Fowler v. Commissioner, 155 T. C. No. 7 (2020)

In Fowler v. Commissioner, the U. S. Tax Court ruled that the statute of limitations for tax assessments began when a taxpayer electronically filed a return, even though it was rejected for lacking an Identity Protection Personal Identification Number (IP PIN). This decision underscores that the filing of a return, despite subsequent rejection, triggers the three-year limitations period, impacting how the IRS must handle electronic submissions and the timeliness of deficiency notices.

Parties

Robin J. Fowler, the Petitioner, filed a petition against the Commissioner of Internal Revenue, the Respondent, in the United States Tax Court. Fowler was the taxpayer, and the Commissioner represented the IRS in this matter.

Facts

Robin J. Fowler timely filed Form 4868 to extend the due date of his 2013 federal income tax return to October 15, 2014. On that date, Fowler's tax preparer, Bennett Thrasher, LLP, electronically filed (efiled) his 2013 Form 1040. The efiled return was rejected by the IRS' Modernized e-File (MeF) system due to the absence of an IP PIN. Fowler had been a victim of identity theft and was issued an IP PIN, but he claimed not to have received it before the October 15 submission. Following the rejection, Fowler's tax preparer submitted the return on paper on October 28, 2014, which the IRS also did not process. Finally, on April 30, 2015, Fowler efiled the return again, this time including the IP PIN, and it was accepted by the IRS. On April 5, 2018, the IRS issued a notice of deficiency for the 2013 tax year. Fowler challenged this notice, arguing that the statute of limitations had expired.

Procedural History

Fowler filed a petition in the U. S. Tax Court challenging the IRS's notice of deficiency for the 2013 tax year. The Commissioner moved for partial summary judgment, asserting that the statute of limitations had not expired. Fowler cross-moved for summary judgment, arguing that the October 15, 2014, submission triggered the statute of limitations. The Tax Court granted Fowler's motion for summary judgment and denied the Commissioner's motion, holding that the statute of limitations had expired before the issuance of the deficiency notice.

Issue(s)

Whether the October 15, 2014, submission of Fowler's 2013 tax return, which was rejected for not including an IP PIN, triggered the running of the three-year statute of limitations under I. R. C. § 6501(a).

Rule(s) of Law

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The three-year statute of limitations for tax assessments under I. R. C. § 6501(a) begins when a taxpayer files a return that meets the requirements of a "return" as defined by the Beard test and is "properly filed". The Beard test requires that: (1) the document purports to be a return and provides sufficient data to calculate tax liability; (2) the taxpayer makes an honest and reasonable attempt to satisfy the requirements of the tax law; and (3) the taxpayer executes the document under penalties of perjury. A return is "properly filed" when it is physically delivered to the correct IRS office.

Holding

The Tax Court held that Fowler's October 15, 2014, submission constituted a "required return" under the Beard test and was "properly filed," thereby triggering the statute of limitations. The court determined that the omission of an IP PIN did not preclude the return from starting the limitations period.

Reasoning

The court's reasoning hinged on the Beard test and the concept of "proper filing. " The October 15 submission satisfied the Beard test because it purported to be a return, included sufficient data to calculate tax liability, represented an honest and reasonable attempt to comply with the tax law, and was signed electronically with a Practitioner PIN as instructed by the 2013 Form 1040 Instructions. The court rejected the Commissioner's argument that the IP PIN was part of the signature requirement, noting that IRS guidance did not explicitly characterize it as such. Regarding proper filing, the court found that the October 15 submission was delivered to the IRS' MeF system, and the IRS' subsequent rejection did not negate the fact that the return was filed. The court emphasized that the filing inquiry focuses on the mode of filing, not what the IRS received or understood. The court also considered policy implications, highlighting the importance of the statute of limitations in providing taxpayers with finality and protecting them from indefinite IRS action.

Disposition

The Tax Court granted Fowler's motion for summary judgment and denied the Commissioner's motion for partial summary judgment, holding that the statute of limitations had expired before the issuance of the notice of deficiency.

Significance/Impact

This case significantly impacts the treatment of electronic tax filings and the application of the statute of limitations. It clarifies that a taxpayer's efiled return triggers the statute of limitations upon delivery to the IRS, regardless of whether the IRS accepts or processes it. This ruling may lead to changes in IRS procedures for handling rejected electronic submissions and emphasizes the importance of timely

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processing to avoid statute of limitations issues. The case also underscores the need for clear IRS guidance on what constitutes a valid electronic signature and the role of IP PINs in the filing process. Subsequent courts and tax practitioners will likely refer to this case when addressing similar issues of electronic filing and the statute of limitations.

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