King v. Commissioner, 121 T. C. 245 (2003)

In King v. Commissioner, the U. S. Tax Court ruled that the special support test for dependency exemptions under Section 152(e) of the Internal Revenue Code applies to parents who have never been married, provided they live apart. This decision affirmed that a custodial parent's release of claim to exemption via Form 8332 is valid for future years if clearly stated, impacting how unmarried parents claim tax benefits for their children.

Parties

Jeffrey R. King and Sabrina M. King (the Kings), and Jimmy R. Lopez and Suzy O. Lopez (the Lopezes) were the petitioners in this case. The Commissioner of Internal Revenue was the respondent. The Kings and Lopezes were the parties at trial in the U. S. Tax Court.

Facts

Jimmy R. Lopez and Sabrina M. King are the biological parents of Monique Desiree Vigil, born on January 17, 1986. They have never been married to each other. In 1988, Sabrina M. King executed a Form 8332, releasing her claim to the dependency exemption for Monique for the taxable year 1987 and all future years in favor of Jimmy R. Lopez. Lopez claimed the dependency exemption for Monique for the years 1987 through 1999, attaching the Form 8332 to his tax returns. Beginning in 1993, the Kings also claimed the dependency exemption for Monique on their tax returns. Monique resided with the Kings throughout 1998 and 1999. Both sets of parents provided all of Monique's financial support during these years, with the Kings providing over half of it. Lopez and King lived apart at all times during the years in issue.

Procedural History

The Commissioner issued notices of deficiency to both the Kings and the Lopezes for the taxable years 1998 and 1999, disallowing the dependency exemption deductions claimed for Monique. The Kings and Lopezes timely filed petitions with the U. S. Tax Court for redetermination of the deficiencies. The cases were consolidated for trial, briefing, and opinion due to the common issues presented. The standard of review applied was de novo.

Issue(s)

Whether the special support test under Section 152(e)(1) of the Internal Revenue Code applies to parents who have never married each other and live apart at all times during the last six months of the calendar year?

Whether a custodial parent's release of claim to a dependency exemption via Form 8332 is valid for future years if the form clearly indicates that the release applies to

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future years?

Rule(s) of Law

Section 152(e) of the Internal Revenue Code provides a special support test for determining which parent is entitled to claim a child as a dependent for tax purposes. Section 152(e)(1) states that if a child receives over half of their support during the calendar year from parents who are divorced, legally separated, separated under a written agreement, or who live apart at all times during the last six months of the calendar year, the child is treated as receiving over half of their support from the custodial parent. Section 152(e)(2) allows the noncustodial parent to claim the dependency exemption if the custodial parent signs a written declaration (Form 8332) releasing the claim to the exemption for the year.

Holding

The U. S. Tax Court held that the special support test under Section 152(e)(1) applies to parents who have never married each other, provided they live apart at all times during the last six months of the calendar year. The court further held that the custodial parent's release of claim to the dependency exemption via Form 8332 was valid for the years 1998 and 1999 because the form clearly indicated that the release applied to future years.

Reasoning

The court interpreted the plain meaning of Section 152(e)(1), finding no requirement that parents must have been married to each other for the special support test to apply. The legislative history of the 1984 amendment to Section 152(e) did not indicate an intent to limit the application of the special support test to only married parents. The court rejected the Commissioner's argument that the statute's ambiguity required a different interpretation, as the plain language of the statute was clear. The court also found that the Form 8332 executed by Sabrina M. King was valid for future years because it clearly indicated that the release applied to "future years. " The court rejected arguments that the form was signed under duress or that it was invalid due to the omission of the word "all" before "future years," as these claims were not supported by the evidence or the stipulations of the parties.

Disposition

The court entered a decision for the Lopezes in docket No. 16868-02, allowing them the dependency exemption deductions for Monique for the years 1998 and 1999. The court entered a decision for the Commissioner in docket No. 16596-02, disallowing the dependency exemption deductions for the Kings.

Significance/Impact

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This case clarified that the special support test under Section 152(e)(1) applies to unmarried parents who live apart, resolving ambiguity in the application of dependency exemption rules. It established that a Form 8332 release can be valid for future years if the release is clearly stated, affecting how unmarried parents claim tax benefits for their children. The decision has been cited in subsequent cases and by the IRS in guidance regarding dependency exemptions for children of unmarried parents.

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