Jacobson v. Commissioner, 148 T. C. 4 (2017)

In Jacobson v. Commissioner, the U. S. Tax Court allowed Elizabeth M. Jacobson to voluntarily dismiss her petition for review of the IRS's denial of her whistleblower award claim. The court applied principles from Wagner v. Commissioner, finding no prejudice to the IRS from the dismissal. This ruling underscores the court's discretion to grant voluntary dismissals in whistleblower cases, ensuring that the IRS's original decision to deny the award remains binding on the petitioner.

Parties

Elizabeth M. Jacobson was the petitioner at the trial level in the United States Tax Court. The respondent was the Commissioner of Internal Revenue.

Facts

Elizabeth M. Jacobson, a Maryland resident, filed a Form 211 with the IRS Whistleblower Office in October 2011, seeking a whistleblower award. On May 11, 2015, the IRS issued a preliminary decision denying her claim, to which Jacobson responded with comments on July 10, 2015. Following review of her comments, the IRS issued a final determination on July 17, 2015, denying her claim on the grounds that no action was taken based on the information provided by Jacobson. Subsequently, on August 17, 2015, Jacobson filed a timely petition for review under I. R. C. sec. 7623(b)(4). On November 18, 2016, she moved to withdraw her petition, which the court treated as a motion for voluntary dismissal.

Procedural History

Jacobson filed her petition for review in the United States Tax Court on August 17, 2015, following the IRS's final determination on July 17, 2015. On November 18, 2016, she filed a motion to withdraw her petition, which was treated as a motion for voluntary dismissal. The Commissioner did not object to this motion. The court, applying the principles from Wagner v. Commissioner, 118 T. C. 330 (2002), and considering the lack of prejudice to the Commissioner, granted Jacobson's motion for voluntary dismissal on February 8, 2017.

Issue(s)

Whether the United States Tax Court should grant the petitioner's motion for voluntary dismissal of her whistleblower award case, where the respondent does not object and would suffer no prejudice from such dismissal.

Rule(s) of Law

The court applied the principle established in Wagner v. Commissioner, 118 T. C. 330 (2002), which allows for voluntary dismissal of cases where no prejudice to the respondent would result. Specifically, the court noted that under Fed. R. Civ. P.

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41(a)(2), dismissal is permitted at the discretion of the court unless the defendant will suffer clear legal prejudice.

Holding

The United States Tax Court held that because the Commissioner would suffer no prejudice from the dismissal of Jacobson's petition for review of her whistleblower award claim, the court would grant her motion for voluntary dismissal.

Reasoning

The court's reasoning was grounded in the principle established in Wagner v. Commissioner, which allows for voluntary dismissal when no prejudice to the respondent would result. The court considered that the IRS would not face duplicative litigation, as the time for seeking judicial review of the IRS's determination had expired. Additionally, the court noted that the IRS's original determination to deny Jacobson's claim would remain binding on her post-dismissal. The court also referenced Davidson v. Commissioner, 144 T. C. 273 (2015), which extended Wagner's logic to other types of cases, reinforcing the court's discretion in granting voluntary dismissals. The court weighed the equities and found no clear legal prejudice to the Commissioner, thus exercising its discretion to grant the dismissal.

Disposition

The United States Tax Court granted Jacobson's motion for voluntary dismissal, and an appropriate order of dismissal was entered.

Significance/Impact

The Jacobson case reaffirms the United States Tax Court's discretion to grant voluntary dismissals in whistleblower award cases, aligning with precedents set in Wagner and Davidson. This ruling clarifies that petitioners may withdraw their petitions without prejudice to the respondent, provided the respondent does not object and would suffer no legal prejudice. The decision has practical implications for legal practitioners and whistleblowers, as it underscores the importance of considering the timing and implications of filing petitions for review of IRS determinations. It also highlights the binding nature of the IRS's original decision upon dismissal, ensuring that petitioners are aware of the consequences of withdrawing their claims.

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