Moody v. Commissioner, 95 T. C. 664 (1990)

Confirmation of a Chapter 11 plan terminates the automatic stay under 11 U. S. C. § 362(c)(2)(C) by either granting or denying discharge to the debtor.

Summary

Shearn Moody, Jr. , sought dismissal of his Tax Court case for lack of jurisdiction, arguing that the automatic stay under 11 U. S. C. § 362(a)(8) remained in effect post-confirmation of his Chapter 11 plan. The Tax Court held that the confirmation of Moody's reorganization plan terminated the automatic stay because it either granted or denied discharge, thus the court had jurisdiction to hear the case. This ruling was based on the interpretation of § 1141 of the Bankruptcy Code, which states that confirmation of a plan discharges or denies discharge to the debtor, thereby terminating the stay under § 362(c)(2)(C).

Facts

Shearn Moody, Jr. , filed for bankruptcy under Chapter 13 in 1983, which was later converted to Chapter 11. The case was transferred to the U. S. District Court for the Southern District of Texas. In March 1986, the trustee intervened in a creditor's complaint to deny Moody's discharge, which was still pending at the time of the hearing. On January 30, 1987, the court confirmed Moody's second amended plan of reorganization. Subsequently, on November 10, 1987, the IRS issued a notice of deficiency, and Moody filed a petition in Tax Court on February 8, 1988, seeking dismissal for lack of jurisdiction due to the alleged continuation of the automatic stay.

Procedural History

Moody filed a voluntary Chapter 13 bankruptcy petition in 1983, which was converted to Chapter 11 in 1984. The case was transferred to the Southern District of Texas in 1985. The trustee intervened in a creditor's complaint in 1986, and Moody's second amended plan of reorganization was confirmed in January 1987. Following an IRS notice of deficiency in November 1987, Moody filed a petition in Tax Court in February 1988, which led to the motion to dismiss for lack of jurisdiction heard by Special Trial Judge Helen A. Buckley.

Issue(s)

1. Whether the confirmation of a Chapter 11 plan of reorganization terminates the automatic stay under 11 U. S. C. § 362(a)(8).

Holding

1. Yes, because the confirmation of Moody's Chapter 11 plan either discharged or denied discharge to him, thereby terminating the automatic stay under §

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362(c)(2)(C).

Court’s Reasoning

The court reasoned that under § 1141(d)(1) of the Bankruptcy Code, confirmation of a Chapter 11 plan discharges or denies discharge to the debtor, which in turn terminates the automatic stay pursuant to § 362(c)(2)(C). The court rejected Moody’s arguments that the stay remained in effect due to the continued administration of the estate, a pending adversary proceeding, and the application of § 1141(d)(3). The court emphasized that the order confirming the plan did not specifically state that the stay should remain in effect, and that retention of jurisdiction by the bankruptcy court does not reimpose the stay. The court distinguished this case from Wahlstrom v. Commissioner, where the automatic stay remained in effect post-confirmation of a Chapter 13 plan due to different statutory provisions.

Practical Implications

This decision clarifies that the confirmation of a Chapter 11 plan terminates the automatic stay, allowing creditors to pursue claims in other courts without needing to seek relief from the stay. Attorneys should advise clients that the confirmation of a Chapter 11 plan has significant implications for the continuation of legal proceedings outside of bankruptcy court. This ruling may affect how creditors and debtors approach reorganization plans, as it removes a potential barrier to litigation. Subsequent cases, such as In re Draggoo Elec. Co. and In re Nardulli & Sons Co. , have cited this decision in upholding the termination of the automatic stay upon confirmation of a Chapter 11 plan.

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