Jones v. Commissioner, 97 T. C. 7 (1991)

The exclusionary rule will not be applied in civil tax cases to suppress evidence obtained through alleged constitutional violations during a criminal investigation conducted under the guise of a civil examination.

Summary

The Joneses alleged that IRS agents conducted a criminal investigation under the guise of a civil audit, violating their Fourth Amendment rights. The Tax Court held that even if such violations occurred, the exclusionary rule would not be applied in this civil tax case. The court reasoned that the exclusionary rule's deterrent effect had already been served through a plea agreement in a related criminal case, and its application would impose a high cost on the civil tax system. The decision underscores the limited applicability of the exclusionary rule in civil contexts and emphasizes the importance of honest conduct by IRS agents.

Facts

James and Grace Jones, along with their company Ken's Audio Specialties, were under IRS scrutiny for tax deficiencies from 1980 to 1985. IRS Special Agents Schwab and Cunard, after reviewing the Joneses' lavish lifestyle against their reported income, referred the case to the Examination Division for a civil audit. Revenue Agent Waldrep conducted the audit but allegedly collaborated with the Criminal Investigation Division (CID), leading to the Joneses' cooperation under the belief it was a civil matter. The Joneses later pleaded guilty to criminal tax charges, and subsequently moved to suppress the evidence obtained during the civil audit in their civil tax case, alleging Fourth Amendment violations.

Procedural History

The IRS issued notices of deficiency to the Joneses and their company for the years in question. The Joneses filed petitions with the U. S. Tax Court, challenging the deficiencies and moving to suppress evidence obtained during the audit, claiming constitutional rights violations. The Tax Court consolidated the cases for the purpose of deciding the suppression motion.

Issue(s)

1. Whether evidence obtained through alleged constitutional violations during a criminal investigation conducted under the guise of a civil audit should be suppressed in a civil tax case?

Holding

1. No, because even if constitutional rights were violated, the exclusionary rule will not be employed in the setting of this civil tax case due to the limited deterrent

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effect and high cost to the civil tax system.

Court’s Reasoning

The court analyzed the application of the exclusionary rule in civil cases, noting its primary purpose is deterrence. It cited Supreme Court cases that limited the rule’s use, particularly in civil contexts. The court distinguished this case from criminal cases where the rule might apply, such as *United States v. Tweel*, due to the civil nature of the proceedings and the lack of direct misrepresentation by IRS agents. The court also considered that the deterrent effect had been achieved through a plea agreement in the related criminal case. The court emphasized that the evidence was obtained for civil tax enforcement, the very purpose it was being used for in this case. Despite finding the IRS agents’ conduct reprehensible, the court declined to apply the exclusionary rule, citing the potential chilling effect on civil examinations and the need for IRS agents to act honestly.

Practical Implications

This decision clarifies that the exclusionary rule’s application in civil tax cases is highly limited, even when constitutional rights may have been violated during a related criminal investigation. Practitioners should be aware that evidence obtained through potentially improper means during a civil audit will likely not be suppressed in subsequent civil tax proceedings. The ruling encourages IRS agents to conduct their duties honestly and transparently, as any deceitful practices could lead to sanctions in criminal proceedings. The decision may influence future cases involving allegations of IRS misconduct during audits, emphasizing the distinction between civil and criminal tax enforcement. Later cases may reference *Jones* to argue against the application of the exclusionary rule in civil contexts.

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