King v. Commissioner, 89 T. C. 445 (1987)

The IRS must exercise due diligence to determine a taxpayer's last known address before mailing a notice of deficiency.

Summary

In King v. Commissioner, the Tax Court ruled that the IRS did not meet its obligation to mail a notice of deficiency to the taxpayers' last known address. The Kings moved from Mossvine Drive to Club Hill Drive, but the IRS sent the notice to the old address. The court found that despite the notice being returned as undeliverable, the IRS failed to exercise due diligence by not consulting its own records or contacting the taxpayers' representatives to confirm the correct address. As a result, the notice was deemed invalid, and the court lacked jurisdiction over the case. This case underscores the importance of the IRS's duty to use reasonable efforts to find the taxpayer's current address before issuing a notice of deficiency.

Facts

William and Darlene King timely filed their federal income tax returns for 1978 and 1979, listing their address as Mossvine Drive. In October 1980, they moved to Club Hill Drive. The Kings' 1980 return, filed in June 1981, listed the new address. Despite this, the IRS sent a notice of deficiency for 1978 and 1979 to the Mossvine Drive address in February 1982. The notice was returned as undeliverable, but the IRS did not take further action to find the correct address.

Procedural History

The Kings filed a petition with the Tax Court challenging the deficiencies. The IRS moved to dismiss for lack of jurisdiction, arguing the petition was untimely. The Kings countered, asserting the notice of deficiency was invalid because it was not sent to their last known address. The Tax Court had to determine whether it had jurisdiction to hear the case based on the validity of the notice of deficiency.

Issue(s)

1. Whether the IRS exercised due diligence in ascertaining the Kings' last known address before mailing the notice of deficiency.

Holding

1. No, because the IRS failed to take reasonable steps to confirm the Kings' correct address after the notice was returned as undeliverable.

Court's Reasoning

The court emphasized the IRS's duty to exercise due diligence in determining a

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taxpayer’s last known address, as established in prior cases like Pyo v. Commissioner. The court noted that the Kings’ 1980 return clearly listed their new address, which should have alerted the IRS to the change. When the notice was returned as undeliverable, the IRS should have consulted its records, contacted the Kings’ representatives, or even reached out to the well-known taxpayer directly. The court cited Ninth Circuit precedent, which requires clear and concise notice of an address change or reliance on the most recent return’s address. The court found the IRS’s cursory review of the file insufficient and invalidated the notice of deficiency due to lack of due diligence.

Practical Implications

This decision reinforces the IRS’s responsibility to ensure notices of deficiency are mailed to the taxpayer’s last known address. Practitioners should advise clients to promptly notify the IRS of any address changes and confirm receipt of important communications. For the IRS, this case underscores the need for thorough checks of internal records and communication with taxpayer representatives when notices are returned undeliverable. The ruling may affect how the IRS processes undeliverable notices in the future, potentially leading to more stringent procedures to verify addresses before reassessment or collection efforts. Subsequent cases have cited King to emphasize the importance of due diligence in similar contexts.

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