Stahl v. Commissioner, 96 T. C. 798 (1991)

The filing of partnership information returns does not affect the statute of limitations for assessing tax deficiencies against individual partners.

Summary

In Stahl v. Commissioner, the Tax Court ruled that the statute of limitations for assessing tax deficiencies against individual partners is not triggered by the filing of partnership information returns. Harry and Theodora Stahl argued that notices of deficiency issued to them were untimely because they were issued beyond three years from the filing of the partnership's 1979 and 1980 returns. The court distinguished this case from Kelley v. Commissioner, which dealt with subchapter S corporations, and held that the statute of limitations for partnerships runs from the filing of individual partners' returns, not the partnership's informational return.

Facts

Harry J. Stahl and Theodora G. Stahl were partners in a partnership for the tax years 1979 and 1980. The partnership filed its information returns for those years. The Commissioner of Internal Revenue issued notices of deficiency to the Stahls on May 2, 1985, reflecting adjustments to the partnership's income for 1979 and 1980. The Stahls moved to vacate and revise the Tax Court's earlier opinion, arguing that the notices were untimely because they were issued more than three years after the partnership filed its returns, citing the Ninth Circuit's decision in Kelley v. Commissioner.

Procedural History

The Tax Court initially sustained the Commissioner's adjustments to the partnership's income in a decision filed on June 26, 1990. The Stahls then filed a motion to vacate and revise this opinion based on the Ninth Circuit's ruling in Kelley v. Commissioner. The Tax Court denied the Stahls' motion, distinguishing the case from Kelley and affirming its original decision.

Issue(s)

1. Whether the statute of limitations for assessing tax deficiencies against individual partners is affected by the filing of partnership information returns.

Holding

1. No, because the statutory language applicable to partnerships under section 6031 does not include a provision linking the filing of partnership returns to the statute of limitations for assessing deficiencies against individual partners.

Court's Reasoning

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The court’s decision was based on the statutory distinction between subchapter S corporations and partnerships. The court noted that section 6037, applicable to subchapter S corporations, explicitly states that the filing of a corporate return triggers the statute of limitations under section 6501. In contrast, section 6031, applicable to partnerships, does not contain similar language. The court cited Durovic v. Commissioner and Siben v. Commissioner, which established that partnership information returns do not trigger the statute of limitations for assessing deficiencies against individual partners. The court also referenced the legislative history of the Tax Equity and Fiscal Responsibility Act of 1982, which confirmed that pre-TEFRA law did not link partnership returns to the statute of limitations for individual partners. The court concluded that the Ninth Circuit’s decision in Kelley v. Commissioner, which dealt with subchapter S corporations, was not applicable to partnerships.

Practical Implications

This decision clarifies that the statute of limitations for assessing tax deficiencies against individual partners of a partnership runs from the filing of the partners’ individual returns, not the partnership’s information return. Practitioners should be aware that, for tax years prior to the effective date of TEFRA, the IRS must obtain consents to extend the statute of limitations from each partner, not the partnership itself. This ruling may impact how partnerships and their partners manage tax compliance and planning, particularly in ensuring timely filing of individual returns. Subsequent cases, such as Siben v. Commissioner, have reaffirmed this principle, emphasizing the need for careful attention to individual filing deadlines in partnership tax matters.

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