



FEDERAL COURT ALLOWS ADVISOR LAWSUIT TO PROCEED AGAINST THE IRS

The Modoc Domicile has actively supported the effort of captive owners and managers to defeat what is clear arbitrary conduct by the IRS and an overreaching of its rulemaking authority regarding IRC 831 (b) companies. As part of that effort the Domicile has written Op Ed's, amicus briefs, and letters to Congress. In addition, it has joined calls with members of Congress and their staffs to defeat the IRS rules on 831 (s) companies. Some of our member companies and/or managers have actively fought the IRS in federal and/or tax court.

Shortly after the IRS adopted its arbitrary rules, Ryan, LLC, a global tax consulting firm out of Dallas, Texas filed a lawsuit in the Northern District of Texas seeking to overturn the IRS rules. It sued on three grounds: (1) that the rules were promulgated in excess of the Treasury Department's statutory authority; (2) that the rules are contrary to the law; and (3) that the rules are arbitrary and capricious.

The IRS filed a motion to dismiss all three claims. On November 5, 2025, Senior Judge Jane J. Boyle issued an opinion sustaining Ryan's third cause of action. While she dismissed the first two, the 3rd claim will allow the suit to go forward and challenge the IRS actions as arbitrary and capricious. For those of you who have dealt with the IRS in contested matters, you have first had experience with the Commissioner's conduct. This ruling is attached to this entry to the Commissioner's Corner along with the news blurb announcing the Judge's order