

Tax Insights | November 9, 2023

## Tracking Tax News You Need to Know



### Tax Court: Northrop Grumman's Overseas Employee Must Pay U.S. Income Tax

A Northrop Grumman employee who worked in Australia was not entitled to exclude her salary from her gross income for U.S. tax purposes, the U.S. Tax Court [held](#). The employee signed an agreement under which she waived her rights to exclude foreign-earned income from gross income on the tax returns. In *Henaire v. Commissioner of Internal Revenue*, the Tax Court found the waiver valid and that the IRS properly signed the agreement. Even if the agreement was not valid, the taxpayer was not a qualified individual under Section 911(a), which says that a qualified individual may elect to exclude foreign-earned income tax from gross income, because the taxpayer failed to establish that her tax home was Australia (i.e., maintaining sufficiently strong familial, economic or personal ties to the foreign country).

### District Court Holds IRS Summons Seeking Bank Account Information Was Timely

The U.S. District Court for the Central District of California [held](#) that an IRS summons seeking information on a bank account of an Indian taxpayer was timely, despite a prior update of Indian law. In *Puri v. United States*, the taxpayer argued that a 2021 update of India's Finance Act lowered the statute of limitations from 16 years to 10 years. The tax years at issue were from 2003-19. The district court held the taxpayer failed to show that the revised statute of limitations applies retroactively. Under a tax treaty between India and the United States, the two countries can exchange taxpayer information to prevent double taxation and tax evasion.

### Tax Court Says IRS Abused Discretion in Closing Case

The U.S. Tax Court [held](#) the IRS Independent Office of Appeals abused its discretion when it suddenly closed a case over a tax lien because it did not give the taxpayer reasonable time to propose a payment plan for the tax liability. The office ended a taxpayer's challenge to a lien on a 2018 tax bill two days after it invited the taxpayer to propose an installment plan. In *Long v. Commissioner of Internal Revenue*, the court found that the office did not give enough time to propose an installment agreement under the Tax Code.



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