. Vassallo, who was in bankruptcy at the time. Future Investors I, a notice partner, filed a petition contesting the 1985 adjustments within the 60-day period allowed under section 6226(b). Later, Future Investors I sought to amend the petition to include 1983 and 1984 adjustments. Separately, after his bankruptcy ended, Vassallo filed a petition as tax matters partner contesting all three years' adjustments.

Procedural History

Future Investors I initially filed a petition contesting 1985 adjustments, which was dismissed for being filed within the 90-day period reserved for the tax matters partner. A subsequent petition was filed within the 60-day period, contesting only 1985 adjustments. Future Investors I then moved to amend this petition to include 1983 and 1984. The Commissioner opposed this amendment. Vassallo, post-bankruptcy, filed a petition as tax matters partner, which the Commissioner moved to dismiss for being untimely.

Issue(s)

1. Whether the Tax Court has jurisdiction over additional tax years (1983 and 1984) when a partner other than the tax matters partner seeks to amend a timely filed petition that originally contested only the 1985 tax year.
2. Whether the 90-day period for a tax matters partner to file a petition under section 6226(a) is tolled by the tax matters partner's bankruptcy.

Holding

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1. No, because an amended petition filed after the statutory period cannot confer jurisdiction over additional tax years not included in the original petition.
2. No, because the filing period for a tax matters partner is not tolled by bankruptcy, and the FPAA mailing triggers the statutory time limits.

Court’s Reasoning

The court applied Rule 41(a), which prohibits amendments post-statutory period that would confer jurisdiction over matters not in the original petition. The court emphasized that each tax year represents a separate cause of action, and the original petition only contested the 1985 year. Regarding Vassallo’s petition, the court reasoned that the 90-day period under section 6226(a) is jurisdictional and not tolled by bankruptcy. The court noted the TEFRA partnership provisions aim to avoid multiple proceedings, and the FPAA’s mailing triggers the statutory time limits, regardless of the tax matters partner’s status.

Practical Implications

This decision clarifies that amended petitions cannot expand jurisdiction over additional tax years not originally contested, emphasizing the importance of including all relevant years in the initial filing. It also underscores that a tax matters partner’s bankruptcy does not toll the filing period, requiring partners to act within the statutory limits or risk losing their right to judicial review. Practitioners must ensure all relevant tax years are addressed in initial filings and be aware that bankruptcy does not extend the time for a tax matters partner to file a petition.

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