Miller v. Commissioner, T. C. Memo. 2001-109

A non-requesting spouse lacks standing to challenge the IRS's decision to grant innocent spouse relief to the other spouse under pre-1998 law.

Summary

In Miller v. Commissioner, the Tax Court ruled that Clifford W. Miller lacked standing to contest the IRS's decision to grant his ex-wife, Florencie G. Bacon, innocent spouse relief for a 1990 tax deficiency under the pre-1998 law (section 6013(e)). Miller argued he should have been notified and given an opportunity to contest Bacon's request. The court found that since the relief was granted before the 1998 reforms, Miller had no right to participate in the proceedings or challenge the IRS's determination, upholding the IRS's collection action against him.

Facts

Clifford W. Miller and Florencie G. Bacon filed a joint tax return for 1990, which omitted $14,758 from an annuity withdrawal. After their divorce, Bacon requested innocent spouse relief, which was granted by the IRS in 1993 under section 6013(e). Miller was not notified of Bacon's request or the IRS's decision. In 1998, the IRS transferred the tax liability solely to Miller's account. Miller contested this at an Appeals Office hearing, claiming he should have been involved in Bacon's relief request and that the divorce agreement made Bacon liable. The Appeals Office upheld the IRS's actions, and Miller appealed to the Tax Court.

Procedural History

The IRS moved for summary judgment, which the Tax Court treated as such under Rule 121(b). Miller had an Appeals Office hearing in 1999, resulting in a notice of determination allowing the IRS to proceed with collection. Miller then filed a petition in Tax Court, which led to the IRS's motion for summary judgment.

Issue(s)

1. Whether Miller had standing to challenge the IRS's decision to grant Bacon innocent spouse relief under section 6013(e).
2. Whether the IRS was bound by the divorce decree's tax liability provisions.

Holding

1. No, because Miller lacked standing to challenge the IRS's decision to grant Bacon innocent spouse relief under pre-1998 law, as established by Estate of Ravetti and Garvey.
2. No, because the IRS is not bound by provisions in a divorce decree to which it is not a party, as per Pesch v. Commissioner.

© 2025 SCOTUSreports.com. All rights reserved.

Court’s Reasoning

The Tax Court reasoned that since Bacon’s innocent spouse relief was granted under section 6013(e) before the 1998 reforms, Miller had no right to notice or participation in the administrative proceedings. The court cited Estate of Ravetti and Garvey, which established that a non-requesting spouse lacks standing to challenge innocent spouse relief decisions under pre-1998 law. The court also noted that the 1998 reforms (section 6015) did not apply retroactively to Bacon’s case. Furthermore, the court rejected Miller’s argument about the divorce decree, stating that the IRS is not bound by private agreements to which it is not a party, as per Pesch. The court concluded that the IRS did not abuse its discretion in its determinations, and thus upheld the collection action against Miller.

Practical Implications

This decision clarifies that under pre-1998 law, a non-requesting spouse cannot challenge the IRS’s decision to grant innocent spouse relief to the other spouse. Attorneys should advise clients that they may have no recourse if their spouse is granted such relief without their knowledge or participation. The ruling also reinforces that the IRS is not bound by divorce agreements regarding tax liability. Practitioners should inform clients that any tax-related agreements in divorce decrees may not be enforceable against the IRS. This case may influence how attorneys draft divorce agreements and advise clients on tax matters, emphasizing the need to resolve tax issues before filing joint returns or during divorce proceedings. Subsequent cases like King and Corson further delineated the application of the 1998 reforms, distinguishing them from cases like Miller’s where pre-1998 law applies.

© 2025 SCOTUSreports.com. All rights reserved.