Johnston v. Commissioner, 52 T. C. 792 (1969)

The Tax Court lacks jurisdiction over cases where the Commissioner has not issued a notice of deficiency.

Summary

In Johnston v. Commissioner, the Tax Court dismissed a petition for lack of jurisdiction because the Commissioner had not issued a notice of deficiency, only an account adjustment bill for underpayment of estimated tax. Charles F. Johnston, Jr. , challenged the additional tax assessed without a deficiency notice, arguing it violated due process. The court, however, upheld the validity of section 6659(b) of the Internal Revenue Code, which allows assessment of additions to tax for underpayment of estimated tax without a notice of deficiency, and dismissed the case, affirming that a notice of deficiency is required for Tax Court jurisdiction.

Facts

Charles F. Johnston, Jr. , received an Account Adjustment Bill from the IRS on January 31, 1969, assessing an additional tax of $67. 19 for underpayment of his 1967 federal income tax. The bill did not result from an audit and instructed payment within 10 days. Johnston filed a petition in the Tax Court seeking a redetermination of this additional tax, alleging the Commissioner erred in charging an excessive amount without issuing a notice of deficiency.

Procedural History

Johnston filed his petition in the U. S. Tax Court. The Commissioner moved to dismiss the case for lack of jurisdiction on May 27, 1969, arguing no statutory notice of deficiency had been sent. The court issued an order to show cause on June 3, 1969, and after receiving Johnston’s objection on July 8, 1969, dismissed the case for lack of jurisdiction on August 11, 1969.

Issue(s)

1. Whether the Tax Court has jurisdiction over a case where the Commissioner assessed an addition to tax for underpayment of estimated tax without issuing a notice of deficiency?

Holding

1. No, because section 6659(b) of the Internal Revenue Code does not require a notice of deficiency for additions to tax assessed for underpayment of estimated tax, and the Tax Court’s jurisdiction is contingent upon the issuance of such a notice.

Court’s Reasoning

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The court reasoned that under section 6659(b) of the Internal Revenue Code, as amended, a notice of deficiency is not required for additions to tax assessed for underpayment of estimated tax. The legislative history indicated Congress's intent to eliminate this requirement to streamline the assessment process. The court rejected Johnston's due process argument, stating that the law applies uniformly to all taxpayers and does not constitute a denial of due process. The court emphasized that the document Johnston received was merely an account adjustment bill, not a notice of deficiency, and thus did not confer jurisdiction on the Tax Court. The court cited previous cases affirming that a notice of deficiency is essential for Tax Court jurisdiction.

Practical Implications

This decision clarifies that the Tax Court does not have jurisdiction over cases where the IRS assesses additions to tax without issuing a notice of deficiency, particularly for underpayment of estimated tax under section 6659(b). Attorneys and taxpayers must understand that challenging such assessments requires payment of the tax and then filing a claim for refund, rather than seeking a redetermination in Tax Court. This ruling reinforces the procedural requirements for Tax Court jurisdiction and underscores the importance of the notice of deficiency in tax litigation. Subsequent cases have followed this precedent, and it has influenced how taxpayers and practitioners approach disputes over additions to tax.

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