

114 T.C. 324 (2000)

The Tax Court has jurisdiction to review denials of equitable innocent spouse relief under Section 6015(f) of the Internal Revenue Code, provided the taxpayer properly elected relief under Section 6015(b) or (c) and filed a timely petition.

Summary

Diane Fernandez petitioned the Tax Court for review of the IRS Commissioner's denial of her request for innocent spouse relief under I.R.C. § 6015(b), (c), and (f). The Commissioner moved to dismiss for lack of jurisdiction regarding § 6015(f) relief, arguing the Tax Court lacked authority to review equitable relief denials. The Tax Court held that it does have jurisdiction to review denials of equitable relief under § 6015(f) when a taxpayer has made a proper election for relief under § 6015(b) or (c) and filed a timely petition. The court reasoned that the plain language of § 6015(e) and legislative history support judicial review of all subsections of § 6015, including (f).

Facts

In March 1999, Diane Fernandez requested innocent spouse relief from joint and several liability for the 1988 tax year under I.R.C. § 6015(b), (c), and (f).

On July 27, 1999, the IRS Commissioner denied Fernandez's request, citing her knowledge of capital gains and financial benefit from the sale proceeds.

Fernandez filed a timely petition with the Tax Court on October 28, 1999, seeking review of the denial under § 6015(e).

The Commissioner moved to dismiss for lack of jurisdiction regarding relief sought under § 6015(f) and to strike certain factual allegations in Fernandez's petition.

Procedural History

Petitioner, Diane Fernandez, filed a petition in the United States Tax Court seeking review of the Commissioner's denial of innocent spouse relief.

The Commissioner filed a motion to dismiss for lack of jurisdiction and to strike portions of the petition.

The Tax Court considered the Commissioner's motion to dismiss and motion to strike.

Issue(s)

1. Whether the Tax Court has jurisdiction to review the Commissioner's denial of innocent spouse relief under I.R.C. § 6015(f).
2. Whether certain factual allegations in the petitioner's petition are relevant to her request for innocent spouse relief.

Holding

1. Yes, the Tax Court has jurisdiction to review denials of equitable innocent spouse relief under I.R.C. § 6015(f) because the plain language of § 6015(e) grants jurisdiction to determine relief available “under this section,” encompassing all subsections of § 6015, and the legislative history supports this interpretation.
2. Yes, the factual allegations raised in the petition are relevant because they pertain to the determination of innocent spouse relief, and petitioners are required to set forth the facts upon which they base their assignments of error.

Court’s Reasoning

The Tax Court reasoned that its jurisdiction is limited to what Congress authorizes. Looking at the language of I.R.C. § 6015(e)(1)(A), which states the Tax Court has jurisdiction to determine relief “under this section,” the court interpreted “this section” to mean the entirety of § 6015, including subsection (f).

The court rejected the Commissioner’s argument that jurisdiction was limited to subsections (b) and (c) because § 6015(e)(1) refers to individuals electing relief under those subsections. The court clarified this as a procedural prerequisite for seeking any innocent spouse relief, including under subsection (f), which is available when relief is not available under (b) or (c).

Referring to legislative history and the broader purpose of expanding innocent spouse relief with § 6015, the court found no intent to restrict judicial review of equitable relief under § 6015(f).

The court distinguished between “section” and “subsection,” noting Congress’s explicit amendment in § 6015(e)(3)(A) to use “subsection (b) or (f)” instead of “of this section,” demonstrating an understanding of the different scopes.

The court also relied on its prior decision in *Butler v. Commissioner*, which similarly held that the Tax Court has jurisdiction to review denials of equitable relief under § 6015(f).

Regarding the motion to strike factual allegations, the court held that these allegations were relevant because Tax Court Rule 34(b)(5) requires petitioners to state facts supporting their claims of error, and these facts are pertinent to determining innocent spouse relief.

Practical Implications

Fernandez v. Commissioner is a significant case for tax practitioners and taxpayers seeking innocent spouse relief. It definitively established the Tax Court’s jurisdiction to review IRS denials of equitable innocent spouse relief under I.R.C. § 6015(f). This ruling ensures that taxpayers denied equitable relief by the IRS have recourse to judicial review, preventing the IRS from having unchecked discretion in these matters.

This case clarifies that taxpayers seeking any form of innocent spouse relief, including equitable relief, must first properly elect relief under § 6015(b) or (c) as a procedural step to access Tax Court review. It impacts how tax attorneys advise clients on pursuing innocent spouse relief and challenging IRS determinations in

court. Later cases rely on *Fernandez* to affirm the Tax Court's role in overseeing equitable innocent spouse relief determinations, ensuring fairness and adherence to congressional intent in expanding relief for taxpayers facing unfair tax burdens from their spouse's actions.