

## ***Tice v. Commissioner, 160 T. C. No. 8 (2023)***

In *Tice v. Commissioner*, the U. S. Tax Court ruled that a U. S. citizen who claimed residency in the U. S. Virgin Islands (USVI) but was not a bona fide resident must file tax returns with both the U. S. and the USVI to trigger the statute of limitations. The court denied the taxpayer's motion for summary judgment, affirming that without filing with the IRS, the statute of limitations does not begin, and the IRS can issue a notice of deficiency at any time.

### **Parties**

David W. Tice, the Petitioner, was the taxpayer in this case. The Commissioner of Internal Revenue, the Respondent, represented the interests of the U. S. government in the proceedings. Tice was the plaintiff at the trial level, and the Commissioner was the defendant.

### **Facts**

David W. Tice, a U. S. citizen, filed income tax returns for the years 2002 and 2003 with the Virgin Islands Bureau of Internal Revenue (VIBIR), claiming residency in the U. S. Virgin Islands (USVI). The Internal Revenue Service (IRS) determined that Tice was not a bona fide resident of the USVI under I. R. C. § 932(c) but rather a U. S. citizen required to file returns with both the United States and the USVI under I. R. C. § 932(a). Consequently, the IRS issued a notice of deficiency in 2015, asserting that Tice owed additional taxes for those years.

### **Procedural History**

Tice filed a motion for summary judgment in the U. S. Tax Court, arguing that the statute of limitations under I. R. C. § 6501(a) began to run upon his filing of returns with the VIBIR, thereby making the 2015 notice of deficiency untimely. The court considered the motion under the assumption that Tice was not a bona fide USVI resident. The Tax Court reviewed the case de novo, applying the standard of review for summary judgment motions.

### **Issue(s)**

Whether a U. S. citizen, who is not a bona fide resident of the USVI under I. R. C. § 932(c), triggers the statute of limitations under I. R. C. § 6501(a) by filing income tax returns only with the VIBIR for taxable years ending before December 31, 2006?

### **Rule(s) of Law**

Under I. R. C. § 932(a)(2), U. S. citizens who are not bona fide residents of the USVI and have USVI-source income must file their income tax returns "with both the United States and the Virgin Islands." I. R. C. § 6501(a) provides that the IRS must assess tax within three years after the return was filed, but this period does not

begin unless the return is filed in the place required by the statute or regulations. If a return is not filed, the tax may be assessed “at any time” under I. R. C. § 6501(c)(3).

## **Holding**

The U. S. Tax Court held that a U. S. citizen who is not a bona fide resident of the USVI under I. R. C. § 932(c) does not trigger the statute of limitations under I. R. C. § 6501(a) by filing returns only with the VIBIR for taxable years ending before December 31, 2006. Consequently, the notice of deficiency could be issued “at any time” under I. R. C. § 6501(c)(3), and Tice’s motion for summary judgment was denied.

## **Reasoning**

The court’s reasoning focused on the statutory text and structure of I. R. C. § 932, which differentiates filing requirements based on the taxpayer’s residency status. For U. S. citizens who are not bona fide residents of the USVI, the statute mandates dual filing with both the U. S. and the USVI under § 932(a)(2). The court emphasized that filing only with the VIBIR does not satisfy this requirement, as it does not constitute filing with the IRS. The court rejected Tice’s argument that merely claiming to be a bona fide resident should be sufficient to trigger the statute of limitations, citing *Cooper v. Commissioner* and other precedents that require actual residency status to apply § 932(c). The court also considered but dismissed Tice’s arguments regarding the Administrative Procedure Act and due process, noting that the statutory filing requirement under § 932(a)(2) was clear and that the absence of applicable regulations for the years in issue did not alter the statutory obligation.

## **Disposition**

The U. S. Tax Court denied Tice’s motion for summary judgment, ruling that the notice of deficiency issued by the IRS in 2015 was timely under I. R. C. § 6501(c)(3) because Tice did not file the required returns with the IRS.

## **Significance/Impact**

This decision reaffirms the strict interpretation of filing requirements under I. R. C. § 932, particularly for U. S. citizens with USVI-source income who are not bona fide residents of the USVI. It underscores the importance of meticulous compliance with statutory filing requirements to trigger the statute of limitations, impacting how taxpayers and the IRS approach similar cases. The ruling aligns with precedents from other circuits and may influence future legislative or regulatory efforts to clarify filing obligations for taxpayers with territorial income.