Pullins v. Commissioner, 136 T. C. 432 (2011)

In *Pullins v. Commissioner*, the U. S. Tax Court ruled that Suzanne Pullins was entitled to equitable relief from joint tax liability under IRC Section 6015(f). The court found it inequitable to hold Pullins liable for the tax debts from 1999, 2002, and 2003, despite her late request for relief, because her ex-husband, Curtis Shirek, was responsible for the unpaid taxes and had the means to pay them following their divorce. This decision underscores the court's invalidation of the IRS's two-year deadline for requesting such relief, emphasizing the importance of equitable considerations in tax law.

Parties

Suzanne Pullins, Petitioner, filed against the Commissioner of Internal Revenue, Respondent, in the United States Tax Court seeking relief from joint and several liability on federal income tax returns for the tax years 1999, 2002, and 2003.

Facts

Suzanne Pullins and Curtis Shirek were married and filed joint federal income tax returns for the years 1999, 2002, and 2003. The returns for 1999 were timely filed, while those for 2002 and 2003 were filed late in October 2004. Each return reported a balance due that was not paid at the time of filing. Pullins signed the returns but did not review or question them. She was aware of or should have been aware of the unpaid taxes but did not know about an omission of income by Shirek on the 1999 return. The couple separated in late 2004 and were divorced in 2005. The divorce judgment allocated all tax debts to Shirek and awarded him proceeds from the sale of their marital home, sufficient to pay the tax liabilities. Pullins requested innocent spouse relief from the IRS in April 2008, which was denied. At the time of trial, Pullins was disabled due to surgical complications.

Procedural History

The IRS issued a levy notice to Pullins for the 1999 tax year in November 2003 and for the 2002 and 2003 tax years in April 2005. Pullins requested innocent spouse relief under IRC Section 6015(f) on April 22, 2008, which the IRS denied due to the request being made more than two years after the first collection activity. Pullins then petitioned the U. S. Tax Court for review. The court's standard of review was de novo, and the case was appealable to the U. S. Court of Appeals for the Eighth Circuit.

Issue(s)

Whether Suzanne Pullins is entitled to equitable relief from joint and several liability under IRC Section 6015(f) for the tax years 1999, 2002, and 2003, notwithstanding her late request for relief and despite the IRS regulation imposing a two-year deadline for such requests?

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Rule(s) of Law

IRC Section 6015(f) provides for equitable relief from joint and several liability on a joint return if it is inequitable to hold the individual liable, and relief is not available under subsections (b) or (c). The IRS regulation, 26 C. F. R. Section 1. 6015-5(b)(1), imposes a two-year deadline for requesting relief under Section 6015(f), which the Tax Court held to be invalid in *Lantz v. Commissioner*, 132 T. C. 131 (2009). Revenue Procedure 2003-61 provides guidance on the factors to consider in granting relief under Section 6015(f).

Holding

The U. S. Tax Court held that Suzanne Pullins is entitled to equitable relief under IRC Section 6015(f) for the tax liabilities from 1999, 2002, and 2003, except for $719 of her own underwithholding in 2002. The court invalidated the two-year deadline imposed by the IRS regulation and found that, considering all facts and circumstances, it was inequitable to hold Pullins liable.

Reasoning

The court's reasoning included a detailed analysis of the factors listed in Revenue Procedure 2003-61. It considered Pullins' divorce from Shirek, Shirek's legal obligation to pay the tax debts as ordered by the state court, Pullins' lack of significant benefit from the nonpayment of taxes, and her current disability. Despite her failure to prove economic hardship and timely file subsequent tax returns, the court found these factors outweighed by the equitable considerations. The court emphasized the importance of the state court's allocation of tax debts to Shirek and his ability to pay them from the proceeds of the marital home sale. The court also reaffirmed its position from *Lantz* that the IRS's two-year deadline for requesting relief under Section 6015(f) was invalid, applying the *Chevron* deference standard as clarified in *Mayo Foundation for Medical Education and Research v. United States*, 131 S. Ct. 704 (2011). The court's decision reflected a balancing of the factors and a commitment to equitable principles over strict procedural deadlines.

Disposition

The U. S. Tax Court granted Suzanne Pullins relief from joint and several liability under IRC Section 6015(f) for the tax years 1999, 2002, and 2003, except for her underwithholding of $719 in 2002. An appropriate decision was entered reflecting this outcome.

Significance/Impact

The decision in *Pullins v. Commissioner* is significant for its reaffirmation of the Tax Court's stance on the invalidity of the IRS's two-year deadline for requesting innocent spouse relief under IRC Section 6015(f). It highlights the importance of equitable considerations in tax law, particularly in cases involving divorce and the

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allocation of tax liabilities. The ruling provides guidance for practitioners and taxpayers on the application of Section 6015(f) and the factors to be considered in seeking relief from joint tax liability. It also underscores the potential conflict between IRS regulations and judicial interpretations, which may impact future cases and IRS policy regarding innocent spouse relief.

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