George v. Commissioner, 139 T. C. 508 (2012)

In George v. Commissioner, the U. S. Tax Court ruled that a custodial parent's signed Form 8332 release remains valid even if signed under court order compulsion. Rachel George was required by a Virginia court to release her claim to a dependency exemption for her daughter to her ex-husband. Despite her contention that the order was erroneous and that her ex-husband was in arrears on child support, the court held that the release was binding, emphasizing the need for certainty in tax law administration. This decision underscores the importance of adhering to statutory requirements over personal disputes in dependency exemption cases.

Parties

Rachel George, the petitioner, was the custodial parent and appellant in the case. The Commissioner of Internal Revenue was the respondent. George's former spouse, Johnson John, was not a party to the Tax Court proceedings but was involved in the underlying state court actions.

Facts

Rachel George and Johnson John divorced in 1995, with George receiving sole custody of their daughters, I. E. and S. S. A Maryland court initially ordered that John could claim S. S. as a dependent for tax purposes, provided he was current on support payments. George complied with this order by signing a Form 8332 in 1997. In 2007, a Virginia court ordered George to execute another Form 8332 releasing her claim to the dependency exemption for S. S. from 1996 to 2010. George signed the form under threat of contempt, despite her belief that John was in arrears on child support. Both George and John claimed the dependency exemption for S. S. on their 2007 and 2008 tax returns, leading to the IRS issuing notices of deficiency to George.

Procedural History

The IRS determined deficiencies against George for the tax years 2007 and 2008. George petitioned the U. S. Tax Court for redetermination. The Commissioner moved for partial summary judgment on the issue of George's entitlement to the dependency exemption and child tax credit for S. S. The Tax Court granted the Commissioner's motion.

Issue(s)

Whether the Form 8332 release signed by Rachel George under compulsion of a state court order is valid, thereby precluding her from claiming a dependency exemption and child tax credit for S. S. for the tax years 2007 and 2008.

Rule(s) of Law

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Under I. R. C. sec. 152(e), a child is treated as a qualifying child of the noncustodial parent if the custodial parent signs a written declaration (Form 8332) releasing the claim to the exemption and the noncustodial parent attaches this declaration to his tax return. The statute does not provide for invalidation of the release based on the circumstances of its signing or the noncustodial parent's compliance with support obligations.

Holding

The Tax Court held that the Form 8332 release signed by Rachel George was valid, and she was not entitled to claim a dependency exemption or child tax credit for S. S. for the tax years 2007 and 2008, as per I. R. C. sec. 152(e).

Reasoning

The court reasoned that the validity of a Form 8332 release is not affected by the circumstances of its signing, including signing under compulsion of a court order. The court emphasized that the purpose of I. R. C. sec. 152(e) is to provide certainty in the allocation of dependency exemptions between divorced parents. The court rejected George's arguments that the state court order was erroneous or that John's noncompliance with support obligations should invalidate the release. The court noted that any remedy for an erroneous state court order lies with state appellate courts, not the Tax Court. Furthermore, the court highlighted that the statute's requirement for the child to receive over half of her support from her parents (plural) did not mandate that the noncustodial parent must provide that support to claim the exemption.

Disposition

The Tax Court granted the Commissioner's motion for partial summary judgment, ruling in favor of the respondent in docket No. 15083-10 and issuing an appropriate order in docket No. 6116-11.

Significance/Impact

This case underscores the strict adherence required to the statutory framework of I. R. C. sec. 152(e) for dependency exemptions in cases of divorced parents. It clarifies that a Form 8332 release, once executed, is binding regardless of the signer's belief in the propriety of the underlying state court order or the noncustodial parent's compliance with support obligations. The decision reinforces the policy goal of providing certainty and clarity in tax administration by preventing custodial parents from unilaterally revoking a release based on personal disputes. It also highlights the limited jurisdiction of the Tax Court in addressing the validity of state court orders.

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