Bernal v. Commissioner of Internal Revenue, 120 T. C. 102, 2003 U. S. Tax Ct. LEXIS 7 (U. S. Tax Court 2003)

The U. S. Tax Court dismissed Kathryn Bernal's petition for lack of jurisdiction, ruling that it could not review the IRS's denial of her request for relief from tax liability on community property income under Section 66(c) of the Internal Revenue Code. This decision underscores the jurisdictional constraints of the Tax Court in cases involving relief from community property income tax, highlighting the absence of a statutory provision akin to Section 6015(e) that would allow for a 'stand alone' petition to challenge such denials.

Parties

Kathryn Bernal, as the petitioner, sought relief from the Commissioner of Internal Revenue, the respondent, regarding tax liabilities for the years 1993, 1994, 1995, and 1996. Bernal represented herself pro se, while the respondent was represented by David Jojola.

Facts

Kathryn Bernal, domiciled in California, a community property state, filed individual federal income tax returns as married, filing separately, for the taxable years 1993 through 1996. During these years, Bernal was married. The IRS issued notices of deficiency for these years, determining deficiencies and failure-to-file additions to tax, attributing adjustments to a 'community property split. ' Bernal did not file a timely petition in response to these notices. Subsequently, in June 1999, Bernal filed Form 8857 requesting relief from tax liability on community property income under Section 66(c) of the Internal Revenue Code for the years 1988 through 1998. The IRS denied Bernal's request for relief for the years 1993 through 1996, citing that she did not meet the requirements of Section 66(c). Bernal then filed a petition with the U. S. Tax Court seeking review of this denial.

Procedural History

The IRS issued notices of deficiency to Bernal for the years 1993 through 1996 on October 26, 1998, to which she did not file a timely petition. After the IRS denied Bernal's request for relief under Section 66(c) on August 13, 2001, she filed a petition with the U. S. Tax Court on January 14, 2002, challenging the denial. The respondent moved to dismiss for lack of jurisdiction, arguing that the Tax Court lacks jurisdiction to review a denial of relief under Section 66(c) in a 'stand alone' petition. The Tax Court granted the respondent's motion to dismiss for lack of jurisdiction regarding the years 1993 through 1996, as Bernal did not file a timely petition in response to the notices of deficiency and Section 66(c) does not provide for Tax Court review of such denials.

Issue(s)

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Whether the U. S. Tax Court has jurisdiction to review the IRS's denial of a request for relief from tax liability on community property income under Section 66(c) of the Internal Revenue Code in a 'stand alone' petition, absent a timely filed petition in response to a notice of deficiency.

Rule(s) of Law

The U. S. Tax Court is a court of limited jurisdiction, exercising its authority only to the extent authorized by Congress under Section 7442 of the Internal Revenue Code. Section 66(c) of the Internal Revenue Code allows a spouse who does not file joint returns to seek relief from the effects of community income. However, unlike Section 6015(e), which provides for Tax Court jurisdiction over denials of relief from joint and several liability, Section 66(c) does not contain a similar provision granting jurisdiction to the Tax Court to review denials of relief from community property income tax liability.

Holding

The U. S. Tax Court held that it lacks jurisdiction to review the IRS's denial of Kathryn Bernal's request for relief from tax liability on community property income under Section 66(c) of the Internal Revenue Code in a 'stand alone' petition, as Section 66(c) does not provide for such jurisdiction and Bernal did not file a timely petition in response to the notices of deficiency.

Reasoning

The Tax Court's reasoning centered on the statutory interpretation and jurisdictional limits set by Congress. The court emphasized that while Section 6015(e) explicitly grants the Tax Court jurisdiction to review denials of relief from joint and several liability, no such provision exists under Section 66(c). The court noted that both sections were amended simultaneously by the Internal Revenue Service Restructuring and Reform Act of 1998, yet Congress chose not to provide for Tax Court review of Section 66(c) denials. The court further reasoned that the absence of a statutory provision akin to Section 6015(e) for Section 66(c) precludes the Tax Court from exercising jurisdiction over a 'stand alone' petition challenging the IRS's denial of relief from community property income tax liability. The court also addressed the untimely filing of Bernal's petition in response to the notices of deficiency, reinforcing its decision to dismiss for lack of jurisdiction.

Disposition

The U. S. Tax Court granted the respondent's motion to dismiss for lack of jurisdiction and struck the petition as it pertained to the taxable years 1993, 1994, 1995, and 1996.

Significance/Impact

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The Bernal decision clarifies the jurisdictional boundaries of the U. S. Tax Court in cases involving requests for relief from tax liability on community property income under Section 66(c) of the Internal Revenue Code. It underscores the necessity for taxpayers to file timely petitions in response to notices of deficiency to challenge tax liabilities and highlights the absence of a statutory mechanism for 'stand alone' Tax Court review of Section 66(c) denials. This ruling may influence taxpayers in community property states to carefully consider their options and adhere to statutory deadlines when seeking relief from tax liabilities on community income. Subsequent cases and IRS guidance may further define the procedural avenues available to taxpayers in similar situations.

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