Kollar v. Commissioner, 131 T. C. 191 (2008)

In Kollar v. Commissioner, the U. S. Tax Court established its jurisdiction over nondeficiency petitions for equitable relief from interest liability under Section 6015(f) of the Internal Revenue Code. Mary Ann Kollar sought relief from interest accrued on her 1996 income tax, which she paid before December 20, 2006. The court's ruling expanded the interpretation of 'taxes' to include interest, thereby granting taxpayers broader access to judicial review of the IRS's decisions on equitable relief, marking a significant shift in tax law concerning joint liability relief.

Parties

Mary Ann Kollar, as the Petitioner, sought relief from the Commissioner of Internal Revenue, the Respondent. Kollar filed her initial petition in the United States Tax Court.

Facts

Mary Ann Kollar filed a joint 1996 Federal income tax return with her deceased husband, Robert J. Kollar, reporting zero income tax liability. Following her husband's death, she amended the return in November 1999, reporting an income tax liability of $409,156, which she paid in full. However, the IRS assessed $98,417. 37 in accrued interest on this tax, which remained unpaid. Kollar requested equitable relief from this interest under Section 6015(f) of the Internal Revenue Code, which was denied by the IRS. She then filed a nondeficiency stand-alone petition in the U. S. Tax Court to review the IRS's determination.

Procedural History

Kollar filed a joint 1996 Federal income tax return reporting zero tax liability. She amended this return in November 1999, paying the reported tax of $409,156. The IRS assessed interest of $98,417. 37, which Kollar did not pay. In July 2000, Kollar requested equitable relief from this interest under Section 6015(f). After the IRS denied her request, Kollar filed a nondeficiency stand-alone petition in the U. S. Tax Court. The IRS moved to dismiss the case for lack of jurisdiction, citing *Billings v. Commissioner*, which held that the Tax Court lacked jurisdiction over nondeficiency petitions for Section 6015(f) relief. Congress later amended Section 6015(e)(1) through the Tax Relief and Health Care Act of 2006, granting the Tax Court jurisdiction over such petitions for liabilities unpaid on or after December 20, 2006.

Issue(s)

Whether the U. S. Tax Court has jurisdiction under Section 6015(e)(1) of the Internal Revenue Code, as amended by the Tax Relief and Health Care Act of 2006, to review the IRS's denial of equitable relief under Section 6015(f) from Kollar's liability for accrued interest on her 1996 Federal income tax, which was paid before December 20, 2006?

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Rule(s) of Law

Section 6015(e)(1) of the Internal Revenue Code, as amended by the Tax Relief and Health Care Act of 2006, provides the U. S. Tax Court with jurisdiction to review the IRS's denial of equitable relief under Section 6015(f) for liabilities for taxes "arising or remaining unpaid on or after" December 20, 2006. Sections 6601(e)(1) and 6665(a) of the Code define "tax" to include interest and penalties, except in certain cases. Section 6015(b)(1) also defines "tax" to include "interest, penalties, and other amounts. "

Holding

The U. S. Tax Court held that it has jurisdiction under Section 6015(e)(1), as amended, to review the IRS's denial of equitable relief under Section 6015(f) from Kollar's liability for the accrued interest on her 1996 Federal income tax, because the term "taxes" in the amendment includes interest.

Reasoning

The court's reasoning was based on the interpretation of the term "taxes" in the Tax Relief and Health Care Act of 2006. The court noted that Sections 6601(e)(1) and 6665(a) of the Internal Revenue Code explicitly include interest and penalties within the definition of "tax. " Additionally, Section 6015(b)(1) defines "tax" to include "interest, penalties, and other amounts. " The court concluded that Congress intended the term "taxes" in the amendment to Section 6015(e)(1) to have the same broad meaning as in these sections of the Code, thus including interest. The court rejected the IRS's argument that "taxes" referred only to income tax, citing the remedial nature of Section 6015(f) and the lack of legislative history to support a narrower interpretation. The court also relied on prior cases, such as *Petrane v. Commissioner* and *Leahy v. Commissioner*, which supported the inclusion of interest and penalties within the definition of "tax" for the purposes of Section 6015(f).

Disposition

The court denied the IRS's motion to dismiss for lack of jurisdiction and retained jurisdiction over the case.

Significance/Impact

Kollar v. Commissioner is significant as it expands the Tax Court's jurisdiction to review nondeficiency petitions for equitable relief under Section 6015(f) of the Internal Revenue Code, specifically for interest liabilities. This ruling has practical implications for taxpayers seeking relief from joint and several liability for taxes, particularly interest, without the need for a deficiency assertion by the IRS. The decision clarifies the interpretation of "taxes" in the Tax Relief and Health Care Act of 2006, aligning it with the broader definition of "tax" in the Code, thereby providing a more comprehensive avenue for judicial review of the IRS's decisions on

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equitable relief. This case has been cited in subsequent Tax Court decisions and has influenced the IRS's administration of Section 6015(f) relief, ensuring that taxpayers have access to judicial review for a wider range of tax-related liabilities.

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