

## ***Friedman v. Commissioner, 97 T. C. 606 (1991)***

A Form 1045 can be considered part of a tax return for the purposes of determining eligibility for innocent spouse relief under Section 6013(e).

### **Summary**

In *Friedman v. Commissioner*, the U. S. Tax Court held that a Form 1045 (Application for Tentative Refund) could be considered part of the original tax return for the purpose of innocent spouse relief. The Friedmans filed joint tax returns and claimed a net operating loss carryback from 1983 to 1981 and 1982 via a Form 1045. When the IRS disallowed the loss, the wife sought innocent spouse relief for the earlier years. The court found that the Form 1045 merged with the original returns, allowing the wife to seek relief. This decision expands the scope of documents considered as returns for innocent spouse relief, impacting how such cases are analyzed and potentially increasing relief eligibility.

### **Facts**

The Friedmans filed joint federal income tax returns for 1981, 1982, and 1983. In 1983, they reported a significant depreciation loss from a computer leasing transaction, resulting in a net operating loss. They filed a Form 1045 to carry back this loss to 1981 and 1982, which the IRS initially allowed, crediting their tax liabilities for those years. Later, the IRS disallowed the loss, leading to deficiencies for 1981 through 1985. The husband conceded all deficiencies, while the wife sought innocent spouse relief for 1981 and 1982, arguing that the Form 1045 should be considered part of their tax returns for those years.

### **Procedural History**

The Friedmans filed a petition in the U. S. Tax Court challenging the IRS's deficiency determination. The husband conceded the deficiencies, but the wife moved for partial summary judgment on the issue of whether the Form 1045 could be considered part of the return for innocent spouse relief under Section 6013(e). The Tax Court granted the motion, holding that the Form 1045 could be considered part of the return for the purpose of innocent spouse relief.

### **Issue(s)**

1. Whether a Form 1045 (Application for Tentative Refund) can be considered part of the original tax return for the purpose of determining eligibility for innocent spouse relief under Section 6013(e).

### **Holding**

1. Yes, because the Form 1045 merged with the original returns and became an intrinsic part of them, satisfying the "on such return" language of Section

6013(e)(1)(B).

### **Court's Reasoning**

The court reasoned that while the Form 1045 alone might not be a return, it was intended to modify the original returns for 1981 and 1982 by carrying back the net operating loss from 1983. The court found that this merger of the Form 1045 with the original returns satisfied the statutory requirement for innocent spouse relief. The court emphasized that any other interpretation would leave innocent spouse cases in limbo where the erroneous item was generated by means of a document other than the initial return. The court also noted that the definition of “return” under Section 6103 supported a broader reading of the term, including amendments and supplements. The court further reasoned that denying relief based on the type of document used to amend the return would be anomalous and contrary to the intent of the innocent spouse provisions.

### **Practical Implications**

This decision broadens the scope of documents that can be considered as part of a tax return for innocent spouse relief, allowing spouses to seek relief based on errors reported on forms other than the original return. Legal practitioners should consider all documents related to a return when analyzing eligibility for innocent spouse relief. This ruling may increase the number of taxpayers eligible for relief, particularly in cases involving net operating loss carrybacks or other adjustments made through ancillary forms. Subsequent cases have applied this ruling, further clarifying the boundaries of what constitutes a “return” for innocent spouse relief purposes.