John R. Sand, 21 T.C. 1073 (1954)

The Tax Court has jurisdiction to determine a penalty for substantial understatement of estimated income tax, even if no other tax deficiency is asserted.

Summary

The Tax Court addressed the issue of its jurisdiction when a taxpayer challenged a penalty assessment for substantially underestimating estimated income tax under Section 294(d)(2) of the Internal Revenue Code, where no other tax deficiency was determined. The court held it did have jurisdiction, reasoning that the penalty was part of the tax imposed by the chapter and that denying jurisdiction would undermine the purpose of providing a forum for taxpayers to dispute tax liabilities without first paying the disputed amount. This decision clarified the scope of the Tax Court's authority to review penalty assessments even when they stand alone.

Facts

The Commissioner of Internal Revenue determined a penalty of $1,627.92 against the petitioners for substantially understating their estimated income tax for the year 1948. This was the only deficiency asserted in the notice. The petitioners moved to dismiss their own petition, arguing the Tax Court lacked jurisdiction because no other type of deficiency was determined. No evidence was introduced at the hearing.

Procedural History

The petitioners filed a petition with the Tax Court challenging the penalty assessment. They subsequently moved to dismiss their petition, contesting the court's jurisdiction over the matter because the deficiency was only for the penalty and not for the underlying tax liability. The Tax Court considered the motion based on the legal arguments presented.

Issue(s)

Whether the Tax Court has jurisdiction to determine a deficiency relating solely to a penalty for substantial understatement of estimated income tax under Section 294(d)(2) of the Internal Revenue Code, absent any determination of a deficiency in the underlying tax itself?

Holding

Yes, because the penalty under Section 294(d)(2) is considered part of the tax imposed by the chapter, and the Tax Court's jurisdiction extends to any deficiency in that tax.

Court's Reasoning

© 2025 SCOTUSreports.com. All rights reserved.

The court’s reasoning was based on several key points. First, Section 271 defines a deficiency in terms of the

© 2025 SCOTUSreports.com. All rights reserved.