Estate of Campion v. Commissioner, 110 T. C. 165 (1998)

Under the TEFRA partnership provisions, requests for consistent settlements must be made within specific statutory time limits, and the IRS has no obligation to notify all partners of settlements entered into by others.

Summary

In Estate of Campion, investors in the Elektra Hemisphere tax shelters sought to set aside no-cash settlement agreements and enter into more favorable cash settlements previously offered to other investors. The Tax Court denied their motions, ruling that their requests for consistent settlements were untimely under TEFRA provisions. The court clarified that the IRS had no duty to notify all partners of settlements, and that responsibility fell to the tax matters partner (TMP). This decision underscores the importance of adhering to statutory deadlines for requesting consistent settlements and the limited notification obligations of the IRS in TEFRA partnership proceedings.

Facts

Investors in the Elektra Hemisphere tax shelters had entered into no-cash settlements with the IRS in 1994 and later years, which disallowed deductions related to their investments but did not impose penalties beyond increased interest. These investors later sought to set aside these settlements and enter into cash settlements offered to other investors in 1986-1988, which allowed deductions for cash invested. They claimed that they were unaware of these prior, more favorable settlements and argued that the IRS had a continuing duty to offer consistent settlements to all investors.

Procedural History

The investors filed motions in the Tax Court to file untimely notices of election to participate in TEFRA partnership proceedings and to set aside existing settlement agreements. The court held an evidentiary hearing on these motions on May 21, 1997, and subsequently issued its opinion denying the investors' motions.

Issue(s)

1. Whether the investors' requests for consistent settlements were timely under the TEFRA partnership provisions?
2. Whether the IRS had an obligation to notify the investors of cash settlements entered into by other investors?

Holding

1. No, because the requests were not made within the statutory time limits specified in section 6224(c)(2) and related regulations, which require requests to be made

© 2025 SCOTUSreports.com. All rights reserved.

within 150 days after the FPAA is mailed to the TMP or within 60 days after a settlement is entered into, whichever is later.
2. No, because the responsibility to notify other partners of settlements rested with the TMP, not the IRS, as per section 6223(g) and related regulations.

Court's Reasoning

The court applied the TEFRA provisions, specifically section 6224(c)(2) and the regulations under section 301. 6224(c)-3T, which set strict time limits for requesting consistent settlements. The court found that the investors' requests were made years after the statutory deadlines, rendering them untimely. The court also emphasized that the IRS had no affirmative duty to notify all partners of settlements entered into by others, as this responsibility was placed on the TMP by section 6223(g). The court rejected the investors' arguments of fraud or malfeasance by the IRS, finding no credible evidence to support these claims. The court also noted that consistent settlement rules do not apply across different partnerships or tax years within a tax shelter project.

Practical Implications

This decision reinforces the importance of adhering to the statutory deadlines under TEFRA for requesting consistent settlements. Legal practitioners must advise clients to monitor partnership proceedings closely and act promptly to request consistent settlements when applicable. The ruling clarifies that the IRS is not responsible for notifying all partners of settlements, shifting this burden to the TMP. This may lead to increased diligence by TMPs in communicating with partners. The decision also highlights the limited scope of consistent settlement rules, applying only to the same partnership and tax year, which may affect how tax shelters are structured and managed. Subsequent cases have cited Estate of Campion to uphold the strict application of TEFRA's timeliness requirements.

© 2025 SCOTUSreports.com. All rights reserved.