Schlosser v. Commissioner, 94 T. C. 816 (1990)

The Tax Court's jurisdiction to enjoin IRS collection actions is limited to deficiencies that are the subject of a timely filed petition before the court.

Summary

In Schlosser v. Commissioner, the Tax Court addressed its jurisdiction to enjoin IRS collection actions. The petitioners sought to restrain collection of taxes for 1983, 1984, and 1985, but the IRS argued these efforts were for different liabilities, specifically overstated withheld income taxes for 1982, 1983, and 1984. The court dismissed the case against Gabriel Schlosser due to his ongoing bankruptcy, which triggered an automatic stay under 11 U. S. C. 362(a)(8). Regarding the motion to restrain collection, the court held it lacked jurisdiction over the collection efforts because they did not relate to the deficiencies before the court, as required by 26 U. S. C. 6213(a). The decision clarifies the scope of the Tax Court's authority to enjoin IRS collection activities.

Facts

Gabriel and Mary Ellen Schlosser received a statutory notice of deficiency from the IRS for tax years 1983, 1984, and 1985. They filed a petition with the Tax Court and simultaneously moved to restrain IRS collection actions, alleging aggressive collection tactics by IRS employee K. T. McNally for those years. Gabriel Schlosser was also in bankruptcy proceedings, which triggered an automatic stay under 11 U. S. C. 362(a)(8). The IRS argued the collection efforts were for overstated withheld income taxes for 1982, 1983, and 1984, not related to the deficiencies before the court.

Procedural History

The petitioners filed their petition and motion to restrain collection with the Tax Court on December 14, 1989. The IRS responded with a notice of objection and a supplemental notice, asserting that the court lacked jurisdiction over the collection activities due to the automatic stay for Gabriel Schlosser and because the collection efforts were for different liabilities than those under review. The court issued orders for responses and allowed the IRS to amend its supplemental notice.

Issue(s)

1. Whether the Tax Court has jurisdiction to hear the case against Gabriel Schlosser, given his bankruptcy proceedings.
2. Whether the Tax Court has jurisdiction to enjoin the IRS's collection activities as requested by the petitioners.

Holding

© 2025 SCOTUSreports.com. All rights reserved.

1. No, because Gabriel Schlosser's bankruptcy proceedings triggered an automatic stay under 11 U. S. C. 362(a)(8), which prohibits the continuation of a proceeding before the Tax Court concerning the debtor.
2. No, because the collection efforts in question were for liabilities not covered by the deficiencies before the court, as required by 26 U. S. C. 6213(a).

Court's Reasoning

The court's decision was based on the following reasoning:
– The automatic stay under 11 U. S. C. 362(a)(8) prohibits the Tax Court from proceeding against a debtor in bankruptcy.
– The court interpreted 26 U. S. C. 6213(a) to limit its jurisdiction to enjoin collection actions to deficiencies that are the subject of a timely filed petition.
– The IRS's collection efforts were for overstated withheld income taxes assessed under 26 U. S. C. 6201(a)(3) and 6213(b)(1), which are not considered deficiencies under 26 U. S. C. 6211.
– The court considered the legislative history of the Technical and Miscellaneous Revenue Act of 1988, which expanded the Tax Court's jurisdiction but only for related issues.
– The court applied the burden of proof standard from Kamholz v. Commissioner, requiring the moving party to present plausible and believable grounds, and the nonmoving party to prove by a preponderance of the evidence that the assessments were not related to the case pending.

Practical Implications

This decision clarifies that the Tax Court's jurisdiction to enjoin IRS collection actions is limited to deficiencies that are the subject of a timely filed petition. Practitioners should be aware that:
– The automatic stay in bankruptcy proceedings can limit the Tax Court's jurisdiction over a debtor.
– Collection efforts for liabilities assessed outside of the normal deficiency procedures, such as overstated withheld income taxes, are not subject to Tax Court injunctions.
– Practitioners must carefully review the nature of the liabilities subject to collection to determine the appropriate forum for relief.
– This case has been cited in subsequent decisions to delineate the scope of the Tax Court's jurisdiction under 26 U. S. C. 6213(a).

© 2025 SCOTUSreports.com. All rights reserved.