



TaxNewsFlash

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KPMG article: Tax Court's application of strict construction rule in interpreting Treasury regulations

In *SN Worthington Holdings LLC v. Commissioner*, 163 T.C. No. 4 (2024), a partnership, after being selected for examination for its 2016 tax year, elected to have the Bipartisan Budget Act of 2015 (BBA) rules apply to the exam. The IRS argued that the partnership's election was invalid because the partnership represented, but did not prove, that it had sufficient assets to pay a potential imputed underpayment, and thus the partnership failed to comply with Treas. Reg. § 301.9100-22. The Tax Court rejected the IRS' argument and found in the taxpayer's favor, relying as part of its analysis on the strict construction rule in interpreting the regulation. The court emphasized that the IRS could have written the regulation to require partnerships to prove sufficient assets, but that is not how the regulation was written, and the regulation therefore could not be extended by implication beyond the plain reading of the regulatory language.

Read an [October 2024 article](#)* prepared by KPMG LLP that discusses the Tax Court's application of the strict construction rule in *SN Worthington*.

*This article originally appeared in *Tax Notes: Procedurally Taxing* (October 22, 2024) and is provided with permission.

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