

## ***Fain v. Commissioner of Internal Revenue, 129 T. C. 89 (2007)***

In *Fain v. Commissioner*, the U. S. Tax Court ruled that the right of a nonrequesting spouse to intervene in an innocent-spouse relief case under Section 6015 of the Internal Revenue Code survives their death. The decision mandates that the IRS must notify potential successors-in-interest of the deceased spouse, such as heirs or estate representatives, ensuring their opportunity to participate in the litigation. This ruling clarifies procedural rights in tax disputes and upholds the principles of due process and fairness in tax law administration.

### **Parties**

Suzanne Vance Fain, a. k. a. Suzanne Fain-Poisson, was the petitioner. The Commissioner of Internal Revenue was the respondent. The case involved the rights of Robert Fain, the deceased husband of the petitioner, whose estate was potentially affected by the outcome.

### **Facts**

Suzanne and Robert Fain filed a joint tax return for 1999, showing an unpaid tax liability of approximately \$15,000. After their separation, the IRS attempted to collect the unpaid tax. In February 2006, Suzanne sought innocent-spouse relief under Section 6015, which the IRS denied in September 2006. Suzanne then petitioned the U. S. Tax Court for review. The IRS failed to notify Robert Fain of his right to intervene as required by Section 6015(e)(4) and Tax Court Rule 325. Robert Fain had died in 2002, before the IRS's notification attempt.

### **Procedural History**

Suzanne Fain filed a petition with the U. S. Tax Court challenging the IRS's denial of her innocent-spouse relief request. The case was set for trial when the IRS realized it had not notified Robert Fain of his right to intervene. Upon discovering Robert's death, the IRS moved for a continuance to notify his potential heirs or estate representatives. The Tax Court was tasked with determining whether Robert's right to intervene survived his death and what notification procedures should be followed.

### **Issue(s)**

Whether the right of a nonrequesting spouse to intervene in an innocent-spouse relief case under Section 6015(e)(4) of the Internal Revenue Code survives the death of the nonrequesting spouse?

### **Rule(s) of Law**

Section 6015(e)(4) of the Internal Revenue Code requires the Tax Court to provide the nonrequesting spouse with "adequate notice and an opportunity to become a party" in innocent-spouse relief cases. Tax Court Rule 325 mandates that the IRS

serve notice of the petition to the other individual filing the joint return within 60 days. Section 6903 of the Internal Revenue Code states that fiduciaries, including executors and administrators, assume the powers, rights, duties, and privileges of a deceased person with respect to taxes.

## **Holding**

The Tax Court held that the right of a nonrequesting spouse to intervene in an innocent-spouse relief case survives death and passes to the decedent's estate or successors-in-interest. The IRS is obligated to attempt to notify any heirs, executors, or administrators of the deceased nonrequesting spouse.

## **Reasoning**

The court's reasoning was based on statutory interpretation, legal analogies, and practical considerations. The court noted that Section 6015(e)(4) grants an unconditional right to intervene, which is akin to the right under Federal Rule of Civil Procedure 24(a)(1). Precedents such as *Salt River Pima-Maricopa Indian Cmty. v. United States* (231 Ct. Cl. 1033 (1982)) support the survival of intervention rights post-mortem. The court also considered the Internal Revenue Code's provisions that taxes and tax liabilities survive death, as stated in Section 6901, which implies that the estate or heirs may be affected by the outcome of an innocent-spouse case. Additionally, Section 6903 and Section 7701(a)(6) were interpreted to allow fiduciaries to assume the rights of the deceased, including the right to intervene. The court concluded that allowing intervention by the estate increases the likelihood of reaching a just outcome and aligns with the Tax Court's practice in deficiency cases, as described in *Nordstrom v. Commissioner* (50 T. C. 30 (1968)).

## **Disposition**

The court granted the IRS's motion for a continuance to allow notification of any heirs, executors, or administrators of Robert Fain's estate.

## **Significance/Impact**

*Fain v. Commissioner* clarifies the procedural rights of estates in innocent-spouse relief cases, ensuring that the interests of deceased nonrequesting spouses are represented. This decision has implications for tax practice, as it requires the IRS to diligently search for and notify potential successors-in-interest. It also reinforces the principles of due process and fairness in tax administration by allowing all affected parties the opportunity to participate in litigation. Subsequent courts and practitioners have relied on this ruling to guide the handling of similar cases, emphasizing the importance of comprehensive notification procedures in tax disputes.