



Congress Approves Measure to Establish the Right of “Innocent Spouses” to Have Their Appeals Heard in Tax Court

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Washington, DC – The U.S. Congress has approved a measure to allow “innocent spouses” to have their appeals heard in Tax Court, U.S. Senator Dianne Feinstein (D-Calif.) announced today. The bill was approved as part of the so-called “tax extenders” package approved by the Senate early Saturday morning. The House approved a companion measure last week, and the bill will now be sent to the President for his signature.

Under the current tax code, when spouses file joint tax returns, but only one party is guilty of tax fraud or evasion, the “innocent spouse” still may be forced to relinquish assets or have their wages garnished.

The Internal Revenue Service (IRS) allows individuals to petition for innocent spouse equitable relief to reduce their liability for taxes and penalties. However, there is currently no legal recourse available if the IRS decides to hold them equally financially responsible for their spouse’s failure to pay taxes.

The bill approved by the Congress will provide the Tax Court the jurisdiction to hear these appeals. In this year alone, as many as 12,000 Americans who applied for innocent spouse relief would be affected if this bill became law.

“Tens of thousands of innocent spouses each year must share the burden of financial penalties when their husband or wife fails to pay taxes, without a chance to appeal. In some cases, battered ex-wives are being forced to relinquish assets or have their wages garnished by the IRS even though it was their husband who was guilty of tax fraud or evasion,” Senator Feinstein said.

“One story in particular provides a stunning example of the scope of this problem. It involves a woman from California who was abused by her former husband and has been forced, nonetheless, to share in the penalties of his failure to pay his taxes. During the course of their marriage, she signed joint tax returns under duress, although she knew that he was not paying his taxes. She applied for innocent spouse relief, but her application was denied by the IRS. Because the Tax Court does not currently have jurisdiction to hear appeals on cases of this nature, she has had no recourse to prevent her wages from being garnished. Although she is now divorced from her abusive husband and trying to get back on her feet, she continues to be penalized for her husband’s mistakes.

“The bill approved today will give the Tax Court the jurisdiction needed to give this woman and other innocent spouses like her a chance to have their day in court. This legislation in no way guarantees relief. But this small step will have a profound impact on the lives of many Americans. I urge the President to sign this bill.”

Specifically, this bill:

- Expressly provides that the Tax Court has jurisdiction to review the denial of equitable innocent spouse relief under IRC section 6015(f); and
- Suspends IRS collection activity while a request for relief under IRC section 6015(f) is pending.

The Senate bill, cosponsored by Senators Jon Kyl (R-Ariz.), Jeff Bingaman (D-N.M.), John Cornyn (R-Texas), and Olympia Snowe (R-Maine), was drafted with technical assistance from the Office of the National Taxpayer Advocate and received the support of the National Taxpayers Union.

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