

## ***Coffey v. Commissioner, 96 T. C. 161 (1991)***

A misaddressed notice of deficiency does not terminate a Form 872-A agreement to extend the period for assessment.

### **Summary**

The Coffeys signed a Form 872-A agreement extending the IRS's assessment period for their 1981 tax year. The IRS sent a misaddressed notice of deficiency and later assessed the tax. The Coffeys argued this terminated the Form 872-A agreement. The Tax Court, following recent Circuit Court decisions, ruled that a misaddressed notice does not terminate the agreement, nor does an assessment based on such a notice. This decision clarifies that only a valid notice of deficiency or a proper assessment can end a Form 872-A agreement, impacting how taxpayers and the IRS manage extended assessment periods.

### **Facts**

In 1985, Donald and Janis Coffey signed a Form 872-A agreement with the IRS, extending the period for assessing their 1981 tax year. In August 1985, the IRS sent a notice of deficiency to an incorrect address. In January 1986, the IRS assessed the tax. The Coffeys filed an untimely petition, which was dismissed. In February 1987, the IRS sent a properly addressed notice of deficiency, from which the Coffeys timely petitioned the Tax Court, arguing the initial misaddressed notice terminated the Form 872-A agreement.

### **Procedural History**

The Coffeys moved for summary judgment in the Tax Court, arguing the IRS's misaddressed notice and subsequent assessment terminated the Form 872-A agreement. The Tax Court, following decisions by the Ninth, Third, and Sixth Circuits, denied the motion, ruling that a misaddressed notice does not terminate the agreement, and an assessment based on such a notice is invalid for termination purposes.

### **Issue(s)**

1. Whether a misaddressed notice of deficiency terminates a Form 872-A agreement to extend the period for assessment.
2. Whether an assessment based on an invalid notice of deficiency terminates a Form 872-A agreement.

### **Holding**

1. No, because a misaddressed notice of deficiency is a nullity for purposes of terminating the Form 872-A agreement, as per the rationale of the Third, Sixth, and Ninth Circuits.

2. No, because an assessment based on an invalid notice of deficiency does not meet the terms of the Form 872-A agreement, thus not terminating it.

### **Court's Reasoning**

The Tax Court reasoned that the purpose of the Form 872-A is to extend the assessment period and allow for termination under specific conditions. The court adopted the rationale of the Circuit Courts, which held that a misaddressed notice of deficiency is ineffective for terminating the agreement. The court noted that the agreement's language specifies termination upon a final determination of tax and administrative appeals consideration, not upon an invalid assessment. The court highlighted the importance of maintaining a consistent nationwide standard and protecting the procedural integrity of notices of deficiency. The decision to follow the Circuit Courts' reasoning was based on the need for clarity and consistency in tax law application.

### **Practical Implications**

This decision clarifies that a misaddressed notice of deficiency does not terminate a Form 872-A agreement, impacting how taxpayers and the IRS handle extended assessment periods. Practitioners should ensure that notices of deficiency are correctly addressed to avoid disputes over the validity of the agreement. The ruling also affects how assessments are viewed in relation to the agreement's termination, emphasizing the need for valid assessments. This case has been influential in subsequent tax cases, reinforcing the need for strict adherence to statutory requirements for notices of deficiency and assessments. It underscores the importance of clear communication and proper procedure in tax administration, affecting both taxpayer rights and IRS practices.