



# TaxNewsFlash

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## U.S. Tax Court: Equitable tolling does not apply to prescribed periods for filing TEFRA petition

The U.S. Tax Court on October 21, 2025, held that equitable tolling does not apply to hold open the prescribed periods set forth in section 6226(a) or (b) for filing a TEFRA petition. At issue in the case was the statutory language of section 6226 that existed prior to amendment by the Bipartisan Budget Act of 2015 ("BBA"). References herein are to former section 6226.

The case is: *North Wall Holdings, LLC v. Commissioner*, 165 T.C. No. 9 (October 21, 2025). Read the Tax Court's [opinion](#)

### Summary

The IRS mailed a notice of final partnership administrative adjustment (FPAA) to the tax matters partner (TMP) of the taxpayer, a limited liability company (LLC) treated as a partnership for federal income tax purposes and subject to the TEFRA unified audit and litigation procedures. A notice partner of the taxpayer filed a petition in the Tax Court for readjustment 168 days after the IRS mailed the FPAA to the TMP. The IRS then moved to dismiss the notice partner's petition for lack of jurisdiction.

Under section 6226(a), a TMP may file a petition for readjustment within 90 days of the IRS's mailing of an FPAA to the TMP, and under section 6226(b)(1), a notice partner (or 5% group) may file a petition within 60 days after the close of the 90-day TMP petition period.

The Tax Court found that the text, context, and relevant historical treatment of the TEFRA 150-day petition period establishes that the period within which to file a petition for readjustment of partnership items is a jurisdictional limit. The court noted that over the past 40 years courts have historically treated the TEFRA petition deadlines as jurisdictional, and Congress has amended TEFRA during that time frame specifically to account for the jurisdictional effect of the TEFRA petition deadlines. For example, the court cites the statutory amendment to section 6226(b)(5) that deems premature notice partner petitions as being timely filed; such premature petitions were dismissed for lack of jurisdiction prior to the enactment of section 6226(b)(5).

The court further concluded that even setting aside the jurisdictional question, the complex TEFRA statutory scheme indicates that Congress did not intend for the equitable tolling doctrine to apply to untimely TEFRA petitions, and allowing equitable tolling would render the TEFRA statutory scheme unworkable. First, the court observed that allowing equitable tolling could upset the delicate balance established by the TEFRA provisions

regarding the priority of petitions filed by the TMP and petitions filed in Tax Court. Second, equitable tolling could disrupt the assessment process by forcing the IRS either to forgo making an assessment to await the adjudication of an equitable tolling dispute or to make an assessment that ultimately might be required to be abated. Third, the court notes that under the TEFRA provisions all partners are considered parties to the partnership-level proceeding thereby tying the fate of all partners to the question of whether one partner's facts support the finding of equitable tolling.

The court thus found that the deadlines set forth in section 6226 are jurisdictional and that it is not appropriate to allow equitable tolling. Because the notice partner's petition was filed more than 150 days after the FPAA was mailed to the TMP, the court concluded the petition was untimely and granted the IRS's motion to dismiss for lack of jurisdiction.

### KPMG observation

The Tax Court's opinion in *North Wall Holdings* follows on the heels of several circuit court opinions that held the petition period under section 6213(a) to challenge a notice of deficiency is not jurisdictional and therefore is subject to equitable tolling. See *Oquendo v. Commissioner*, 148 F.4th 820 (6th Cir. 2025); *Buller v. Commissioner*, No. 24-1557 (2d Cir. Aug. 14, 2025); *Culp v. Commissioner*, 75 F.4th 196 (3d Cir. 2023). In general, the circuit court opinions found the lack of a detailed statutory scheme in section 6213(a) and the absence of enumerated exceptions to the deficiency petition deadline supported the conclusion that equitable tolling was appropriate. The Tax Court found in *North Wall Holdings* that applying those rationales to the TEFRA provisions—which are highly complex in nature and provide for numerous exceptions—led to a conclusion that the TEFRA provisions are jurisdictional in nature and leave no room for equitable tolling.

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