Frazier v. Commissioner, 91 T. C. 1 (1988)

The IRS can use evidence illegally seized by state or local authorities in civil tax cases.

Summary

In Frazier v. Commissioner, the U. S. Tax Court upheld the IRS's use of evidence obtained through an illegal search by local police to determine a tax deficiency. Bruce Frazier challenged the deficiency notice, arguing it was based on unlawfully seized evidence and that the filing fee requirement impeded his constitutional rights. The court rejected these claims, affirming that the notice was valid under the principle established in United States v. Janis, which allows federal use of evidence seized by another sovereign in civil proceedings. Furthermore, the court dismissed Frazier's case for failure to pay the filing fee, despite opportunities to proceed in forma pauperis, and found his non-filing of returns to be fraudulent based on deemed admissions.

Facts

Bruce Frazier did not file federal income tax returns for 1966-1969, despite receiving substantial income. In 1969, Pasadena police unlawfully searched Frazier's apartment and seized evidence, including stock certificates, which were used by the IRS to issue a deficiency notice in 1984. Frazier attempted to file a petition with the Tax Court without paying the required filing fee, arguing it infringed on his constitutional rights. After multiple court orders to pay the fee or provide financial inability evidence, Frazier's case was dismissed for noncompliance regarding issues where he bore the burden of proof. The IRS's evidence of Frazier's income was based solely on the illegally seized documents.

Procedural History

Frazier attempted to file a petition with the U. S. Tax Court in response to the IRS's deficiency notice but did not pay the filing fee. The court deemed the petition "imperfect" and ordered Frazier to pay the fee or provide evidence of inability to pay. After Frazier's continued refusal, the court dismissed the case regarding issues where he bore the burden of proof. The IRS then filed an answer and a motion for summary judgment on the fraud issue, which the court granted based on Frazier's deemed admissions.

Issue(s)

1. Whether the requirement of a filing fee unconstitutionally restricts a petitioner's right to due process.
2. Whether evidence illegally seized by state or local authorities can be used by the IRS in a civil tax case.
3. Whether the IRS met its burden of proving fraud for the addition to tax under

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section 6653(b).

Holding

1. No, because the court provided an adequate alternative to proceed in forma pauperis, and the filing fee requirement does not unreasonably impede constitutional rights.
2. Yes, because the exclusionary rule does not apply to civil proceedings involving different sovereigns, as established in United States v. Janis.
3. Yes, because the IRS met its burden of proof with clear and convincing evidence based on Frazier's deemed admissions and consistent pattern of non-reporting.

Court's Reasoning

The court reasoned that the filing fee requirement and subsequent dismissal for nonpayment did not violate due process, as Frazier was offered the opportunity to proceed in forma pauperis but failed to provide financial information. The court applied the legal rule from United States v. Janis, which allows the use of evidence seized by one sovereign in civil proceedings of another sovereign, finding no IRS involvement in the illegal seizure. The court also relied on deemed admissions from Frazier's failure to respond to IRS requests, which established his fraudulent intent to evade taxes. The court noted that while Frazier's arguments included tax protestor rhetoric, the core issues were justiciable, and thus declined to award damages under section 6673.

Practical Implications

This decision reinforces the principle that the IRS may use evidence illegally seized by other sovereigns in civil tax cases, impacting how attorneys should analyze and challenge the validity of deficiency notices based on such evidence. It also underscores the importance of complying with court procedures, such as paying filing fees or providing evidence of financial inability, to avoid case dismissal. Practitioners should be aware that deemed admissions from failure to respond to IRS requests can be used to establish fraud. This case has been cited in subsequent rulings to support the use of illegally seized evidence in civil tax matters and the procedural requirements for filing in Tax Court.

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