Matut v. Commissioner, 84 T. C. 803 (1985)

The Tax Court lacks jurisdiction over a possessor of cash in their individual capacity when a notice of deficiency is issued solely in their capacity as a possessor under IRC Section 6867.

Summary

Albert Matut was found with $175,000 in cash which he claimed belonged to another. Under IRC Section 6867, a termination assessment was made against him as the possessor, and a deficiency notice was issued. Matut filed a petition with the Tax Court both individually and as the possessor. The Tax Court dismissed the petition regarding Matut's individual capacity due to lack of jurisdiction, as the notice was not issued to him individually. The court also denied a motion by Mario Lignarolo, who claimed ownership of the cash, to intervene as a party petitioner. The decision highlights the unique jurisdictional limits of the Tax Court when handling assessments under Section 6867.

Facts

On April 21, 1983, Albert Matut was stopped by police and found in possession of $175,000 in cash. Matut denied ownership and claimed the money belonged to Mario Lignarolo. The police seized the money and notified the IRS. On April 28, 1983, the IRS made a termination assessment against Matut, seizing half of the cash under IRC Section 6867, which presumes cash in possession over $10,000 to be taxable income if not claimed. Matut and Lignarolo unsuccessfully challenged the assessment in district court. On June 14, 1984, the IRS issued a deficiency notice to Matut as the possessor of the cash, and Matut filed a petition with the Tax Court in both his individual capacity and as the possessor.

Procedural History

Matut and Lignarolo filed a petition in the U. S. District Court for the Southern District of Florida to review the termination assessment, which was dismissed as reasonable on October 3, 1983. Following this, Matut received a statutory notice of deficiency dated June 14, 1984, and filed a petition with the U. S. Tax Court both in his individual capacity and as possessor of the cash. The Commissioner moved to dismiss the individual capacity claim, and Lignarolo moved to intervene. The Tax Court heard these motions on December 11, 1984.

Issue(s)

1. Whether the Tax Court has jurisdiction over Albert Matut in his individual capacity when the statutory notice of deficiency was issued solely to him as the possessor of cash under IRC Section 6867.
2. Whether Mario Lignarolo, who claimed to be the true owner of the seized cash, has a right to intervene as a party petitioner in the Tax Court case.

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Holding

1. No, because the Tax Court's jurisdiction is limited to the capacity in which the notice of deficiency was issued, which was to Matut as the possessor of cash, not in his individual capacity.
2. No, because Lignarolo was not issued a notice of deficiency and thus cannot intervene as a party petitioner.

Court's Reasoning

The court reasoned that under IRC Section 6867, a possessor of cash is deemed a taxpayer solely with respect to that cash for purposes of assessment and collection. The legislative history of Section 6867 indicates that Congress intended to collect taxes on unidentified cash through the possessor, but not to bring the possessor into court in their individual capacity if they denied ownership. The court cited the Joint Committee on Taxation's explanation that a possessor who denies ownership may not prosecute any action with respect to the cash. Therefore, the court lacked jurisdiction over Matut in his individual capacity because the notice of deficiency was issued only to him as the possessor. Regarding Lignarolo's motion to intervene, the court held that only a party to whom a notice of deficiency is issued may be a party petitioner, citing precedents such as *Sampson v. Commissioner* and *Estate of Siegel v. Commissioner*. The court noted that Lignarolo could testify as a witness but could not intervene as a party petitioner.

Practical Implications

This decision clarifies that the Tax Court's jurisdiction in cases involving IRC Section 6867 is limited to the capacity in which the deficiency notice is issued. Practitioners should ensure that notices of deficiency are issued to all relevant parties in their correct capacities to avoid jurisdictional challenges. For taxpayers found in possession of large sums of cash, it is critical to understand that denying ownership does not grant them standing to challenge assessments in their individual capacity. The decision also underscores that third parties claiming ownership of seized cash cannot intervene in Tax Court proceedings unless they receive a notice of deficiency. This ruling may influence how the IRS handles assessments and collections in similar cases and how taxpayers and their counsel approach such situations.

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