Wilt v. Commissioner, 60 T. C. 977 (1973)

The U. S. Tax Court lacks jurisdiction over assessments of the 100% penalty under IRC sections 6671 and 6672 because such penalties do not require a statutory notice of deficiency.

Summary

In Wilt v. Commissioner, the Tax Court addressed its jurisdiction over a 100% penalty assessment made against Thornton D. Wilt under IRC sections 6671 and 6672 for failing to pay over withheld taxes. The court determined it lacked jurisdiction because the statutory notice of deficiency required for Tax Court jurisdiction does not apply to penalties under these sections. The case clarifies that assessments for such penalties proceed without the need for a deficiency notice, impacting how taxpayers and the IRS approach these penalties in legal proceedings.

Facts

Thornton D. Wilt was assessed a 100% penalty of $110,116. 57 under IRC sections 6671 and 6672 for failing to pay over withholding taxes collected by the Tangier Corp. for the periods ended September 30, 1969, December 31, 1969, and March 31, 1970. The IRS sent a notice and demand for payment to Wilt on the same day as the assessment. Wilt filed a petition with the Tax Court seeking a redetermination of the assessment and an injunction against its collection.

Procedural History

The IRS assessed the penalty on June 18, 1973, and sent a notice and demand for payment to Wilt. On July 10, 1973, Wilt filed a petition with the U. S. Tax Court for a redetermination of the assessment and requested an injunction against collection. The Commissioner moved to dismiss for lack of jurisdiction on July 25, 1973, arguing that no statutory notice of deficiency was issued, which is required for Tax Court jurisdiction. The court heard arguments on August 15, 1973, and subsequently granted the Commissioner’s motion to dismiss.

Issue(s)

1. Whether the Tax Court has jurisdiction over a 100% penalty assessment under IRC sections 6671 and 6672 when no statutory notice of deficiency has been issued.

Holding

1. No, because the statutory notice of deficiency requirements of IRC sections 6212(a) and 6213(a) do not apply to assessments under IRC sections 6671 and 6672, and thus the Tax Court lacks jurisdiction over such assessments.

Court’s Reasoning

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The court reasoned that its jurisdiction is limited to matters involving federal income, estate, and gift taxes, which are subject to the deficiency notice requirements of IRC sections 6212(a) and 6213(a). These sections apply only to taxes under subtitles A and B of the IRC, not to penalties under subtitle C, which includes the 100% penalty assessed under sections 6671 and 6672. The court cited Shaw v. United States and Enochs v. Green, which confirmed that no deficiency notice is required for assessments under these sections. Additionally, the court distinguished the case from Granquist v. Hackleman, noting that the latter involved a different type of penalty and had been nullified by a subsequent amendment to the IRC. The court concluded it lacked jurisdiction to hear Wilt's petition due to the absence of a deficiency notice, and thus granted the Commissioner's motion to dismiss and denied Wilt's request for an injunction.

Practical Implications

This decision clarifies that the Tax Court does not have jurisdiction over 100% penalty assessments under IRC sections 6671 and 6672 unless a statutory notice of deficiency is issued. Practitioners and taxpayers must seek relief from these assessments through other judicial avenues, such as district courts or the U. S. Court of Federal Claims. The ruling underscores the importance of understanding the procedural requirements for different types of tax assessments and penalties. It also impacts how the IRS can pursue collection of these penalties without the procedural protections afforded by a deficiency notice. Subsequent cases like DaBoul v. Commissioner have reinforced this jurisdictional limitation, emphasizing its continued relevance in tax practice.

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