Papa v. Commissioner, 55 T. C. 1140 (1971)

The Tax Court has jurisdiction to redetermine interest assessed at the same time as jeopardy assessments but not over post-assessment interest.

Summary

In Papa v. Commissioner, the Tax Court clarified its jurisdiction over interest related to jeopardy assessments. Frank and Mary Papa contested the Commissioner's computations of their tax deficiencies, penalties, and interest following jeopardy assessments. The court held that while it had jurisdiction to redetermine the interest assessed at the time of the jeopardy assessments, it lacked jurisdiction over post-assessment interest. The decision reinforces the limited scope of the Tax Court's authority regarding interest and highlights the importance of understanding the timing and nature of interest assessments in tax disputes.

Facts

Frank and Mary Papa faced jeopardy assessments by the Commissioner on June 22, 1962, for tax years 1957, 1958, and 1959, totaling $52,051. 50, including taxes, penalties, and interest. The Papas paid the assessed amounts in full by January 13, 1964, including additional interest accrued post-assessment. The Commissioner later filed computations under Rule 50 in accordance with the court's previous findings. The Papas disputed these computations, particularly the treatment of interest payments made after the jeopardy assessments.

Procedural History

The Tax Court had previously determined deficiencies and penalties for the years in question. Following this, the Commissioner made jeopardy assessments and the Papas paid the assessed amounts. After further proceedings, the Commissioner filed Rule 50 computations, which the Papas contested. The court reviewed the computations and the Papas' objections, leading to the current decision regarding the court's jurisdiction over interest.

Issue(s)

1. Whether the Tax Court has jurisdiction to redetermine the interest assessed at the same time as the jeopardy assessments?
2. Whether the Tax Court has jurisdiction to determine post-assessment interest on jeopardy assessments?

Holding

1. Yes, because section 6861(c) of the Internal Revenue Code grants the Tax Court jurisdiction over interest assessed at the same time as jeopardy assessments.
2. No, because the Tax Court lacks jurisdiction over post-assessment interest, as

established by prior case law.

Court's Reasoning

The court relied on section 6861(c) of the Internal Revenue Code, which explicitly grants jurisdiction to the Tax Court to redetermine the entire amount of a deficiency and all amounts assessed at the same time in connection with a jeopardy assessment. This includes interest assessed concurrently with the jeopardy assessments. However, the court cited prior cases, such as Commissioner v. Kilpatrick's Estate and Transport Manufacturing & Equipment Co. , to affirm its lack of jurisdiction over post-assessment interest. The court emphasized that while the Papas' payments included interest accrued after the jeopardy assessments, such interest was outside the court's jurisdiction. The court adopted the Commissioner's computations, which correctly reflected the interest assessed at the time of the jeopardy assessments.

Practical Implications

This decision underscores the limited jurisdiction of the Tax Court regarding interest in cases involving jeopardy assessments. Practitioners should carefully distinguish between interest assessed at the time of a jeopardy assessment and post-assessment interest, as only the former falls within the Tax Court's purview. The ruling affects how taxpayers and the IRS handle payments and disputes related to jeopardy assessments, emphasizing the importance of timely and accurate payment of assessed amounts. Subsequent cases, such as Transport Manufacturing & Equipment Co. , have reinforced this distinction, guiding future legal practice in tax disputes involving jeopardy assessments.

