Coninck v. Commissioner, 100 T. C. 495 (1993)

A taxpayer's fugitive status does not deprive the U. S. Tax Court of jurisdiction once a valid petition has been filed, and deemed admissions can establish tax liability and fraud.

Summary

In Coninck v. Commissioner, the U. S. Tax Court held that a taxpayer's status as a fugitive does not strip the court of jurisdiction once a valid petition has been filed. Beatriz Mejia Coninck, involved in a money-laundering scheme and subsequently a fugitive, failed to appear at trial. Her deemed admissions under Rule 90(c) established her tax deficiency and fraudulent intent. The court rejected the Commissioner's motion to dismiss for lack of jurisdiction but found the admissions sufficient to enter a decision in favor of the Commissioner on all issues, including fraud-related additions to tax.

Facts

Beatriz Mejia Coninck participated in a money-laundering scheme in 1985, receiving a commission of at least $90,000, which she did not report on her tax return. She was convicted and imprisoned for her role in the conspiracy. After her release, she allegedly fled the country, becoming a fugitive. The Commissioner issued a notice of deficiency and a jeopardy assessment for 1985. Coninck's attorney filed a petition on her behalf, but later withdrew due to lack of communication. Coninck failed to respond to the Commissioner's request for admissions and did not appear at the scheduled trial.

Procedural History

The Commissioner issued a notice of deficiency for Coninck's 1985 taxes, followed by a jeopardy assessment. Coninck's attorney filed a petition with the U. S. Tax Court. After the attorney's withdrawal and Coninck's failure to appear at trial or respond to the request for admissions, the Commissioner moved to dismiss the case, arguing that Coninck's fugitive status should prevent the court from exercising jurisdiction.

Issue(s)

1. Whether a taxpayer's fugitive status deprives the U. S. Tax Court of jurisdiction once a valid petition has been filed.
2. Whether deemed admissions under Rule 90(c) can establish a taxpayer's tax deficiency and fraudulent intent.

Holding

1. No, because specific statutory provisions confer exclusive jurisdiction upon the

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Tax Court once a valid petition is filed, and the court cannot dismiss for lack of jurisdiction based on fugitive status.
2. Yes, because Coninck's failure to respond to the request for admissions resulted in deemed admissions that established her tax deficiency and fraudulent intent.

Court's Reasoning

The court reasoned that once jurisdiction attaches through a valid petition, specific statutory provisions like Section 7422(e) preserve the Tax Court's jurisdiction. The court cited cases like Estate of Ming v. Commissioner and Dorl v. Commissioner to support this view. Regarding the deemed admissions, the court found that Coninck's failure to respond to the Commissioner's request for admissions under Rule 90(c) resulted in her admissions being deemed true. These admissions established the tax deficiency and fraudulent intent required for the additions to tax under Sections 6653(b) and 6661. The court noted that the Commissioner's burden of proving fraud can be met through deemed admissions, citing Marshall v. Commissioner. The court also referenced the precedent in Berkery v. Commissioner, where a fugitive taxpayer's case was dismissed under Rule 123(b), resulting in a decision for the Commissioner on issues where the taxpayer bore the burden of proof.

Practical Implications

This decision clarifies that a taxpayer's fugitive status does not affect the Tax Court's jurisdiction once a valid petition has been filed. Practitioners should be aware that failure to respond to requests for admissions can lead to deemed admissions that establish liability and fraud, potentially resulting in adverse decisions. The case also highlights the importance of appearing at trial, as failure to do so can lead to default judgments. For future cases involving fugitive taxpayers, attorneys should consider the implications of Rule 123(b) dismissals and the potential for deemed admissions to establish key facts. This ruling may influence how the IRS and taxpayers approach cases where the taxpayer is a fugitive, emphasizing the need for timely and thorough responses to legal requests.

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