DelPonte v. Commissioner, 158 T. C. No. 7 (2022)

In DelPonte v. Commissioner, the U. S. Tax Court clarified that in deficiency proceedings where innocent-spouse relief is raised as an affirmative defense, the IRS Chief Counsel, not the Cincinnati Centralized Innocent Spouse Operation (CCISO), has the final authority to grant or deny relief. This ruling ensures that the IRS maintains consistent control over litigation decisions, impacting how taxpayers pursue innocent-spouse relief in Tax Court deficiency cases.

Parties

Michelle DelPonte, as the Petitioner, sought innocent-spouse relief against the Respondent, Commissioner of Internal Revenue, in multiple deficiency proceedings before the U. S. Tax Court. The cases were consolidated under docket numbers 1144-05, 1334-06, 20679-09, 20680-09, and 20681-09.

Facts

Michelle DelPonte was married to William Goddard, who filed joint tax returns with her for the tax years 1999, 2000, and 2001. Goddard, a lawyer involved in tax-avoidance strategies, received notices of deficiency from the IRS for these years, leading to joint and several liability for DelPonte. Unbeknownst to DelPonte, Goddard filed petitions on her behalf asserting innocent-spouse relief under I. R. C. § 6015. DelPonte learned of the deficiency proceedings in 2010, after which she hired her own counsel and ratified the petitions. The IRS's Office of Chief Counsel referred her claim to the CCISO, which determined she was entitled to relief under § 6015(c). However, the Chief Counsel sought further information and did not accept CCISO's determination, leading DelPonte to move for entry of decision granting her relief.

Procedural History

The IRS issued notices of deficiency to Goddard's law firm in 2004, 2005, and 2009, which led to petitions being filed in the U. S. Tax Court. DelPonte, unaware of these proceedings until 2010, ratified the petitions and sought innocent-spouse relief. The Office of Chief Counsel referred the claim to the CCISO, which concluded DelPonte was entitled to relief under § 6015(c). Despite this, the Chief Counsel requested additional information and did not accept CCISO's determination. DelPonte moved for entry of decision, which the court treated as a motion for partial summary judgment on the issue of her entitlement to innocent-spouse relief. The court denied the motion, holding that the Chief Counsel has final authority in deficiency cases.

Issue(s)

Whether, in a deficiency proceeding where innocent-spouse relief is raised as an affirmative defense, the IRS Chief Counsel or the CCISO has the final authority to grant or deny relief under I. R. C. § 6015?

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Rule(s) of Law

The Internal Revenue Code § 7803 authorizes the Commissioner to administer the internal revenue laws, with the Chief Counsel responsible for representing the Commissioner in cases before the Tax Court. Delegation orders allow the Chief Counsel to decide whether to defend, settle, or abandon claims in Tax Court cases. The Internal Revenue Manual (IRM) outlines procedures for processing innocent-spouse relief claims, but specifies that in deficiency cases, the Chief Counsel retains jurisdiction over the matter.

Holding

The U. S. Tax Court held that in deficiency proceedings where innocent-spouse relief is raised as an affirmative defense, the IRS Chief Counsel, not the CCISO, has the final authority to grant or deny relief under I. R. C. § 6015.

Reasoning

The court's reasoning centered on the statutory authority granted to the Chief Counsel under § 7803 and the delegation orders, which give the Chief Counsel the power to make litigation decisions in Tax Court cases. The court analyzed the historical context of innocent-spouse relief, noting that such relief was sought in deficiency proceedings before the current administrative processes existed. The court rejected DelPonte's argument that CCISO determinations should be binding, citing the discretionary language in Chief Counsel notices and the IRM, which indicate that CCISO's role is advisory in deficiency cases. The court also addressed DelPonte's fairness argument, finding it unpersuasive due to the statutory framework that assigns litigation authority to the Chief Counsel.

Disposition

The court denied DelPonte's motion for entry of decision, affirming that the Chief Counsel has the final authority in deficiency cases to grant or deny innocent-spouse relief.

Significance/Impact

The DelPonte decision clarifies the roles of the Chief Counsel and CCISO in deficiency proceedings involving innocent-spouse relief, ensuring that the IRS maintains consistent control over litigation decisions. This ruling may impact how taxpayers pursue innocent-spouse relief in Tax Court deficiency cases, emphasizing the importance of the Chief Counsel's role in such proceedings. The decision reinforces the statutory framework and delegation orders governing the IRS's internal operations, potentially affecting the procedural strategies of taxpayers seeking relief under I. R. C. § 6015 in deficiency cases.

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