***Henry Randolph Consulting v. Commissioner, 112 T. C. 1 (1999)***

The U. S. Tax Court lacks jurisdiction to determine the amount of employment tax liability in cases involving worker classification disputes under Section 7436.

**Summary**

Henry Randolph Consulting challenged a determination by the IRS that certain workers were employees, not independent contractors, and that the company was not eligible for Section 530 relief. The IRS had proposed to assess over $53,000 in employment taxes. The Tax Court held that while it could decide worker classification and Section 530 eligibility, it lacked jurisdiction to determine the specific amounts of employment taxes due. This decision was based on a statutory interpretation of Section 7436, which did not expressly grant authority over tax amounts. The ruling clarifies the scope of the Tax Court's jurisdiction in employment status disputes and impacts how taxpayers must proceed in challenging employment tax assessments.

**Facts**

Henry Randolph Consulting, a sole proprietorship in Birmingham, Alabama, was audited by the IRS for the periods March 31 to December 31, 1994, and 1995. The IRS determined that some of the company's workers were employees rather than independent contractors and that the company was not eligible for relief under Section 530 of the Revenue Act of 1978. The IRS mailed a Notice of Determination to the company, proposing to assess employment taxes totaling $53,194. 87, including amounts under the Federal Insurance Contributions Act (FICA), income tax withholding, and the Federal Unemployment Tax Act (FUTA). The company filed a petition in the U. S. Tax Court challenging this determination.

**Procedural History**

The IRS audited Henry Randolph Consulting and issued a Notice of Determination Concerning Worker Classification under Section 7436. The company filed a petition in the U. S. Tax Court challenging the IRS's determination regarding worker classification and eligibility for Section 530 relief. The IRS moved to dismiss the case for lack of jurisdiction over the amounts of employment tax proposed to be assessed and to strike the company's claim that liabilities could be recomputed under Rule 155 if the IRS's determinations were sustained.

**Issue(s)**

1. Whether the U. S. Tax Court has jurisdiction under Section 7436 to decide the amounts of employment tax liability resulting from the IRS's determination of worker classification and Section 530 eligibility.

**Holding**

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1. No, because Section 7436 does not expressly grant the Tax Court jurisdiction to decide the amounts of employment tax liability. The court's jurisdiction is limited to determining whether the workers are employees or independent contractors and whether the company is eligible for Section 530 relief.

**Court's Reasoning**

The Tax Court's decision was based on a detailed analysis of Section 7436. The court noted that Section 7436(a) grants jurisdiction to decide worker classification and Section 530 eligibility but does not mention jurisdiction over the amounts of employment tax liability. The court contrasted this with its deficiency jurisdiction under Section 6213, which specifically allows for redetermination of tax amounts. The court also examined Section 7436(d), which incorporates principles of deficiency procedures, but found that these principles did not imply jurisdiction over amounts. The court rejected arguments based on legislative history, the similarity to declaratory judgment provisions, and the attachment of a proposed tax assessment to the notice of determination. The court concluded that Congress intended to provide a limited jurisdiction to resolve worker classification disputes on a prepayment basis, facilitating a final resolution of the controversy without extending to tax amounts.

**Practical Implications**

This decision means that taxpayers challenging worker classification determinations must seek judicial review of the tax amounts in another forum, such as U. S. District Courts or the Court of Federal Claims, after paying the disputed tax and filing for a refund. The ruling underscores the importance of clear statutory language in defining the scope of judicial review and may lead to legislative changes to streamline the resolution of employment tax disputes. Practitioners should advise clients to carefully consider the implications of worker classification determinations and be prepared to pursue multiple legal avenues if challenging both the classification and the resulting tax amounts. Subsequent cases have followed this ruling, maintaining the separation between the Tax Court's jurisdiction over worker classification and other courts' jurisdiction over tax amounts.

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