

**RULE 232. DISPOSITION OF CLAIMS FOR LITIGATION AND  
ADMINISTRATIVE COSTS**

- (a) **General:** A motion for reasonable litigation or administrative costs may be disposed of in one or more of the following ways, in the discretion of the Court:
- (1) The Court may take action after the Commissioner's written response to the motion is filed. (See paragraph (b)).
  - (2) After the Commissioner's response is filed, the Court may direct that the moving party file a reply to the Commissioner's response. Additionally, the Court may direct a hearing, which will be held at a location that serves the convenience of the parties and the Court. A motion for reasonable litigation or administrative costs ordinarily will be disposed of without a hearing unless it is clear from the motion, the Commissioner's written response, and the moving party's reply that there is a bona fide factual dispute that cannot be resolved without an evidentiary hearing.
- (b) **Response by the Commissioner:** The Commissioner shall file a written response within 60 days after service of the motion. The Commissioner's response shall contain the following:
- (1) A clear and concise statement of each reason why the Commissioner alleges that the position of the Commissioner in the Court proceeding and, if the claim includes a claim for administrative costs, in the administrative proceeding, was substantially justified, and a statement of the facts on which the Commissioner relies to support each of such reasons;
  - (2) a statement whether the Commissioner agrees that the moving party has substantially prevailed with respect to either the amount in controversy or the most significant issue or set of issues presented, or is treated as the prevailing party in the case of a qualified offer made as described in Code section 7430(g), either in the Court proceeding or, if the claim includes a claim for administrative costs, in the administrative proceeding;
  - (3) a statement whether the Commissioner agrees that the moving party meets the net worth requirements, if applicable, as provided by law;
  - (4) a statement whether the Commissioner agrees that the moving party has exhausted the administrative remedies available to such party within the Internal Revenue Service;
  - (5) a statement whether the Commissioner agrees that the moving party has not unreasonably protracted the Court proceeding and,

if the claim includes a claim for administrative costs, the administrative proceeding;

- (6) a statement whether the Commissioner agrees that the amounts of costs claimed are reasonable; and
- (7) the basis for the Commissioner's disagreeing with any such allegations by the moving party.

If the Commissioner agrees with the moving party's request for a hearing, or if the Commissioner requests a hearing, then such response shall include a statement of the Commissioner's reasons why the motion cannot be disposed of without a hearing.

(c) **Conference Required:** After the date for filing the Commissioner's written response and prior to the date for filing a reply, if one is required by the Court, counsel for the Commissioner and the moving party or counsel for the moving party shall confer and attempt to reach an agreement as to each of the allegations by the parties. The Court expects that, at such conference, the moving party or counsel for the moving party shall make available to counsel for the Commissioner substantially the same information relating to any claim for attorney's fees which, in the absence of an agreement, the moving party would be required to file with the Court pursuant to paragraph (d) of this Rule.

(d) **Additional Affidavit or Declaration:** Where the Commissioner's response indicates that the Commissioner and the moving party are unable to agree as to the amount of attorney's fees that is reasonable, counsel for the moving party shall, within 30 days after service of the Commissioner's response, file an additional affidavit or declaration which shall include:

- (1) A detailed summary of the time expended by each individual for whom fees are sought, including a description of the nature of the services performed during each period of time summarized. Each such individual is expected to maintain contemporaneous, complete, and standardized time records which accurately reflect the work done by such individual. Where the reasonableness of the hours claimed becomes an issue, counsel is expected to make such time records available for inspection by the Court or by counsel for the Commissioner upon request.
- (2) The customary fee for the type of work involved. Counsel shall provide specific evidence of the prevailing community rate for the type of work involved as well as specific evidence of counsel's actual billing practice during the time period involved. Counsel may establish the prevailing community rate by affidavits or declarations of other counsel with similar qualifications reciting the precise fees they have received from clients in comparable

cases, by evidence of recent fees awarded by the courts or through settlement to counsel of comparable reputation and experience performing similar work, or by reliable legal publications.

- (3) A description of the fee arrangement with the client. If any part of the fee is payable only on condition that the Court award such fee, the description shall specifically so state.
- (4) The preclusion of other employment by counsel, if any, due to acceptance of the case.
- (5) Any time limitations imposed by the client or by the circumstances.
- (6) Any other problems resulting from the acceptance of the case.
- (7) The professional qualifications and experience of each individual for whom fees are sought.
- (8) The nature and length of the professional relationship with the client.
- (9) Awards in similar cases, if any.
- (10) A statement whether there is a special factor, such as the limited availability of qualified attorneys for the case, the difficulty of the issues presented in the case, or the local availability of tax expertise, to justify a rate in excess of the rate otherwise permitted for the services of attorneys under Code section 7430(c)(1).
- (11) Any other information counsel believes will assist the Court in evaluating counsel's claim, which may include, but shall not be limited to, information relating to the novelty and difficulty of the questions presented, the skill required to perform the legal services properly, and any efforts to settle the case.

Where there are several counsel of record, all of whom are members of or associated with the same firm, an affidavit or a declaration filed by first counsel of record or that counsel's designee (see Rule 21(b)(2)) shall satisfy the requirements of this paragraph, and an affidavit or a declaration by each counsel of record shall not be required.

- (e) **Burden of Proof:** The moving party shall have the burden of proving that the moving party has substantially prevailed or is treated as the prevailing party in the case of a qualified offer made as described in Code section 7430(g); that the moving party has exhausted the administrative remedies available to the moving party within the Internal Revenue Service; that the moving party has not unreasonably protracted the Court proceeding or, if the claim includes a claim for administrative costs, the administrative proceeding; that the moving

party meets the net worth requirements, if applicable, as provided by law; that the amount of costs claimed is reasonable; and that the moving party has substantially prevailed with respect to either the amount in controversy or the most significant issue or set of issues presented either in the Court proceeding or, if the claim includes a claim for administrative costs, in the administrative proceeding; except that the moving party shall not be treated as the prevailing party if the Commissioner establishes that the position of the Commissioner was substantially justified. See Code sec. 7430(c)(4)(B).

- (f) **Disposition:** The Court's disposition of a motion for reasonable litigation or administrative costs shall be included in the decision entered in the case. Where the Court in its opinion states that the decision will be entered under Rule 155, or where the parties have settled all of the issues other than litigation and administrative costs, the Court will issue an order granting or denying the motion and determining the amount of reasonable litigation and administrative costs, if any, to be awarded. The parties, or either of them, shall thereafter submit a proposed decision including an award of any such costs, or a denial thereof, for entry by the Court.

(As effective October 3, 2008, [130 T.C. 537–40](#); as amended, effective July 6, 2012, [139 T.C. 560–64](#). For prior history, see [79 T.C. 1155–59](#) (1982); [81 T.C. 1078–79](#) (1983); [93 T.C. 1017–21](#) (1989); [109 T.C. 676–80](#) (1997); [120 T.C. 656–60](#) (2003).)