Anclote Psychiatric Center, Inc. v. Commissioner, 98 T. C. 374 (1992)

A tax-exempt organization can file a petition for declaratory judgment if the IRS fails to make a determination on its tax-exempt status within 270 days of the organization's request.

Summary

Anclote Psychiatric Center, Inc. , a tax-exempt organization, sought judicial review after the IRS did not revoke its status within 270 days of its request for a determination. The IRS argued it had not made a final decision. The Tax Court held that Anclote's written response to the IRS's preliminary findings was a "request for determination," and the IRS's failure to act within 270 days gave the court jurisdiction. This ruling clarifies when organizations can seek judicial review due to IRS delays in revocation proceedings.

Facts

Anclote Psychiatric Center, Inc. , a Florida nonprofit, was recognized as tax-exempt under section 501(c)(3). In 1987, the IRS examined Anclote's information returns, questioning the validity of a 1982 ruling letter and Anclote's tax-exempt status. In April 1989, the IRS District Director referred the matter to the National Office for technical advice, recommending revocation. Anclote responded in writing in June 1989, contesting the IRS's position. After a conference in April 1990, the National Office issued a technical advice memorandum in March 1991, agreeing with the revocation recommendation. Anclote filed a petition for declaratory judgment in August 1991, before the IRS issued a final revocation letter in December 1991.

Procedural History

The IRS examined Anclote's returns in 1987. In April 1989, the District Director referred the case to the National Office. Anclote responded in June 1989. After a conference in April 1990, the National Office issued its advice in March 1991. Anclote filed a petition for declaratory judgment in August 1991. The IRS moved to dismiss for lack of jurisdiction in November 1991, and the Tax Court denied this motion in March 1992.

Issue(s)

1. Whether Anclote's written response to the IRS's preliminary findings constituted a "request for determination" under section 7428(b)(2).
2. Whether the IRS failed to make a determination within 270 days of Anclote's request for determination.
3. Whether Anclote had exhausted its administrative remedies within the IRS.

Holding

© 2025 SCOTUSreports.com. All rights reserved.

1. Yes, because Anclote’s written response was substantively equivalent to a written protest to a proposed revocation.
2. Yes, because over 270 days had elapsed since Anclote’s written response, and the IRS had not issued a final determination.
3. Yes, because Anclote had taken all reasonable steps to secure a determination and had no further administrative appeals available after the National Office conference.

Court’s Reasoning

The court interpreted “request for determination” broadly, holding that Anclote’s written response to the IRS’s preliminary findings was equivalent to a written protest to a proposed revocation. The court reasoned that the IRS’s April 1989 letter was substantively the same as a proposed revocation, and Anclote’s response was equivalent to a written protest. The court also found that the IRS had more than a reasonable amount of time to act on Anclote’s case. The court emphasized the purposes of the 270-day requirement: to provide a complete administrative record and to avoid premature interruption of the administrative process. The court concluded that these purposes were satisfied, and thus, it had jurisdiction over Anclote’s petition. The court quoted from Gladstone Foundation v. Commissioner, stating that a written protest of a proposed revocation is deemed a request for determination.

Practical Implications

This decision clarifies that tax-exempt organizations can seek judicial review if the IRS delays beyond 270 days in making a determination on their status. Practitioners should advise clients to file a written response to any IRS preliminary findings to establish a “request for determination. ” This ruling may encourage the IRS to expedite its review processes to avoid litigation. Subsequent cases, such as High Adventure Ministries, Inc. v. Commissioner, have applied this principle, further solidifying the court’s interpretation of section 7428. Organizations should carefully document their interactions with the IRS to demonstrate exhaustion of administrative remedies, which is crucial for establishing jurisdiction in similar cases.

© 2025 SCOTUSreports.com. All rights reserved.