Wenner v. Commissioner, 116 T.C. 292 (2001)

In a petition for review of interest abatement under Section 6404, the Tax Court has jurisdiction to consider a taxpayer's claim for relief from joint and several liability under Section 6015 as an affirmative defense, even if the procedural requirements for a stand-alone Section 6015 petition are not met.

Summary

Dorothy Wenner Clark (petitioner) sought review of the IRS's denial of her request for interest abatement on joint income tax returns filed with her deceased husband. In her petition, she also claimed relief from joint and several liability under Section 6015. The IRS moved to strike the joint liability claim, arguing the Tax Court lacked jurisdiction because Ms. Clark had not filed a separate claim for relief under Section 6015. The Tax Court held that it had jurisdiction to consider the Section 6015 claim as an affirmative defense within the context of the Section 6404 interest abatement proceeding. The court reasoned that once jurisdiction is properly invoked for the interest abatement review, it extends to affirmative defenses related to the underlying tax liability.

Facts

Edward Wenner died in 1988. Kate Wenner Eisner, representing the estate, and Ms. Clark executed a Form 870-P in March 1990, agreeing to partnership adjustments. In September 1997, the IRS sent notices to Edward (deceased) and Dorothy Wenner (Ms. Clark) regarding changes to their 1982-1984 joint tax returns due to partnership adjustments, increasing their tax and charging interest. Ms. Clark paid the additional taxes in February 1998. Subsequently, she requested interest abatement, which the IRS denied in January 1999. Ms. Clark then petitioned the Tax Court for review of the interest abatement denial and also claimed relief from joint liability under Section 6015.

Procedural History

1. IRS issued notices of changes and interest for 1982-1984 joint tax returns.
2. Ms. Clark requested interest abatement, which was denied by the IRS.
3. Ms. Clark filed a petition with the Tax Court for review of the interest abatement denial under Section 6404 and included a claim for relief from joint liability under Section 6015.
4. The IRS moved to strike Ms. Clark's joint liability claim for lack of jurisdiction.

Issue(s)

1. Whether the Tax Court has jurisdiction in a Section 6404 interest abatement proceeding to consider a taxpayer's claim for relief from joint and several liability under Section 6015 as an affirmative defense, when the procedural requirements for a stand-alone Section 6015 petition are not met.

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Holding

1. Yes, the Tax Court has jurisdiction to consider the Section 6015 claim as an affirmative defense in a Section 6404 interest abatement proceeding because once the court's jurisdiction is properly invoked for the interest abatement review, it extends to properly raised affirmative defenses.

Court's Reasoning

The Tax Court is a court of limited jurisdiction, authorized by Congress. While Section 6404(i) grants jurisdiction to review interest abatement denials, and Section 6015(e) provides a mechanism for stand-alone joint liability relief petitions, neither explicitly addresses the current situation. The court relied on the analogy to *Neely v. Commissioner*, 115 T.C. 287 (2000), which held that in a Section 7436 employment status case, the Tax Court had jurisdiction to consider a statute of limitations defense. The court reasoned that just as the statute of limitations is an affirmative defense, so is relief from joint liability under Section 6015. The court stated, "Once our jurisdiction has been properly invoked in a case, we require no additional jurisdiction to render a decision with respect to such an affirmative defense." The court found "no compelling reason to distinguish the logic and reasoning of this Court in *Neely v. Commissioner*, *supra*" and concluded that Section 6015 relief is "no less a defense to respondent's determination than the statutory relief provided by section 6501(a) in the *Neely* case." The court emphasized it was not asserting jurisdiction over the underlying deficiency, only the affirmative defense in the context of the interest abatement review.

Practical Implications

This case clarifies that taxpayers seeking interest abatement in Tax Court can also raise a defense of innocent spouse relief under Section 6015 without needing to independently satisfy the procedural prerequisites for a direct Section 6015 petition. This is a procedural efficiency for taxpayers in such situations. It allows for a more comprehensive resolution of tax disputes within a single proceeding. Later cases will likely apply this ruling to other affirmative defenses raised in the context of limited jurisdiction Tax Court proceedings, expanding the scope of issues the court can address once jurisdiction is properly established for the primary matter.

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