Billie E. Billman, Petitioner v. Commissioner of Internal Revenue, Respondent, 83 T. C. 534 (1984)

The IRS Form 1040 Privacy Act Notice satisfies legal requirements and does not exempt taxpayers from filing returns or paying taxes.

Summary

In Billman v. Commissioner, the U. S. Tax Court ruled against a tax protester's claims that the IRS Form 1040 Privacy Act Notice was defective and that he was exempt from federal income tax. Billie Billman, a ship pilot working for the Panama Canal Company, argued that the notice did not adequately disclose the authority for requesting his tax information and that this omission relieved him of his tax obligations. The court rejected these arguments, affirming that the notice complied with the Privacy Act and that the absence of certain statutory references did not nullify Billman's tax liability. Additionally, the court found Billman negligent in his tax reporting, upholding a 5% addition to his tax for negligence.

Facts

Billie E. Billman, a resident of Panama and a ship pilot for the Panama Canal Company, earned $39,114. 50 in 1977. He filed a Form 1040 claiming no income and seeking a refund of withheld taxes, asserting membership in the Miletus Church as a basis for his deductions. Billman challenged the IRS's authority to request tax information, claiming the Privacy Act Notice on Form 1040 was defective because it did not reference Section 6012 of the Internal Revenue Code. He also argued that the forms and notices should have been published in the Federal Register and that the statute of limitations barred any tax assessment due to an allegedly fraudulent waiver.

Procedural History

The Commissioner of Internal Revenue determined a deficiency in Billman's 1977 federal income tax and an addition to tax for negligence. Billman filed a petition in the U. S. Tax Court challenging the deficiency notice. The court heard the case and issued a decision on September 25, 1984, as amended on October 1, 1984, ruling in favor of the Commissioner.

Issue(s)

1. Whether the IRS Form 1040 Privacy Act Notice complies with the Privacy Act of 1974 by adequately disclosing the authority for requesting tax information.
2. Whether the failure to publish Forms 1040 and W-4 and related Privacy Act notices in the Federal Register exempts taxpayers from filing returns and paying taxes.
3. Whether the statute of limitations bars the assessment of Billman's 1977 tax due to an allegedly fraudulent waiver.

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Holding

1. Yes, because the Privacy Act Notice on Form 1040 adequately references the statutory authority for requesting tax information, fulfilling the requirements of the Privacy Act.
2. No, because neither the Internal Revenue Code nor the Privacy Act requires the publication of these forms and notices in the Federal Register.
3. No, because there was no credible evidence that Billman's waiver to extend the statute of limitations was obtained fraudulently.

Court's Reasoning

The court found that the Form 1040 Privacy Act Notice met the Privacy Act's requirements by citing Sections 6001, 6011, and 6109 of the Internal Revenue Code, which authorize the IRS to request tax information. The court dismissed Billman's argument that the omission of Section 6012 invalidated the notice, stating that the included sections were sufficient to establish the IRS's authority. The court also rejected the argument that the forms and notices needed Federal Register publication, noting that they are tools for compliance, not regulations requiring publication. Regarding the statute of limitations, the court found no evidence of fraud in obtaining Billman's waiver. The court further criticized Billman's tax protester arguments as baseless and frivolous, and upheld the addition to tax for negligence due to Billman's failure to substantiate his claims or comply with tax laws.

Practical Implications

This decision reinforces the validity of IRS forms and notices and clarifies that minor omissions in statutory references do not invalidate them or exempt taxpayers from tax obligations. Legal practitioners should advise clients that compliance with tax filing and payment requirements is not excused by technicalities in IRS notices. The ruling also underscores the court's intolerance for tax protester arguments, signaling that such claims are likely to be dismissed and may result in penalties for negligence. Subsequent cases should continue to uphold the IRS's authority to request tax information through its forms, and practitioners should be prepared to counter frivolous arguments that challenge this authority.

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