Anonymous v. Commissioner of Internal Revenue, 145 T. C. 246 (U. S. Tax Ct. 2015)

In a unanimous ruling, the U. S. Tax Court mandated the disclosure of an IRS revocation letter and accompanying examination report under I. R. C. § 6110, rejecting the petitioner's arguments that the documents were rendered null by subsequent withdrawal. This decision underscores the broad interpretation of "written determinations" subject to public inspection, affirming the IRS's right to disclose such documents despite post-issuance settlements or withdrawals, with only statutorily defined deletions permitted.

Parties

Anonymous, the Petitioner, sought judicial review against the Commissioner of Internal Revenue, the Respondent, regarding the disclosure of an IRS determination letter and report. The case was heard in the United States Tax Court.

Facts

The IRS initially recognized the Petitioner, a nonprofit corporation, as tax-exempt under I. R. C. § 501(c)(3). Following an audit, the IRS proposed to revoke this status retroactively, leading to the issuance of a final adverse determination letter (First Revocation Letter) on Date 4, accompanied by an examination report. This letter and report were sent to the Petitioner via certified mail, detailing the IRS's findings on four issues, including private inurement, justifying the revocation.

Subsequently, the Petitioner and the IRS reached a settlement through a closing agreement on Date 5. The agreement required the Petitioner not to contest the revocation for prior years and to make a lump-sum payment for its tax obligations. In return, the IRS withdrew the First Revocation Letter and agreed to process a new application for tax-exempt status filed by the Petitioner on Date 3. The IRS later granted the new application and issued a second revocation letter (Second Revocation Letter) on Date 6, which revoked the Petitioner's exemption retroactively but did not include the examination report.

The Second Revocation Letter, properly redacted, was made available for public inspection. The Petitioner then filed an action under I. R. C. § 6110(f)(3) to restrain the disclosure of the First Revocation Letter and its examination report, arguing that their withdrawal nullified the issuance obligation.

Procedural History

The Petitioner filed a petition in the U. S. Tax Court to restrain the disclosure of the First Revocation Letter and accompanying examination report. The case was submitted fully stipulated under Tax Court Rule 122. The court reviewed the matter and issued a decision for the Respondent, upholding the disclosure of the documents as required under I. R. C. § 6110(a).

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Issue(s)

Whether the First Revocation Letter and its accompanying examination report constitute a "written determination" that was "issued" to the Petitioner, thereby mandating public disclosure under I. R. C. § 6110(a)?

Whether the IRS's withdrawal of the First Revocation Letter and report prior to disclosure renders these documents non-disclosable under I. R. C. § 6110?

Whether the portion of the examination report discussing private inurement can be withheld from public disclosure?

Rule(s) of Law

I. R. C. § 6110(a) mandates that "any written determination" and related background file documents be open to public inspection, except as otherwise provided in § 6110.

I. R. C. § 6110(b)(1)(A) defines "written determination" as a ruling, determination letter, technical advice memorandum, or Chief Counsel advice.

26 C. F. R. § 301. 6110-2(d) defines a "ruling" as a written statement issued by the National Office to a taxpayer that interprets and applies tax laws to specific facts.

26 C. F. R. § 301. 6110-2(h) states that issuance of a written determination occurs upon mailing of the ruling or determination letter to the person to whom it pertains.

Holding

The U. S. Tax Court held that the First Revocation Letter and its accompanying examination report constitute a "written determination" that was "issued" to the Petitioner, thus requiring public disclosure under I. R. C. § 6110(a). The court further held that the IRS's withdrawal of these documents post-issuance did not nullify the disclosure obligation. Additionally, the court determined that the portion of the examination report discussing private inurement cannot be withheld from public disclosure beyond the deletions required by I. R. C. § 6110(c).

Reasoning

The court's reasoning centered on the unambiguous language of I. R. C. § 6110 and its implementing regulations. The First Revocation Letter and its accompanying report were deemed a "ruling" under 26 C. F. R. § 301. 6110-2(d) because they were issued by the IRS National Office, recited relevant facts, applied the law to these facts, and communicated a final decision on the Petitioner's tax-exempt status. The court rejected the Petitioner's argument that the IRS's withdrawal of these documents post-issuance rendered them non-disclosable, citing the regulation's clear definition of "issuance" as occurring upon mailing to the taxpayer.

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The court also addressed the Petitioner's contention that the IRS's withdrawal of the private inurement issue justified withholding that section of the report. The court found no legal basis for such an exception under I. R. C. § 6110(c), which specifies the deletions required before public disclosure. The court emphasized the broad interpretation of "any written determination" under § 6110(a) and the lack of any statutory exception for documents withdrawn as part of a settlement.

Furthermore, the court considered but dismissed the Petitioner's reference to the Internal Revenue Manual's provision for correcting errors in written determinations before disclosure, noting that this provision does not apply to substantive changes in legal reasoning or findings of fact, nor does it override the regulations' clear requirement for disclosure of issued written determinations.

Disposition

The U. S. Tax Court entered a decision for the Respondent, mandating the public disclosure of the First Revocation Letter and its accompanying examination report, subject to the deletions agreed upon by the parties under I. R. C. § 6110(c).

Significance/Impact

This case reinforces the broad scope of I. R. C. § 6110's disclosure requirements for IRS written determinations, clarifying that such documents remain subject to public inspection even after their withdrawal or modification through settlement agreements. It underscores the limited jurisdiction of the Tax Court in disclosure actions to determine the propriety of deletions rather than the validity of the underlying determinations. The ruling also highlights the IRS's discretion in handling tax-exempt status issues and the public's right to access information on such decisions, subject to statutorily defined privacy protections. Subsequent cases have cited this decision in affirming the necessity of disclosing written determinations unless explicitly exempted by the statute, impacting how taxpayers and the IRS approach disputes over tax-exempt status and related disclosures.

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