Miravalle v. Commissioner, 105 T. C. 65 (1995)

The U. S. Tax Court lacks jurisdiction to stay the sale of property redeemed by the government under IRC section 7425, even if originally seized under a jeopardy assessment.

Summary

In Miravalle v. Commissioner, the IRS made a jeopardy assessment against the Miravalles, seized their property, and later redeemed it under IRC section 7425 after a local tax sale. The taxpayers sought to stay the subsequent sale of the redeemed property by the IRS. The Tax Court held that it lacked jurisdiction to stay the sale because the property was no longer 'seized' under IRC section 6863, as it had been redeemed and was now owned by the government. This decision underscores the limited scope of the Tax Court's authority over property sales in jeopardy assessment cases.

Facts

The IRS made a jeopardy assessment against Donald and Lillian Miravalle for tax years 1984-1986, seizing their Pinellas realty. After the seizure, Hillsborough County, Florida, sold a tax certificate on the property to satisfy unpaid local taxes. The property was later sold to investors, extinguishing the IRS's lien. The IRS then redeemed the property under IRC section 7425, acquiring legal title. The Miravalles sought to stay the IRS's subsequent sale of the redeemed property.

Procedural History

The IRS made a jeopardy assessment and seized the Miravalles' property in December 1990. The Miravalles filed a petition with the Tax Court, which acquired jurisdiction over the tax years in question. After a local tax sale and the IRS's redemption of the property, the Miravalles moved to stay the IRS's proposed sale of the property. The Tax Court considered whether it had jurisdiction to grant this stay.

Issue(s)

1. Whether the U. S. Tax Court has jurisdiction under IRC section 6863 to stay the sale of property that was seized under a jeopardy assessment but later redeemed by the IRS under IRC section 7425.

Holding

1. No, because the property was no longer 'seized' under IRC section 6863 after the IRS redeemed it under IRC section 7425, thus falling outside the Tax Court's jurisdiction to stay the sale.

Court's Reasoning

The Tax Court's jurisdiction is limited by statute. IRC section 6863 restricts the sale of property seized under a jeopardy assessment while a case is pending before the Tax Court, unless certain exceptions apply. However, the court found that this restriction did not extend to property that had been redeemed by the IRS under IRC section 7425. The local tax sale had extinguished the IRS's lien, and the subsequent redemption gave the IRS legal title, removing the property from the 'seized' category. The court emphasized that its jurisdiction to stay sales is tied specifically to IRC section 6335, which governs sales of seized property, and does not extend to sales under IRC section 7425. The court recognized the policy of balancing the IRS's collection needs with taxpayers' rights to prepayment procedures but concluded that it lacked statutory authority to stay the sale of the redeemed property.

Practical Implications

This decision clarifies that the Tax Court's jurisdiction to stay property sales is limited to those under IRC section 6335 and does not extend to sales of property redeemed by the IRS under IRC section 7425. Practitioners should advise clients that in cases where property is seized under a jeopardy assessment and later sold due to local taxes, the IRS can redeem and sell the property without Tax Court interference. This ruling impacts how taxpayers and their attorneys should approach jeopardy assessment cases, particularly when local tax sales are involved. It also underscores the need for taxpayers to address local tax liabilities promptly to avoid such situations. Subsequent cases have applied this ruling to similar scenarios, reinforcing the Tax Court's limited jurisdiction in these matters.

