Gina C. Lewis v. Commissioner of Internal Revenue, 158 T. C. No. 3 (U. S. Tax Court 2022)

In a ruling on litigation costs under I. R. C. § 7430, the U. S. Tax Court clarified that a qualified offer must fully resolve a taxpayer's liability without reservations. Gina Lewis's offer, which conceded tax and penalties but reserved the right to claim innocent spouse relief under I. R. C. § 6015, was deemed not a qualified offer. Consequently, the court denied her request for litigation costs, emphasizing the need for clarity in offers and the substantial justification of the IRS's position.

Parties

Gina C. Lewis, the Petitioner, filed a petition against the Commissioner of Internal Revenue, the Respondent, in the U. S. Tax Court. Throughout the litigation, Lewis was represented by Steve Milgrom, and the Commissioner was represented by Vincent A. Gonzalez and Emma S. Warner.

Facts

Gina C. Lewis and her former spouse, Tim S. Lewis, filed joint federal income tax returns for the tax years 2008, 2009, and 2010. The IRS audited these returns and proposed adjustments and penalties. On December 28, 2016, Lewis submitted a letter to the IRS, designating it as a qualified offer under I. R. C. § 7430(g). In this offer, she conceded 100% of the tax and penalties proposed by the IRS but reserved the right to claim relief from joint and several liability under I. R. C. § 6015. The IRS did not accept Lewis's offer and later issued a notice of deficiency. Lewis filed a petition in the Tax Court claiming relief under I. R. C. § 6015. Despite Lewis not providing the required Form 8857 or other documentation to support her claim for innocent spouse relief, the Commissioner eventually conceded that Lewis was entitled to relief under I. R. C. § 6015(c) after settling with Tim S. Lewis. Lewis objected to the Commissioner's motion for entry of decision, arguing it was a tactic to avoid an award of litigation costs. She subsequently moved for litigation costs under I. R. C. § 7430.

Procedural History

After the IRS audit and issuance of a notice of deficiency for the tax years 2008, 2009, and 2010, Gina C. Lewis filed a timely petition in the U. S. Tax Court. In her amended petition, she elected benefits under I. R. C. § 6015(b) and (c). The Commissioner responded by indicating that he would review her request for innocent spouse relief. Despite requests from the Commissioner, Lewis did not provide Form 8857 or supporting documentation. After settling with Tim S. Lewis, the Commissioner conceded that Gina C. Lewis was entitled to relief under I. R. C. § 6015(c) and moved for entry of decision reflecting no liabilities for the years in issue. Lewis objected to this motion and moved for litigation costs under I. R. C. § 7430. The Tax Court denied her motion for litigation costs.

© 2025 SCOTUSreports.com. All rights reserved.

Issue(s)

Whether an offer that reserves the right to claim relief from joint and several liability under I. R. C. § 6015 qualifies as a "qualified offer" under I. R. C. § 7430(g)(1)(B)?

Whether the Commissioner's position in the proceeding was substantially justified under I. R. C. § 7430(c)(4)(B)(i)?

Rule(s) of Law

Under I. R. C. § 7430(g)(1), a qualified offer must be a written offer made during the qualified offer period, specify the offered amount of the taxpayer's liability (determined without regard to interest), be designated as a qualified offer, and remain open for a specified period. Treasury Regulation § 301. 7430-7(c)(3) further requires that the specified amount must be an amount that, if accepted, would fully resolve the taxpayer's liability for the type and years at issue. I. R. C. § 6015 provides relief from joint and several liability for spouses filing joint returns, allowing relief from the underlying tax liability, not just collection.

Holding

The U. S. Tax Court held that Gina C. Lewis's offer was not a qualified offer under I. R. C. § 7430(g)(1)(B) because it reserved the right to claim relief under I. R. C. § 6015, failing to specify an amount that would fully resolve her liability. Additionally, the court held that the Commissioner's position was substantially justified under I. R. C. § 7430(c)(4)(B)(i) due to Lewis's failure to provide the required documentation for innocent spouse relief.

Reasoning

The court reasoned that Lewis's offer did not meet the requirements of a qualified offer because it did not specify the offered amount of her liability as required by I. R. C. § 7430(g)(1)(B) and Treasury Regulation § 301. 7430-7(c)(3). The court emphasized that I. R. C. § 6015 provides relief from liability, not just collection, and thus Lewis's reservation of the right to claim such relief affected her liability. The court rejected Lewis's argument that her offer should be considered without regard to the potential application of I. R. C. § 6015, noting that her offer explicitly reserved the right to claim relief under this section. The court also found that the Commissioner's position was substantially justified because Lewis did not provide the required Form 8857 or other documentation to support her claim for innocent spouse relief, and the Commissioner's ultimate concession was based on a settlement with Lewis's former spouse, not on documentation provided by Lewis.

Disposition

The U. S. Tax Court denied Gina C. Lewis's motion for litigation costs under I. R. C. §

© 2025 SCOTUSreports.com. All rights reserved.

7430.

Significance/Impact

This decision clarifies the requirements for a qualified offer under I. R. C. § 7430(g), emphasizing that such an offer must fully resolve the taxpayer's liability without reservations. It also underscores the importance of providing necessary documentation when seeking innocent spouse relief under I. R. C. § 6015. The ruling impacts how taxpayers structure their offers to the IRS and highlights the Commissioner's discretion to require documentation before making a determination on innocent spouse relief. The decision may influence future litigation involving qualified offers and innocent spouse relief, reinforcing the need for clear and comprehensive offers in tax disputes.

© 2025 SCOTUSreports.com. All rights reserved.