



# The APAs Reasoned-Explanation Rule and IRS Deficiency Notices

## PRACTICE AREAS

Tax

Tax Controversies

Patrick J. Smith

*Tax Notes*

January 16, 2012

The D.C. Circuit's confirmation in *Cohen* that the Administrative Procedure Act (APA) applies to the IRS raises the question of what that application will mean. The APA's arbitrary and capricious standard for judicial review of agency action incorporates a requirement that agencies provide contemporaneous reasoned explanations for their actions, which clearly applies to IRS regulations. This report contends that the APA's reasoned explanation requirement also applies to IRS deficiency notices. Pre-APA case law held that IRS deficiency notices need not contain any explanation, but this conclusion has not been reexamined in light of the act's arbitrary and capricious standard. The pre-APA conclusion that IRS deficiency notices need no explanation cannot stand when reconsidered in light of the APA's reasoned explanation requirement.

- [View Full Article](#)