Two-Year Limit No Longer Applies to Many Innocent Spouse Requests

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WASHINGTON — The Internal Revenue Service today announced that it will extend help to more innocent spouses by eliminating the two-year time limit that now applies to certain relief requests.

“In recent months, it became clear to me that we need to make significant changes involving innocent spouse relief,” said IRS Commissioner Doug Shulman. “This change is a dramatic step to improve our process to make it fairer for an important group of taxpayers. We know these are difficult situations for people to face, and today’s change will help innocent spouses victimized in the past, present and the future.”

The IRS launched a thorough review of the equitable relief provisions of the innocent spouse program earlier this year. Policy and program changes with respect to that review will become fully operational in the fall and additional guidance will be forthcoming. However, with respect to expanding the availability of equitable relief:

- The IRS will no longer apply the two-year limit to new equitable relief requests or requests currently being considered by the agency.

- A taxpayer whose equitable relief request was previously denied solely due to the two-year limit may reapply using IRS Form 8857, Request for Innocent Spouse Relief, if the collection statute of limitations for the tax years involved has not expired. Taxpayers with cases currently in suspense will be automatically afforded the new rule and should not reapply.

- The IRS will not apply the two-year limit in any pending litigation involving equitable relief, and where litigation is final, the agency will suspend collection action under certain circumstances.

The change to the two-year limit is effective immediately, and details are in Notice 2011-70, posted today on IRS.gov.
Existing regulations, adopted in 2002, require that innocent spouse requests seeking equitable relief be filed within two years after the IRS first takes collection action against the requesting spouse. The time limit, adopted after a public hearing and public comment, was designed to encourage prompt resolution while evidence remained available. The IRS plans to issue regulations formally removing this time limit.

By law, the two-year election period for seeking innocent spouse relief under the other provisions of section 6015 of the Internal Revenue Code, continues to apply. The normal refund statute of limitations also continues to apply to tax years covered by any innocent spouse request.

Available only to someone who files a joint return, innocent spouse relief is designed to help a taxpayer who did not know and did not have reason to know that his or her spouse understated or underpaid an income tax liability. Publication 971, Innocent Spouse Relief, has more information about the program.