Matut v. Commissioner, 86 T. C. 686 (1986)

The U. S. Tax Court has jurisdiction to determine the true ownership of seized cash under IRC section 6867, allowing for the substitution of the true owner for the possessor in tax assessments.

Summary

In Matut v. Commissioner, the U. S. Tax Court addressed the application of IRC section 6867, which allows the IRS to assess tax against a cash possessor who disclaims ownership. Albert Matut, found with $175,000, claimed the money belonged to Mario Lignarolo. The IRS seized half the cash, asserting a termination assessment against Matut. The court rejected the IRS's argument that it lacked jurisdiction to determine true ownership, ruling that it could adjudicate ownership claims to enable substitution of the true owner for tax purposes. This decision ensures that the statutory remedy provided by section 6867 is effective, allowing the true owner to contest the assessment and potentially recover the seized cash.

Facts

In April 1983, the IRS seized $87,500 from Albert Matut, representing half of the $175,000 found in his possession. Matut disclaimed ownership and claimed the cash belonged to Mario Lignarolo. The IRS made a termination assessment against Matut, which was upheld by the U. S. District Court for the Southern District of Florida. In 1984, a statutory notice of deficiency was issued to Matut as the possessor of the cash. Matut petitioned the U. S. Tax Court, asserting Lignarolo's ownership and seeking a determination of overpayment.

Procedural History

The IRS moved for summary judgment in the U. S. Tax Court, arguing that the court lacked jurisdiction to determine true ownership. The Tax Court had previously dismissed Matut's individual petition and denied Lignarolo's motion to intervene. The court's decision to deny the summary judgment motion was based on its interpretation of IRC section 6867, allowing it to determine ownership and enable substitution of the true owner.

Issue(s)

1. Whether the U. S. Tax Court has jurisdiction under IRC section 6867 to determine the true ownership of seized cash when the possessor disclaims ownership.

Holding

1. Yes, because IRC section 6867 and its legislative history mandate that the Tax Court determine the true owner of seized cash, allowing for the substitution of the true owner in tax assessments.

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Court’s Reasoning

The court’s reasoning was grounded in the interpretation of IRC section 6867, which allows the IRS to assess tax against a cash possessor who disclaims ownership. The court emphasized that the statute’s purpose would be undermined if it lacked jurisdiction to determine true ownership, as this would deny the true owner any remedy. The legislative history of section 6867 supports the court’s jurisdiction, indicating that the true owner can challenge the assessment and be retroactively substituted for the possessor. The court rejected the IRS’s argument that it lacked jurisdiction, stating that such an interpretation would render the statute ineffective. The court also noted that factual disputes regarding Lignarolo’s ownership required a trial on the merits.

Practical Implications

This decision has significant implications for the application of IRC section 6867 in tax assessments involving seized cash. It clarifies that the U. S. Tax Court has jurisdiction to determine true ownership, allowing for the substitution of the true owner in tax assessments. This ensures that the statutory remedy provided by section 6867 is effective, enabling the true owner to contest the assessment and potentially recover the seized cash. The decision may influence how similar cases are handled, emphasizing the importance of determining ownership in such proceedings. It also highlights the need for the IRS to consider the true owner’s rights when making assessments under section 6867, potentially affecting their approach to such cases. Subsequent cases may cite this decision when addressing issues of jurisdiction and ownership under section 6867.

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