Winn-Dixie Stores, Inc. v. Commissioner, 110 T. C. 291 (1998)

The Tax Court has jurisdiction to determine overpayments of interest, but not to review the IRS's discretionary decisions on offsets.

Summary

Winn-Dixie Stores, Inc. challenged the IRS's refusal to offset its overpayments for tax years 1984 and 1987 against agreed underpayments for 1988-1991, claiming an overpayment of interest. The Tax Court held that it has jurisdiction to determine overpayments including interest under Section 6512(b), but it cannot review the IRS's discretionary offset decisions under Section 6402(a). The court denied Winn-Dixie's motion for partial summary judgment due to genuine issues of material fact regarding the IRS's discretion.

Facts

Winn-Dixie Stores, Inc. had overpaid taxes for its 1984 and 1987 tax years. The IRS determined underpayments for 1988-1991, which Winn-Dixie partially agreed to. Winn-Dixie requested the IRS to offset the overpayments against these underpayments, but the IRS instead refunded the overpayments and assessed the agreed underpayments with interest. Winn-Dixie claimed it overpaid interest due to the IRS's failure to offset.

Procedural History

The IRS issued a notice of deficiency for 1988-1991, which Winn-Dixie contested. The parties reached a partial settlement for those years. Winn-Dixie filed a motion for partial summary judgment, asserting the IRS abused its discretion by not offsetting the overpayments against the agreed underpayments.

Issue(s)

1. Whether the Tax Court has jurisdiction to determine overpayments that include interest under Section 6512(b)?
2. Whether the Tax Court can review the IRS's discretionary decision to offset under Section 6402(a)?
3. Whether Winn-Dixie is entitled to partial summary judgment on its claim of overpaid interest due to the IRS's failure to offset?

Holding

1. Yes, because Section 6512(b) includes jurisdiction over overpayments of tax, which can include interest under Section 6601(e)(1).
2. No, because Section 6512(b)(4) denies the Tax Court jurisdiction to review the IRS's discretionary offset decisions under Section 6402(a).
3. No, because genuine issues of material fact exist regarding the IRS's discretion to

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offset, precluding summary judgment.

Court’s Reasoning

The court reasoned that it has jurisdiction under Section 6512(b) to determine overpayments, including those of interest as defined by Section 6601(e)(1). However, Section 6512(b)(4) restricts the court’s jurisdiction over the IRS’s discretionary actions under Section 6402(a). The court emphasized that it cannot restrain or review the IRS’s decision to offset. The court also found genuine issues of material fact regarding the IRS’s exercise of discretion, thus denying Winn-Dixie’s motion for partial summary judgment. The court noted that the legislative history of Section 6512(b)(4) supports its interpretation that the Tax Court cannot review the validity of IRS offsets.

Practical Implications

This decision clarifies that taxpayers can seek Tax Court review of interest overpayments but cannot challenge the IRS’s discretionary offset decisions. Practitioners should advise clients that while they can contest interest calculations, they cannot compel the IRS to offset overpayments against underpayments. This ruling may influence how taxpayers and their representatives approach settlement negotiations with the IRS, emphasizing the importance of clearly documenting any agreements on offsets. Subsequent cases have cited Winn-Dixie to support the Tax Court’s limited jurisdiction over IRS offset decisions, impacting how similar cases are analyzed and litigated.

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