ASA Investerings Partnership v. Commissioner, 118 T. C. 423 (United States Tax Court 2002)

In a landmark decision, the U. S. Tax Court clarified its jurisdiction over interest redetermination requests in unified partnership proceedings. The court held it lacked jurisdiction to redetermine interest under Section 7481(c) of the Internal Revenue Code in the absence of a Section 6215 assessment, which is contingent upon a notice of deficiency and a final Tax Court decision on a deficiency. This ruling delineates the boundaries of Tax Court authority regarding interest in partnership cases and underscores the necessity of a deficiency assessment for invoking such jurisdiction.

Parties

ASA Investerings Partnership (Petitioner) and AlliedSignal, Inc. , as Tax Matters Partner, v. Commissioner of Internal Revenue (Respondent).

Facts

ASA Investerings Partnership, with AlliedSignal, Inc. , as its Tax Matters Partner, challenged the Commissioner of Internal Revenue's adjustments to partnership items. The Tax Court had previously determined that ASA Investerings Partnership was not a valid partnership for tax purposes and upheld the reallocation of partnership items from a foreign entity to AlliedSignal, Inc. Following this, AlliedSignal, Inc. , filed a motion to redetermine interest under Section 7481(c) of the Internal Revenue Code, claiming overpayments of deficiency interest for the tax years 1988 through 1995. The Commissioner objected, asserting that the Tax Court lacked jurisdiction because no assessment had been made under Section 6215.

Procedural History

The case originated with the Commissioner's issuance of a Final Partnership Administrative Adjustment (FPAA) and the subsequent filing of a petition for a readjustment of partnership items by the Tax Matters Partner under Section 6226(a). The Tax Court's decision in T. C. Memo 1998-305 was affirmed by the Court of Appeals for the District of Columbia Circuit and became final upon the U. S. Supreme Court's denial of certiorari on October 2, 2000. AlliedSignal, Inc. , then filed a motion to redetermine interest within one year of the decision's finality, which was denied by the Tax Court for lack of jurisdiction due to the absence of a Section 6215 assessment.

Issue(s)

Whether the U. S. Tax Court has jurisdiction under Section 7481(c) of the Internal Revenue Code to redetermine interest in a unified partnership proceeding where no assessment has been made under Section 6215.

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Rule(s) of Law

Section 7481(c) of the Internal Revenue Code grants the Tax Court jurisdiction to redetermine interest where: (1) the entire amount of the deficiency plus interest claimed by the Commissioner has been paid; (2) a timely motion to redetermine interest has been filed; and (3) an assessment has been made under Section 6215, which includes interest. Section 6215 assessment requires a notice of deficiency, a timely filed petition under Section 6213(a), and a final Tax Court decision redetermining or sustaining the deficiency.

Holding

The Tax Court held that it lacked jurisdiction to redetermine interest under Section 7481(c) because no assessment had been made under Section 6215. A Section 6215 assessment necessitates a notice of deficiency and a final Tax Court decision on a deficiency, neither of which occurred in the unified partnership proceeding under Sections 6221-6234.

Reasoning

The Tax Court's reasoning focused on the statutory requirements for jurisdiction under Section 7481(c). The court emphasized that a Section 6215 assessment is contingent upon a notice of deficiency and a final Tax Court decision on a deficiency, elements absent in unified partnership proceedings. The court rejected the petitioner's argument that affected items requiring partner-level determinations under Section 6230(a)(2)(A)(i) could invoke Section 6215, as such items do not trigger the deficiency procedures of Sections 6211-6216. The court further clarified that deficiencies attributable to computational adjustments in partnership proceedings are assessed under Section 6201(a), not Section 6215. The court's decision underscores the distinction between deficiency procedures and unified partnership proceedings, limiting its jurisdiction over interest redetermination to cases involving a Section 6215 assessment.

Disposition

The Tax Court denied the petitioner's motion to redetermine interest for lack of jurisdiction.

Significance/Impact

This decision significantly impacts the scope of the Tax Court's jurisdiction over interest in partnership cases, clarifying that Section 7481(c) jurisdiction is not available in unified partnership proceedings absent a Section 6215 assessment. It establishes a clear boundary between deficiency procedures and partnership proceedings, guiding taxpayers and practitioners on the appropriate forums for challenging interest assessments. The ruling may lead to increased reliance on refund claim procedures under Section 6230(c) for challenging computational

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adjustments in partnership cases, as suggested by the court's reference to alternative remedies available to taxpayers.

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