

Halliburton Co. v. Commissioner, 96 T. C. 590 (1991)

A petitioner must exhaust administrative remedies before seeking declaratory judgment on pension plan qualification, but collateral requests like section 7805(b) relief do not prevent exhaustion of the main substantive issue.

Summary

In *Halliburton Co. v. Commissioner*, the court addressed whether Halliburton and former employee Ken Nash had exhausted administrative remedies before seeking declaratory judgments on whether a partial termination of Halliburton's pension plans occurred in 1986. The court held that both petitioners had exhausted their remedies despite ongoing proceedings related to a collateral section 7805(b) request. The decision emphasized that exhaustion pertains to the main issue, not collateral matters, and clarified that an employee's right to seek declaratory relief is independent of the employer's situation.

Facts

In 1986, Halliburton underwent a significant workforce reduction, prompting questions about whether its pension plans experienced a partial termination. Halliburton requested a determination from the IRS, which proposed an adverse determination. Halliburton appealed and also requested section 7805(b) relief to limit retroactive effects of any adverse determination. After over four years without a final determination, Halliburton filed for declaratory judgment. Ken Nash, a former employee laid off in 1986, also sought declaratory judgment regarding the partial termination, having submitted a comment letter to the IRS.

Procedural History

Halliburton filed its request for determination in April 1987, followed by an appeal of the proposed adverse determination in October 1988. Despite ongoing administrative proceedings, Halliburton filed a petition for declaratory judgment in November 1990. Ken Nash filed his petition in January 1991. The Commissioner moved to dismiss both petitions, arguing that administrative remedies had not been exhausted.

Issue(s)

1. Whether Halliburton exhausted its administrative remedies regarding the partial termination issue before filing its petition for declaratory judgment.
2. Whether Ken Nash exhausted his administrative remedies before filing his petition for declaratory judgment.

Holding

1. Yes, because Halliburton had completed all required steps for the substantive

issue of partial termination, and the section 7805(b) request was deemed collateral.
2. Yes, because Nash satisfied the requirements applicable to interested parties, and his right to file a petition was independent of Halliburton's situation.

Court's Reasoning

The court applied the rule that petitioners must exhaust administrative remedies before seeking declaratory judgment under section 7476(b)(3). It determined that Halliburton had complied with all procedural steps for the partial termination issue, including the 270-day waiting period. The court rejected the Commissioner's argument that the ongoing section 7805(b) request prevented exhaustion, classifying it as a collateral matter not integral to the substantive issue. For Nash, the court emphasized that interested parties must satisfy their own procedural requirements, and their right to seek declaratory relief is independent of the employer's situation. The court also addressed the Commissioner's concerns about an undeveloped record, stating that it could manage such scenarios by exercising discretion over when to proceed with a case.

Practical Implications

This decision clarifies that exhaustion of administrative remedies for declaratory judgments on pension plan qualification focuses on the main substantive issue, not collateral matters like section 7805(b) requests. It also underscores that employees have an independent right to seek declaratory relief, which does not depend on the employer's situation. Practitioners should ensure that all procedural steps for the main issue are completed before filing for declaratory judgment, while understanding that collateral requests do not necessarily delay exhaustion. The ruling may expedite resolution of pension plan disputes, particularly when significant time has passed without a final determination, impacting plan participants' legal and financial planning.