

Harwood v. Commissioner, 83 T. C. 692 (1984)

Rule 155 proceedings are strictly limited to the computation of deficiencies or overpayments and cannot be used to address issues unrelated to those computations.

Summary

In *Harwood v. Commissioner*, the U. S. Tax Court clarified that Rule 155 proceedings are strictly for computing tax deficiencies or overpayments based on the court's prior findings. The Harwoods sought to use these proceedings to argue for alternative bonding methods for an appeal under section 7485(a)(2), but the court rejected this, stating that such issues are premature and outside the scope of Rule 155. The court emphasized that only issues directly affecting the computation of the deficiency could be raised, adhering to the principle that Rule 155 proceedings are not for new or unrelated issues.

Facts

After an initial opinion, the Commissioner submitted computations for deficiencies under Rule 155, which the Harwoods did not dispute. Instead, they objected, seeking to discuss the acceptability of first deeds of trust on their property in lieu of an appeal bond under section 7485(a)(2). The Harwoods argued they could not obtain a bond from an approved surety and wanted to use deeds of trust to secure their appeal, fearing assessment and collection of the adjudicated deficiency amounts without a bond.

Procedural History

The Tax Court initially issued an opinion on the tax liabilities of the Harwoods. Following this, the Commissioner filed computations for the deficiencies as directed. The Harwoods then filed objections and requested a hearing to discuss the appeal bond issue. The court heard arguments during a motions session but ultimately decided not to consider the bond issue within the Rule 155 proceedings.

Issue(s)

1. Whether a Rule 155 proceeding may be used to consider the acceptability of deeds of trust in lieu of an appeal bond under section 7485(a)(2).

Holding

1. No, because Rule 155 proceedings are strictly limited to the computation of deficiencies or overpayments, and considering the acceptability of deeds of trust as an appeal bond is premature and unrelated to such computations.

Court's Reasoning

The court reasoned that Rule 155 proceedings are solely for the purpose of computing the correct deficiency or overpayment based on prior findings. The court cited Rule 155(c), which limits arguments to the computation of the deficiency, and referenced prior cases like *Cloes v. Commissioner* and *Amerada Hess Corp. v. Commissioner* to support this limitation. The court emphasized that new issues or matters unrelated to the computation, such as the appeal bond issue raised by the Harwoods, cannot be considered in Rule 155 proceedings. The court noted that allowing such issues would contravene established law and could lead to misuse of Rule 155 proceedings for extraneous arguments.

Practical Implications

This decision reinforces the strict boundaries of Rule 155 proceedings, ensuring they are not used for purposes beyond their intended scope. Practitioners must recognize that any issues unrelated to the computation of deficiencies or overpayments, such as appeal bond arrangements, should be addressed at the appropriate time and not during Rule 155 proceedings. This ruling may impact how taxpayers and their attorneys plan their strategies for appeals, ensuring they comply with procedural timelines and requirements for bonding without prematurely raising such issues. The decision also underscores the importance of timely and appropriate filing of bonds to stay assessment and collection of taxes during appeals.