Abdo v. Commissioner, 162 T. C. No. 7 (U. S. Tax Court 2024)

In a landmark ruling, the U. S. Tax Court held that I. R. C. § 7508A(d) provides an automatic, mandatory 60-day extension for filing a Tax Court petition in the event of a federally declared disaster. The decision invalidated Treasury Regulation § 301. 7508A-1(g)(1) and (2) to the extent it limited this extension to acts postponed by the IRS under § 7508A(a). This ruling is significant for taxpayers affected by disasters, ensuring they have an automatic extension to seek judicial review of tax deficiencies without needing IRS action.

Parties

Mohamed K. Abdo and Fardowsa J. Farah, petitioners, filed a petition against the Commissioner of Internal Revenue, respondent, in the United States Tax Court. The petitioners were designated as such throughout the litigation.

Facts

The Commissioner issued a notice of deficiency to Mohamed K. Abdo and Fardowsa J. Farah on December 2, 2019, for the taxable year 2018, specifying March 2, 2020, as the last day to file a petition with the Tax Court. The petitioners, residents of Ohio, mailed their petition on March 17, 2020. On March 31, 2020, a major disaster declaration was issued for Ohio under the Robert T. Stafford Disaster Relief and Emergency Assistance Act due to the COVID-19 pandemic, effective from January 20, 2020. The petitioners argued that I. R. C. § 7508A(d) provided an automatic 60-day extension to file their petition due to the disaster declaration, while the Commissioner contended that the petition was untimely under I. R. C. § 6213(a) and § 7502.

Procedural History

The Commissioner filed a Motion to Dismiss for Lack of Jurisdiction on September 2, 2020, asserting that the petitioners' filing was untimely. The petitioners responded and supplemented their objection, contending that § 7508A(d) extended their filing deadline. The Treasury Department issued final regulations regarding § 7508A(d) on June 11, 2021, which the Commissioner argued should apply and limit the acts subject to the mandatory postponement period. The Tax Court ordered the parties to address the applicability of these regulations and the level of deference they should receive. After reviewing the briefs, the Tax Court proceeded to rule on the Commissioner's motion.

Issue(s)

Whether I. R. C. § 7508A(d) provides a mandatory and automatic 60-day extension for filing a petition with the Tax Court in the context of a federal disaster declaration containing an incident date?

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Whether Treasury Regulation § 301. 7508A-1(g)(1) and (2) is valid to the extent it limits the acts subject to the mandatory postponement period under § 7508A(d)?

Rule(s) of Law

I. R. C. § 7508A(d) provides that in the case of any qualified taxpayer, the period beginning on the earliest incident date specified in the disaster declaration and ending on the date which is 60 days after the latest incident date shall be disregarded in the same manner as a period specified under § 7508A(a). A qualified taxpayer includes an individual whose principal residence is located in a disaster area. Treasury Regulation § 301. 7508A-1(g)(1) and (2) limits the acts subject to the mandatory postponement period under § 7508A(d) to those determined to be postponed by the Secretary's exercise of authority under § 7508A(a) or (b).

Holding

The Tax Court held that I. R. C. § 7508A(d) provides an unambiguously self-executing postponement period for the filing of a petition with the Tax Court for a redetermination of a deficiency. The Court further held that Treasury Regulation § 301. 7508A-1(g)(1) and (2) is invalid to the extent it limits the non-pension-related acts subject to the mandatory 60-day postponement period to those determined to be postponed by the Secretary under § 7508A(a). Consequently, the petitioners were entitled to an automatic, mandatory 60-day extension from January 20, 2020, to at least March 20, 2020, to file their petition, making their filing timely and the Court having jurisdiction over the case.

Reasoning

The Court's reasoning focused on the statutory interpretation of § 7508A(d). The Court noted the contrast between the discretionary language of § 7508A(a) and the mandatory language of § 7508A(d), concluding that Congress intended the latter to provide an automatic, mandatory extension for qualified taxpayers. The Court rejected the Commissioner's argument that the statute was ambiguous, emphasizing that the "in the same manner" language of § 7508A(d)(1) incorporates all the acts referenced by § 7508A(a), including filing a Tax Court petition. The Court also found that the regulation limiting the acts subject to the extension was inconsistent with the statute's plain language and purpose, thus invalidating it to the extent it conflicted with § 7508A(d). The Court considered the Chevron framework but concluded that deference to the regulation was unwarranted given the clear statutory language. The Court also noted that the automatic extension under § 7508A(d) operates independently of any discretionary extension under § 7508A(a), ensuring taxpayers a period to seek judicial review without needing IRS action.

Disposition

The Tax Court denied the Commissioner's Motion to Dismiss for Lack of Jurisdiction,

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affirming that the petitioners' filing was timely under I. R. C. § 7508A(d).

Significance/Impact

This decision significantly impacts taxpayers affected by federally declared disasters by ensuring an automatic, mandatory 60-day extension to file a Tax Court petition without the need for IRS action. It clarifies the scope of § 7508A(d) and invalidates a conflicting Treasury Regulation, providing a clear rule for practitioners and taxpayers. The ruling may influence how future disaster-related tax deadlines are handled and underscores the importance of statutory language over regulatory interpretations when they conflict. The decision also reinforces the Tax Court's jurisdiction in deficiency cases by ensuring timely filings under the statute's terms.

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