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

In DelPonte v. Commissioner, the U. S. Tax Court clarified the authority of IRS counsel in handling innocent-spouse relief claims raised as affirmative defenses in deficiency proceedings. The court ruled that IRS counsel retains final authority to settle or litigate such claims, even after the Cincinnati Centralized Innocent Spouse Operation (CCISO) recommends relief. This decision underscores the procedural distinctions between different avenues for seeking innocent-spouse relief and their implications for taxpayers.

Parties

Michelle DelPonte, as Petitioner, sought innocent-spouse relief from joint tax liabilities with her ex-husband, William Goddard. The Commissioner of Internal Revenue, as Respondent, contested the relief through IRS counsel.

Facts

Michelle DelPonte and William Goddard, who were married, filed joint tax returns for the years 1999, 2000, and 2001. During their marriage, Goddard engaged in aggressive tax-avoidance strategies, leading to IRS notices of deficiency for those years. DelPonte was unaware of these deficiencies until 2010, despite Goddard filing petitions on her behalf asserting innocent-spouse relief under I. R. C. § 6015. In April 2011, DelPonte's claim for innocent-spouse relief was referred by IRS Chief Counsel to CCISO, which concluded she was entitled to relief under § 6015(c). However, IRS counsel sought additional information before making a final determination, which DelPonte refused to provide, instead moving for entry of decision granting her relief.

Procedural History

DelPonte's case was part of a larger set of deficiency proceedings involving Goddard and his business partner, David Greenberg. The Tax Court bifurcated the litigation in 2010 to first address the deficiency amounts and then DelPonte's innocent-spouse relief. In May 2018, the Tax Court upheld the deficiencies but severed DelPonte's cases in January 2020. DelPonte moved for entry of decision based on CCISO's recommendation, which the court treated as a motion for partial summary judgment.

Issue(s)

Whether IRS counsel has final authority to concede or settle innocent-spouse relief claims raised as affirmative defenses in deficiency proceedings, or whether such authority resides with CCISO.

Rule(s) of Law

The Internal Revenue Code § 7803(b)(2)(D) grants the Chief Counsel authority to

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represent the Commissioner in cases before the Tax Court, including the power to decide whether to defend, settle, or abandon claims. IRS delegation orders and the Internal Revenue Manual (IRM) outline the procedures for handling innocent-spouse relief claims in different contexts.

Holding

The Tax Court held that in deficiency proceedings where innocent-spouse relief is raised as an affirmative defense, IRS counsel retains final authority to concede or settle the issue with the petitioner, not CCISO.

Reasoning

The court reasoned that the statutory framework and delegation orders grant IRS counsel the power to make litigation decisions in Tax Court proceedings. The court analyzed the history of innocent-spouse relief and the different procedural paths available to taxpayers, noting that requests raised in deficiency cases are part of the court's broader jurisdiction to redetermine deficiencies. The court interpreted Chief Counsel notices and the IRM, concluding that CCISO's role in such cases is advisory, and IRS counsel retains discretion to adopt or reject CCISO's recommendations. The court rejected DelPonte's arguments based on fairness, stating that it could not alter the statutory scheme to ensure equal treatment across different relief paths.

Disposition

The Tax Court denied DelPonte's motion for entry of decision, affirming that IRS counsel has the final authority to handle innocent-spouse relief claims in deficiency proceedings.

Significance/Impact

DelPonte v. Commissioner clarifies the procedural roles within the IRS concerning innocent-spouse relief in deficiency cases. The decision may impact how taxpayers approach their relief strategies, particularly those who first seek relief in deficiency proceedings. It reinforces the importance of understanding the procedural nuances of seeking relief under different IRS mechanisms and could influence future legislative or regulatory adjustments to ensure more equitable treatment across all innocent-spouse relief pathways.

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