Charles M. Corbalis and Linda J. Corbalis v. Commissioner of Internal Revenue, 142 T. C. 46, United States Tax Court (2014)

In Corbalis v. Commissioner, the U. S. Tax Court ruled it has jurisdiction to review IRS denials of interest suspension under I. R. C. § 6404(g). The case involved taxpayers seeking judicial review of IRS decisions not to suspend interest on tax liabilities for certain years. The IRS argued that such decisions were not subject to judicial review. The Tax Court's decision clarifies that its jurisdiction extends to interest suspension issues, impacting how taxpayers can challenge IRS determinations regarding interest on tax liabilities.

Parties

Charles M. Corbalis and Linda J. Corbalis, the petitioners, sought judicial review against the Commissioner of Internal Revenue, the respondent, in the United States Tax Court.

Facts

Charles M. Corbalis and Linda J. Corbalis filed a petition in the United States Tax Court seeking review of four IRS Letters 3477, dated October 11, 2012, which denied their claim for interest suspension under I. R. C. § 6404(g) for the taxable years 1996, 1997, 1998, and 1999. The IRS determined that interest suspension did not apply because it was not effective for the years in question and did not apply to liabilities reported on returns. The petitioners' claim was related to a disallowed loss carried back from the year 2001, which affected their tax liabilities for the earlier years. Additionally, the petitioners had concurrent claims for interest abatement under I. R. C. § 6404(e), which were still under administrative review at the time of the petition.

Procedural History

The petitioners filed their petition in the U. S. Tax Court after receiving the IRS Letters 3477. The Commissioner moved to dismiss the case for lack of jurisdiction, arguing that the Tax Court did not have jurisdiction to review denials of interest suspension under I. R. C. § 6404(g). The petitioners asserted jurisdiction under I. R. C. § 6404(h) and Tax Court Rule 280, arguing that they met the net worth requirements under I. R. C. § 7430(c)(4)(A)(ii). The Tax Court considered the motion to dismiss and the arguments presented by both parties.

Issue(s)

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

Whether the IRS Letters 3477 constituted final determinations for purposes of I. R. C. § 6404(h)(1)?

© 2025 SCOTUSreports.com. All rights reserved.

Rule(s) of Law

I. R. C. § 6404(h) grants the Tax Court jurisdiction to review the Commissioner's failure to abate interest under § 6404, provided the taxpayer meets the requirements under I. R. C. § 7430(c)(4)(A)(ii) and the action is brought within 180 days after the mailing of the Commissioner's final determination.

I. R. C. § 6404(g) mandates the suspension of interest, penalties, additions to tax, or additional amounts if the IRS does not provide notice to the taxpayer specifying the liability and its basis within 36 months after the later of the date the return is filed or its due date.

Holding

The U. S. Tax Court has jurisdiction under I. R. C. § 6404(h) to review denials of interest suspension under I. R. C. § 6404(g). The IRS Letters 3477 were final determinations for purposes of I. R. C. § 6404(h)(1), despite the petitioners' concurrent claims for interest abatement under I. R. C. § 6404(e) being still pending.

Reasoning

The Tax Court reasoned that the term "abatement" in I. R. C. § 6404(h) includes "suspension" under § 6404(g), as both involve the cessation of interest accrual. The court rejected the IRS's argument that the use of "shall" in § 6404(g) precluded judicial review, noting that similar language in other sections of § 6404 did not preclude review. The court also emphasized the strong presumption of judicial reviewability of administrative actions and found no special factors distinguishing interest suspension from other issues over which the court has jurisdiction. The court further held that the Letters 3477 were final determinations because they explicitly denied the petitioners' claim for interest suspension and disavowed their right to judicial review, leaving them without further recourse. The court distinguished the ongoing administrative proceedings related to the § 6404(e) claim as not affecting the finality of the § 6404(g) determination. The court also noted that the petitioners' net worth and other qualifications to maintain the action would be addressed in subsequent proceedings, as such issues are inherently subject to proof.

Disposition

The Tax Court denied the Commissioner's motion to dismiss for lack of jurisdiction.

Significance/Impact

This decision expands the scope of Tax Court jurisdiction to include review of IRS determinations regarding interest suspension under I. R. C. § 6404(g). It clarifies that taxpayers can challenge such determinations in the Tax Court, provided they meet the statutory requirements. The ruling also underscores the court's role in ensuring the IRS adheres to statutory deadlines for contacting taxpayers about their

© 2025 SCOTUSreports.com. All rights reserved.

tax liabilities, thereby affecting the administration of interest on tax liabilities and potentially influencing future IRS practices and taxpayer rights.

© 2025 SCOTUSreports.com. All rights reserved.