Zimmerman v. Commissioner, 105 T. C. 220 (1995)

The period for filing a Tax Court petition is suspended during bankruptcy until 60 days after the automatic stay is lifted upon discharge, closing, or dismissal of the case.

Summary

In Zimmerman v. Commissioner, the U. S. Tax Court held that the period for filing a petition to redetermine tax deficiencies for the years 1984 and 1985 was not suspended until 60 days after the automatic stay in bankruptcy was lifted on June 5, 1992, the date of discharge. The IRS had issued a notice of deficiency on May 20, 1992, during the Zimmermans' bankruptcy. The court dismissed the petition as untimely because it was filed on December 11, 1992, more than 60 days after the discharge. This decision clarifies when the suspension period under IRC Section 6213(f) ends in bankruptcy cases, impacting how taxpayers must time their petitions to the Tax Court.

Facts

Rex and Charlene Zimmerman filed for Chapter 7 bankruptcy on September 3, 1991. On May 20, 1992, the IRS mailed a notice of deficiency for the tax years 1984 and 1985. The bankruptcy court discharged the Zimmermans on June 5, 1992, and mailed notice to creditors on October 20, 1992. On September 10, 1992, the IRS issued another notice of deficiency for 1986. The Zimmermans filed a petition with the Tax Court on December 11, 1992, seeking redetermination for 1984, 1985, and 1986. The IRS moved to dismiss the petition regarding 1984 and 1985, arguing it was untimely.

Procedural History

The IRS issued notices of deficiency on May 20, 1992, for 1984 and 1985, and on September 10, 1992, for 1986. The Zimmermans filed a petition with the Tax Court on December 11, 1992, for all three years. The IRS moved to dismiss the petition for 1984 and 1985, asserting it was untimely filed. The Tax Court granted the IRS's motion to dismiss for lack of jurisdiction regarding the tax years 1984 and 1985.

Issue(s)

1. Whether the period for filing a petition with the Tax Court under IRC Section 6213(f) began to run 60 days after the bankruptcy court's discharge order on June 5, 1992, or 60 days after notice of the discharge was mailed to creditors on October 20, 1992.

Holding

1. Yes, because the automatic stay under 11 U. S. C. Section 362(a)(8) was lifted

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upon the discharge order on June 5, 1992, and the 60-day period for filing a petition began to run from that date, making the petition filed on December 11, 1992, untimely.

Court's Reasoning

The court applied IRC Section 6213(f), which suspends the time for filing a Tax Court petition during bankruptcy until 60 days after the debtor is no longer prohibited from filing. The court also considered 11 U. S. C. Section 362(c)(2), which terminates the automatic stay upon the earliest of closing, dismissal, or discharge of the bankruptcy case. The court rejected the Zimmermans' argument that the period should start 60 days after creditors were notified of the discharge, as this conflicted with the plain language of the statute and established case law. The court emphasized the need for a bright-line rule to determine when the automatic stay ends, concluding that the discharge date was the operative date for calculating the filing period. The court noted that the Zimmermans could pursue their claim for 1984 and 1985 by paying the tax, filing a claim for refund, and suing in district court or the Court of Federal Claims if the claim was denied.

Practical Implications

This decision clarifies that the period for filing a Tax Court petition in a bankruptcy case is suspended until 60 days after the automatic stay is lifted upon discharge, closing, or dismissal. Taxpayers in bankruptcy must file their petitions within this period to avoid dismissal for lack of jurisdiction. This ruling impacts legal practice by requiring attorneys to closely monitor bankruptcy proceedings and act promptly upon the lifting of the automatic stay. It also affects taxpayers' strategies for contesting tax deficiencies, as they must consider alternative legal avenues if their Tax Court petition is dismissed as untimely. Subsequent cases have followed this ruling, reinforcing the importance of timely filing in bankruptcy-related tax disputes.

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