Keeton v. Commissioner, 74 T. C. 377 (1980)

The IRS must exercise reasonable care and diligence to ascertain a taxpayer's correct address when it knows the taxpayer's last filed address is no longer valid, particularly after criminal tax proceedings.

Summary

Roy and Shirley Keeton were convicted of tax evasion and subsequently moved due to Roy's imprisonment and Shirley's probation. The IRS mailed a notice of deficiency to their former Missouri address, which they no longer resided at. The Tax Court held that the notice was invalid because it was not sent to the Keetons' last known address, as required by IRC section 6212(b). The IRS knew of their convictions and new locations but did not inquire further, leading to the dismissal of the case for lack of jurisdiction.

Facts

Roy and Shirley Keeton were convicted of Federal income tax evasion for the years 1970-1973. The criminal proceedings were initiated by the IRS's audit procedures. After their convictions, Roy was imprisoned in Leavenworth, Kansas, and Shirley moved nearby under probation. The IRS mailed a notice of deficiency to their former address in Winona, Missouri, which they no longer resided at after their convictions.

Procedural History

The IRS mailed a notice of deficiency to the Keetons' former address in Winona, Missouri on April 15, 1977. The Keetons filed a petition with the U. S. Tax Court on July 19, 1977, after the 90-day statutory period. The IRS moved to dismiss for lack of jurisdiction due to the late filing, and the Keetons cross-moved to dismiss, arguing the notice was invalid as it was not mailed to their last known address.

Issue(s)

1. Whether the notice of deficiency was validly mailed to the Keetons' last known address under IRC section 6212(b)?

Holding

1. No, because the IRS knew of the Keetons' convictions and subsequent change of address but failed to exercise reasonable care and diligence to ascertain their correct address before mailing the notice.

Court's Reasoning

The court emphasized that the IRS must determine a taxpayer's last known address based on all relevant circumstances, especially when it knows the address on file is

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no longer valid. Here, the IRS was aware of the Keetons' convictions and new locations due to its involvement in the criminal proceedings. The court rejected the IRS's argument that it would be an administrative burden to update addresses, noting that the IRS could have easily inquired with Federal prison and probation authorities. The court cited cases where notices were invalidated due to the IRS's knowledge of incarceration, and distinguished cases where the notice was technically defective but the taxpayer received it in time to file a petition. The IRS's mailing of a copy of the notice to Roy's attorney was insufficient, as the power of attorney only requested copies, not all communications, and was only signed by Roy.

Practical Implications

This decision requires the IRS to take reasonable steps to ascertain a taxpayer's current address when it knows the last filed address is no longer valid, particularly after criminal tax proceedings. It emphasizes the importance of the IRS's duty to provide taxpayers with a prepayment hearing, which is lost if the notice is not properly mailed. The ruling may encourage the IRS to maintain better communication with other Federal agencies to ensure accurate taxpayer addresses. It also underscores the need for taxpayers to keep the IRS informed of address changes, especially in situations involving incarceration or probation.

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