95 T.C. 655 (1990)

Confirmation of a Chapter 11 bankruptcy reorganization plan constitutes a grant or denial of discharge, thereby terminating the automatic stay under 11 U.S.C. § 362(a)(8) and allowing the Tax Court to exercise jurisdiction.

Summary

In *Moody v. Commissioner*, the Tax Court addressed whether it had jurisdiction to hear a tax deficiency case when the taxpayer had previously filed for Chapter 11 bankruptcy. Moody argued that the automatic stay triggered by his bankruptcy filing remained in effect because a complaint to deny discharge was still pending in bankruptcy court, preventing the Tax Court from having jurisdiction. The Tax Court held that the confirmation of a Chapter 11 reorganization plan constitutes a grant or denial of discharge under 11 U.S.C. § 362(c)(2)(C), thereby terminating the automatic stay. Consequently, the Tax Court asserted jurisdiction and denied Moody's motion to dismiss.

Facts

Petitioner Shearn Moody, Jr. filed for Chapter 13 bankruptcy, which was later converted to Chapter 11. A creditor filed a complaint to deny Moody discharge, in which the bankruptcy trustee intervened. Subsequently, the bankruptcy court confirmed the trustee's Chapter 11 reorganization plan. The IRS issued a notice of deficiency for self-dealing excise taxes. Moody petitioned the Tax Court, arguing it lacked jurisdiction due to the automatic bankruptcy stay still in effect because of the pending discharge complaint.

Procedural History

1. Moody filed Chapter 13 bankruptcy (later converted to Chapter 11) in the U.S. District Court for the Middle District of North Carolina.
2. Venue transferred to the U.S. District Court for the Southern District of Texas.
3. Bankruptcy court confirmed the trustee's Chapter 11 reorganization plan.
4. IRS issued a notice of deficiency.
5. Moody petitioned the Tax Court to dismiss for lack of jurisdiction, arguing the automatic stay was still in effect.
6. Tax Court denied Moody's motion to dismiss, asserting jurisdiction.

Issue(s)

1. Whether confirmation of a Chapter 11 plan of reorganization, when a complaint to deny discharge is pending, constitutes a grant or denial of discharge under 11 U.S.C. § 362(c)(2)(C) for the purpose of terminating the automatic stay provisions of 11 U.S.C. § 362(a)(8)?
2. Whether the Tax Court has jurisdiction to determine if the automatic stay in bankruptcy has been terminated, even if it cannot determine if tax liabilities were

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discharged in bankruptcy?

Holding

1. Yes, because confirmation of a Chapter 11 plan serves as either a grant or denial of discharge within the meaning of 11 U.S.C. § 362(c)(2)(C), thus terminating the automatic stay.

2. Yes, because the Tax Court has jurisdiction to determine whether the automatic stay has been terminated to ascertain its own jurisdiction, although it lacks jurisdiction to decide whether tax liabilities were discharged in bankruptcy.

Court's Reasoning

The Tax Court reasoned that under 11 U.S.C. § 362(c)(2), the automatic stay terminates upon the earliest of case closure, dismissal, or the grant or denial of discharge. While acknowledging it cannot determine if a tax deficiency is discharged in bankruptcy (*Neilson v. Commissioner*, 94 T.C. 1 (1990)), the Tax Court can determine if the automatic stay is still in effect to assess its own jurisdiction. The court distinguished Chapter 11 from Chapter 13 bankruptcy, noting that 11 U.S.C. § 1141(d)(1) explicitly states that plan confirmation in Chapter 11 discharges pre-confirmation debts, unlike Chapter 13 where discharge typically occurs after plan completion (*Wahlstrom v. Commissioner*, 92 T.C. 703 (1989)). The court stated, "Confirmation of a plan under chapter 11 effectively discharges or denies discharge to a debtor under the provisions of 11 U.S.C. section 1141(b) and (d)." Even with a pending complaint to deny discharge, the confirmation order itself acts as a trigger for terminating the automatic stay under § 362(c)(2)(C). The court emphasized that post-confirmation, the bankruptcy court's retention of jurisdiction does not reimpose the automatic stay, and any reimposition would require affirmative action under 11 U.S.C. § 105, which had not occurred.

Practical Implications

Moody v. Commissioner clarifies that for tax practitioners and debtors in Chapter 11 bankruptcy, the confirmation of a reorganization plan is a critical juncture that terminates the automatic stay, regardless of pending dischargeability complaints. This decision reinforces the Tax Court's jurisdiction to hear tax cases once a Chapter 11 plan is confirmed, even if bankruptcy proceedings are not fully concluded. It distinguishes Chapter 11 from Chapter 13 in the context of automatic stay termination upon plan confirmation, providing a clearer understanding of the differing effects of bankruptcy chapters on Tax Court jurisdiction. Later cases will rely on *Moody* to determine when the automatic stay lifts in Chapter 11 bankruptcies, particularly concerning tax matters and Tax Court jurisdiction.

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