Fernandez v. Commissioner, T. C. Memo. 2000-28

The U. S. Tax Court has jurisdiction to review the IRS's denial of innocent spouse relief under Section 6015(f) when a petition is filed under Section 6015(e).

Summary

In Fernandez v. Commissioner, the Tax Court ruled that it has jurisdiction to review the IRS's denial of equitable relief under Section 6015(f) when a petition is filed under Section 6015(e). The case involved Diane Fernandez, who sought innocent spouse relief from joint tax liability for 1988, denied by the IRS. The court found that the statutory language in Section 6015(e) allows review of all relief under Section 6015, including subsection (f). This decision clarifies that the Tax Court can assess the IRS's discretionary denial of equitable relief, impacting how taxpayers and practitioners approach innocent spouse relief requests and subsequent judicial reviews.

Facts

Diane Fernandez filed a joint tax return for 1988 and later requested innocent spouse relief under Sections 6015(b), (c), and (f) due to an understatement of tax related to the sale of her former spouse's house. The IRS denied her request, citing her knowledge of the capital gains and financial benefit from the sale. Fernandez timely petitioned the Tax Court to review this denial, asserting factual errors in the IRS's decision and including allegations about her lack of control over marital finances and no proprietary or financial interest in the sold house.

Procedural History

Fernandez filed a request for innocent spouse relief in March 1999, which the IRS denied in July 1999. She filed a petition with the Tax Court on October 28, 1999, to review this denial. The IRS responded with a motion to dismiss for lack of jurisdiction regarding Section 6015(f) and to strike certain factual allegations from Fernandez's petition. The Tax Court, adopting the opinion of the Special Trial Judge, denied the IRS's motion.

Issue(s)

1. Whether the Tax Court has jurisdiction to review the IRS's denial of a request for innocent spouse relief under Section 6015(f) when a petition is filed under Section 6015(e)?
2. Whether certain allegations of fact asserted in the petition are relevant to Fernandez's request for innocent spouse relief?

Holding

1. Yes, because the statutory language in Section 6015(e) grants the Tax Court

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jurisdiction to review all relief available under Section 6015, including subsection (f).
2. Yes, because the facts alleged by Fernandez are relevant to determining her eligibility for innocent spouse relief.

Court's Reasoning

The Tax Court's reasoning centered on interpreting the statutory language of Section 6015(e), which allows the court to "determine the appropriate relief available to the individual under this section. " The court concluded that "this section" encompasses all subsections of Section 6015, including (f). It rejected the IRS's argument that jurisdiction was limited to subsections (b) and (c), noting that Section 6015(f) provides additional relief for those who do not qualify under (b) or (c). The court also referenced its prior decision in Butler v. Commissioner, which supported its jurisdiction over Section 6015(f) reviews. Regarding the factual allegations, the court found them relevant to Fernandez's claim for innocent spouse relief, thus denying the IRS's motion to strike them.

Practical Implications

This decision expands the scope of Tax Court jurisdiction, allowing taxpayers denied equitable relief under Section 6015(f) to seek judicial review. Practitioners should advise clients to include all relevant facts in their petitions, as the court considers these in determining relief eligibility. The ruling may encourage more taxpayers to pursue innocent spouse relief, knowing they can challenge the IRS's discretionary decisions in court. It also underscores the importance of understanding the interplay between different subsections of Section 6015 when seeking relief. Subsequent cases have relied on Fernandez to assert Tax Court jurisdiction over Section 6015(f) denials, shaping the legal landscape for innocent spouse relief.

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