***Charles M. Corbalis and Linda J. Corbalis v. Commissioner of Internal Revenue, 142 T. C. No. 2 (2014)***

The U. S. Tax Court ruled it has jurisdiction to review IRS denials of interest suspension under I. R. C. § 6404(g). The court determined that the IRS's Letters 3477, denying interest suspension for the Corbalises, constituted final determinations subject to judicial review under § 6404(h). This decision expands taxpayers' ability to challenge IRS decisions on interest suspension, clarifying that such denials are reviewable in the Tax Court, contrary to IRS assertions.

**Parties**

Charles M. Corbalis and Linda J. Corbalis, Petitioners, versus Commissioner of Internal Revenue, Respondent.

**Facts**

The Corbalises sought judicial review of IRS Letters 3477, which denied their claim for interest suspension under I. R. C. § 6404(g) for tax years 1996, 1997, 1998, and 1999. The IRS's denial was based on the effective date of § 6404(g) and the nature of the tax liability reported. The letters also claimed that the judicial review provisions of § 6404(h) did not apply to § 6404(g) denials, and thus, the Corbalises could not seek judicial review. The Corbalises had filed Forms 1045 for tentative refunds, which led to an examination of their returns for the years in question. The IRS also issued Letters 2289 denying a concurrent claim for interest abatement under § 6404(e), stating that those letters were not final determinations.

**Procedural History**

The Corbalises filed a petition in the U. S. Tax Court seeking review of the IRS's Letters 3477, asserting jurisdiction under § 6404(h) and Rule 280. The Commissioner moved to dismiss for lack of jurisdiction, arguing that § 6404(h) does not apply to § 6404(g) denials and that the Letters 3477 were not final determinations due to ongoing proceedings related to § 6404(e). The Tax Court considered the motion, analyzing the statutory framework and the IRS's interpretation of the applicable law.

**Issue(s)**

Whether the U. S. Tax Court has jurisdiction under I. R. C. § 6404(h) to review the Commissioner's denial of interest suspension under I. R. C. § 6404(g)?

Whether the IRS's Letters 3477 constituted final determinations for the purposes of § 6404(h)?

**Rule(s) of Law**

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I. R. C. § 6404(h) grants the Tax Court jurisdiction to review the Commissioner's failure to abate interest as an abuse of discretion, applicable to actions brought within 180 days after the mailing of the final determination not to abate interest. I. R. C. § 6404(g) mandates the suspension of interest if the IRS fails to provide a notice of liability within 36 months after the later of the return's filing date or due date. Revenue Procedure 2005-38, § 2. 05, asserts that § 6404(h) does not apply to § 6404(g) denials unless related to an unreasonable error or delay under § 6404(e).

**Holding**

The Tax Court held that it has jurisdiction under § 6404(h) to review denials of interest suspension under § 6404(g). The court also found that the Letters 3477 were final determinations for the purposes of § 6404(h), despite ongoing proceedings related to § 6404(e).

**Reasoning**

The court rejected the Commissioner's argument that § 6404(h) does not apply to § 6404(g) denials, finding no statutory basis for such an exclusion. The court reasoned that "abatement" under § 6404 includes "suspension," and thus, the Tax Court's jurisdiction extends to § 6404(g) denials. The court also dismissed the IRS's reliance on Revenue Procedure 2005-38, noting it lacked reasoning and could not override statutory provisions. The court emphasized the strong presumption favoring judicial review of administrative actions and found no special factors in § 6404(g) that would preclude review. Regarding the finality of the Letters 3477, the court held that these constituted final determinations because they denied the Corbalises' claim and disavowed their right to judicial review, leaving them with no further recourse. The court distinguished the ongoing § 6404(e) proceedings as separate from the § 6404(g) claim, noting that delaying a petition on § 6404(g) could result in it being untimely under § 6404(h)(1).

**Disposition**

The Tax Court denied the Commissioner's motion to dismiss, affirming its jurisdiction to review the IRS's denial of interest suspension under § 6404(g) and recognizing the finality of the IRS's Letters 3477 for judicial review purposes.

**Significance/Impact**

This decision significantly impacts taxpayers by clarifying that they may seek judicial review in the Tax Court for IRS denials of interest suspension under § 6404(g). It challenges the IRS's interpretation of the law as stated in Revenue Procedure 2005-38, reinforcing the statutory right to judicial review under § 6404(h). The ruling expands the scope of Tax Court jurisdiction, potentially leading to more cases challenging IRS interest suspension decisions and influencing future IRS policies and procedures related to interest suspension and abatement.

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