



OFFICE OF
CHIEF COUNSEL

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
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INTERNAL REVENUE SERVICE NATIONAL OFFICE FIELD SERVICE ADVICE

MEMORANDUM FOR
COUNSEL

FROM: DEBORAH A. BUTLER
ASSISTANT CHIEF COUNSEL (FIELD SERVICE)
CC:DOM:FS

SUBJECT: Collateral Estoppel

This Field Service Advice responds to your memorandum dated [redacted]. Field Service Advice is not binding on Examination or Appeals and is not a final case determination. This document is not to be cited as precedent.

LEGEND:

Court
Decedent (D)
Case

ISSUE(S):

Whether a Court opinion involving the same taxpayer has collateral estoppel consequences with respect to a pending Tax Court proceeding.

CONCLUSION:

The Internal Revenue Service and petitioner are bound by the Court's finding that Decedent's (D's) transfer was a valid inter vivos gift.

FACTS:

LAW AND ANALYSIS

Under the doctrine of collateral estoppel, a judgment in a prior suit precludes, in a second cause of action, litigation of issues actually litigated and necessary to the outcome of the first action. Parklane Hosiery Co. v. Shore, 439 U.S. 322 (1979). There are generally four prerequisites for applying the doctrine of collateral estoppel. First, the parties against whom the defense of collateral estoppel is being asserted were the same parties who prosecuted the prior action. Second, the

parties had a full and fair opportunity in the prior adjudication to litigate the issue. Third, the issue decided in the prior adjudication was identical to the issue now in question. Fourth, the prior adjudication resulted in a final judgment on the merits and the resolution of the issue now in question was an essential component of that judgment. See Commercial Union Assurance Co. v. Pucci, 523 F. Supp. 1310, 1318 (W.D. Pa. 1981).

All four prerequisites for applying the doctrine of equitable estoppel have been satisfied in this case. D's estate, against whom the defense of collateral estoppel is being asserted, was a party to the prior adjudication and D's estate claimed in the prior adjudication that the transfer was not a valid gift. The Court opinion was the result of lengthy litigation in which all parties had the full and fair opportunity to present evidence and call witnesses. The issue before the Tax Court was decided by the Court in determining the existence of the Service's estate tax lien in the quiet title action. The prior adjudication resulted in a final judgment on the merits and the resolution of the issue now in question was an essential component of that judgment. No party appealed that decision. Accordingly, the Service and petitioners are estopped from arguing in the pending proceeding that the transfer was not a valid gift. This prohibits the Service and the petitioners from arguing in the pending proceeding that the property is includible in D's gross estate.

CASE DEVELOPMENT, HAZARDS AND OTHER CONSIDERATIONS:

Due to the procedural posture of this case and the doctrine of collateral estoppel, we believe the Service is bound by the Court's decision that the conveyance of the property constituted a valid inter vivos gift and that the parties are estopped from voiding or otherwise challenging the gift on any grounds.

[REDACTED]

[REDACTED]

[REDACTED]



If you have any further questions, please call the branch telephone number.

By: _____
MELISSA LIQUERMAN
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