***Cinema ’84, Richard M. Greenberg, Tax Matters Partner v. Commissioner of Internal Revenue, 122 T. C. 264 (U. S. Tax Ct. 2004)***

In a pivotal ruling on Tax Equity and Fiscal Responsibility Act (TEFRA) partnership proceedings, the U. S. Tax Court in Cinema ’84 upheld the finality of its decision, even after appeal. The court denied a late-filing partner’s motion to reopen the case, emphasizing the importance of finality in tax litigation. This decision reaffirms the court’s limited authority to vacate judgments post-appeal, impacting how partners must engage in TEFRA cases to challenge IRS determinations effectively.

**Parties**

Cinema ’84, with Richard M. Greenberg as the tax matters partner (TMP), was the petitioner at the trial and appeal stages. The respondent was the Commissioner of Internal Revenue throughout the litigation.

**Facts**

Cinema ’84 was involved in a TEFRA partnership proceeding concerning disallowed deductions for a motion picture promotion. The partnership faced issues due to the absence of an active TMP after Richard M. Greenberg’s bankruptcy. Despite efforts by the Tax Court to find a willing partner to serve as TMP, no partner stepped forward. The case was dismissed for failure to prosecute, with the IRS’s determinations being sustained. The decision was appealed and affirmed by the Court of Appeals for the Second Circuit, except concerning one partner, Karin M. Locke, who was dismissed for lack of jurisdiction per the appellate court’s mandate. Subsequently, Garlon J. Riegler, a partner who had not previously participated, sought to reopen the case by filing a motion for leave to participate out of time and to vacate the Tax Court’s decision.

**Procedural History**

The Tax Court held pre-trial conferences in 1994 and 1995, where no partners expressed willingness to prosecute the case. In July 1995, the IRS moved to dismiss for failure to prosecute, which was held in abeyance. The Tax Court issued decisions on related motions in 1998, which were affirmed in part and reversed in part by the Second Circuit in 2002. The Tax Court’s decision became final on April 23, 2003, after dismissing Karin M. Locke per the appellate court’s mandate. Riegler’s motion to participate and vacate the decision was filed in December 2003, leading to the Tax Court’s ruling in March 2004.

**Issue(s)**

Whether the Tax Court has the authority to vacate a final decision that has been affirmed, modified, or reversed by a Court of Appeals in a TEFRA partnership proceeding?

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Whether the movant, Garlon J. Riegler, provided valid grounds for vacating the Tax Court's final decision?

**Rule(s) of Law**

The Tax Court's jurisdiction to vacate its decisions is governed by the principles of finality as articulated in 26 U. S. C. § 7481(a). The court's ability to reopen cases post-appeal is limited by the Supreme Court's ruling in Standard Oil Co. of Cal. v. United States, <span normalizedcite="429 U. S. 17“>429 U. S. 17, <span normalizedcite="50 L. Ed. 2d 21“>50 L. Ed. 2d 21, <span normalizedcite="97 S. Ct. 31“>97 S. Ct. 31 (1976), which established that trial courts may act on motions to vacate without leave of the appellate court. The finality of Tax Court decisions is absolute unless there is fraud on the court, a lack of jurisdiction, or clerical error, as established in cases like Taub v. Commissioner, <span normalizedcite="64 T. C. 741“>64 T. C. 741 (1975) and Abeles v. Commissioner, <span normalizedcite="90 T. C. 103“>90 T. C. 103 (1988).

**Holding**

The Tax Court held that it has the authority to act on a motion to vacate a decision that has been affirmed, reversed, or modified by the Court of Appeals, following Standard Oil Co. of Cal. v. United States, supra. However, the court also held that Riegler did not provide valid grounds for vacating the final decision, as his allegations did not constitute fraud on the court, lack of jurisdiction, or any other basis recognized by law for vacating a final decision.

**Reasoning**

The Tax Court's reasoning focused on the principles of finality and the limited circumstances under which a final decision could be vacated. The court overruled its prior stance in Lydon v. Commissioner, <span normalizedcite="56 T. C. 128“>56 T. C. 128 (1971) and its progeny, which required appellate leave before a trial court could reopen a case, in light of the Supreme Court's decision in Standard Oil Co. of Cal. v. United States, supra. The court emphasized that the finality of decisions is crucial, especially in TEFRA cases, where the liabilities of multiple partners are at stake. Riegler's allegations regarding the disqualification of the TMP and the unfairness of the decision did not meet the stringent criteria for vacating a final decision, as they did not involve fraud, jurisdictional defects, or clerical errors. The court also noted the legislative intent behind 26 U. S. C. § 7481 to ensure clear finality for the collection process, which applies with even greater force in TEFRA partnership cases.

**Disposition**

The Tax Court denied Riegler's motion for leave to file a notice of election to participate out of time and his motion to vacate the order of dismissal and decision,

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affirming the finality of the decision entered on September 1, 2000, as modified by the Court of Appeals' mandate.

**Significance/Impact**

The *Cinema '84* decision reinforces the principle of finality in Tax Court decisions, particularly in TEFRA partnership cases, where the stakes are high due to the potential impact on multiple taxpayers. It clarifies that the Tax Court can act on motions to vacate without appellate leave but underscores the limited grounds on which such motions can succeed. This ruling has significant implications for partners in TEFRA proceedings, emphasizing the need for timely participation and the difficulty of challenging final decisions. The decision also highlights the Tax Court's commitment to upholding the integrity of its judgments and the collection process, which is crucial for the effective administration of tax law.

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