***Crowell v. Commissioner, 102 T. C. 683 (1994)***

The Tax Court has jurisdiction over affected items in a partner's deficiency notice but not over partnership items unless the partner was not properly notified of the partnership proceedings.

**Summary**

In Crowell v. Commissioner, the U. S. Tax Court addressed its jurisdiction over affected items in partnership tax cases. The case involved Donald and Joanne Crowell, partners in the Wind 2 partnership, who contested deficiencies assessed by the IRS. The Court clarified that it could review the validity of an affected items deficiency notice based on whether the partner was properly notified of the partnership proceedings. However, the Court found that the IRS had complied with notification requirements, and thus lacked jurisdiction over partnership items due to the absence of a deficiency notice for those items. The ruling emphasizes the distinction between partnership and affected items under TEFRA, impacting how similar cases are handled and reinforcing the need for proper notification in partnership proceedings.

**Facts**

Donald and Joanne Crowell were partners in the Wind 2 partnership during the 1983 and 1984 taxable years. The IRS conducted an audit of Wind 2 and mailed a Final Partnership Administrative Adjustment (FPAA) for both years to the tax matters partner on September 13, 1991. The Crowells received a copy of the 1983 FPAA at their Westlake Village address on October 16, 1991. No petition for readjustment was filed. The IRS later assessed deficiencies against the Crowells for both years based on the partnership adjustments and issued an affected items deficiency notice for 1983 on October 8, 1992, which included additions to tax for negligence and valuation overstatement. The Crowells filed a petition with the Tax Court contesting the affected items notice and the underlying deficiencies.

**Procedural History**

The IRS mailed the FPAA to the tax matters partner of Wind 2 on September 13, 1991, and a copy to the Crowells on October 16, 1991. After no petition was filed, the IRS assessed deficiencies for 1983 and 1984 based on the partnership adjustments. On October 8, 1992, the IRS issued an affected items deficiency notice for 1983, which the Crowells contested by filing a petition with the U. S. Tax Court on January 6, 1993. The IRS filed motions to dismiss for lack of jurisdiction and to strike portions of the petition related to the 1983 and 1984 deficiencies, arguing that the Court lacked jurisdiction over partnership items in an affected items proceeding.

**Issue(s)**

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1. Whether the Tax Court has jurisdiction to consider the validity of an affected items deficiency notice based on the IRS's failure to properly notify the partner of the underlying partnership proceeding?
2. Whether the Tax Court has jurisdiction over the deficiencies resulting from adjustments to partnership items for the 1983 taxable year?
3. Whether the Tax Court has jurisdiction over the 1984 taxable year in the absence of an affected items deficiency notice?

## Holding

1. Yes, because the Court may consider the validity of an affected items deficiency notice if the partner was not properly notified of the partnership proceedings, but the IRS complied with notification requirements in this case.
2. No, because the Court lacks jurisdiction over partnership items in an affected items proceeding, and the affected items notice for 1983 was valid.
3. No, because the IRS did not issue an affected items deficiency notice for the 1984 taxable year, and thus the Court lacked jurisdiction over that year.

## Court's Reasoning

The Tax Court held that it could review the validity of an affected items deficiency notice if the partner was not properly notified of the partnership proceedings under Section 6223(a) of the Internal Revenue Code. However, the Court found that the IRS had complied with the notification requirements by mailing the FPAA to the correct address listed on the Crowells' tax returns. The Court emphasized that actual receipt of the FPAA is not required, only proper mailing. For the 1983 taxable year, the Court lacked jurisdiction over partnership items as they are not subject to deficiency procedures under TEFRA. The Court also dismissed the 1984 taxable year due to the lack of an affected items deficiency notice. The Court rejected the Crowells' arguments regarding the statute of limitations and alleged Privacy Act violations, stating these were not appropriate for consideration in this proceeding.

## Practical Implications

Crowell v. Commissioner clarifies the Tax Court's jurisdiction in affected items proceedings under TEFRA. Practitioners must ensure that partners receive proper notification of partnership proceedings, as failure to do so may affect the validity of subsequent affected items deficiency notices. The case reinforces the distinction between partnership and affected items, highlighting that the Tax Court's jurisdiction over partnership items is limited to partnership-level proceedings unless the partner was not properly notified. This ruling impacts how similar cases are litigated and emphasizes the importance of timely filing petitions for readjustment in response to FPAAs. Subsequent cases have cited Crowell in distinguishing between partnership and affected items, affecting legal strategies in partnership tax disputes.

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