

## Taxpayer Denied Innocent Spouse Relief Due to Knowledge of Inaccuracy

Maren Conrad was married to Dennis Conrad until his death, then she married to Jason Mininger. A MFJ return for Mrs. Conrad and Mr. Mininger was audited by IRS resulting in a large balance due. She applied for Innocent Spouse relief and was denied. Here is a summary of this case.

Maren Conrad was married to Dennis Conrad for several years. David Gilliam prepared their income tax returns. Mr. Gilliam was known for getting his clients large tax refunds. One reason for the large refunds was losses passed through from a partnership return which Mr. Gilliam also prepared. In the case of Mrs. & Mr. Conrad the partnership was for Conrad & Associates (presumably a fictitious partnership). This partnership return showed some income and lots of expenses, resulting in a large loss.

In the year after Mr. Conrad's death, Mr. Gilliam did not prepare a partnership return, presumably because the loss was not needed on Mrs. Conrad's personal Single return. The partnership returns were again prepared beginning the following year.

After Mr. Conrad died, Mrs. Conrad amended some of the prior returns for various issues but the amendments continued to show the losses passed through from the partnership.

In 2007 Mrs. Conrad married Jason Mininger. Mr. Mininger also used Mr. Gilliam to prepare his tax returns including a return for a partnership (presumably fictitious) using Mr. Gilliam's normal scheme.

The couple continued to use Mr. Gilliam to prepare their returns. Their personal MFJ return for 2007 was audited. It included a \$284,517 loss from the partnership Conrad & Associates. IRS determined the partnership did not really exist and the expenses claimed by Conrad & Associates were not real and lowered the loss to \$0. Mrs. Conrad's brief filed with Tax Court did not argue the legitimacy of the partnership or its expenses, which led to assurance by Tax Court that the partnership did not really exist.

Mrs. Conrad later filed for divorce from Mr. Mininger in 2011 and is now asking for Innocent Spouse Relief regarding the audit of their 2007 return.

Tax Court denied her this relief. Tax Court stated Mrs. Conrad clearly should have known about the fictitious loss that was claimed. The fact that the loss offset most of her husband's large wages should have been obvious. The existence of losses on many years of prior returns including when she was single helps show she was aware of their usage and should have been aware of their inaccuracy. Mrs. Conrad argued she relied on Mr. Gilliam and Mr. Mininger to properly prepare the 2007 returns. Tax Court determined she was very likely well aware of the fictitiousness of the partnership and the loss, therefore Tax Court denied her the relief she sought.

Results – Innocent Spouse Relief denied.

Maren K. Conrad, TC Memo 2017-116. This case can be found by going to [www.ustaxcourt.gov](http://www.ustaxcourt.gov), clicking on Opinion Search and entering Conrad in the Case Name box.

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