Goza v. Commissioner, 114 T. C. 176, 2000 U. S. Tax Ct. LEXIS 19, 114 T. C. No. 12 (2000)

A taxpayer who received a notice of deficiency cannot challenge the underlying tax liability in a Collection Due Process hearing unless they did not have a prior opportunity to dispute the liability.

Summary

In Goza v. Commissioner, the U. S. Tax Court ruled that Howard Goza, who had received a notice of deficiency for tax years 1994-1996 but did not challenge it, could not contest his tax liability in a subsequent Collection Due Process (CDP) hearing. Goza's attempt to dispute the underlying tax liability was dismissed as he had an earlier opportunity to challenge it but did not, as per IRC section 6330(c)(2)(B). The court affirmed its jurisdiction over the case under section 6330(d) but found Goza's petition lacked a justiciable claim, leading to dismissal for failure to state a claim upon which relief could be granted.

Facts

In December 1997, the IRS issued Howard Goza a notice of deficiency for tax years 1994-1996. Goza returned the notice with a statement denying liability. In February 1999, the IRS issued a notice of intent to levy, which Goza similarly returned with a denial of liability. Following an administrative review, the IRS issued a notice of determination in August 1999, stating Goza could not challenge the underlying liability due to the prior deficiency notice. Goza then petitioned the Tax Court for review, continuing to contest his liability on constitutional grounds.

Procedural History

The IRS issued a notice of deficiency in December 1997, which Goza did not contest. In February 1999, a notice of intent to levy was issued, followed by a notice of determination in August 1999. Goza filed a petition for review with the Tax Court in September 1999. The Commissioner moved to dismiss Goza's petition for failure to state a claim, which the court granted in March 2000.

Issue(s)

1. Whether the Tax Court has jurisdiction under IRC section 6330(d) to review the IRS's determination to proceed with a levy when the taxpayer did not file a petition for redetermination after receiving a deficiency notice.
2. Whether a taxpayer who received a notice of deficiency can challenge the underlying tax liability in a Collection Due Process hearing under IRC section 6330(c)(2)(B).

Holding

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1. Yes, because IRC section 6330(d) vests the Tax Court with jurisdiction to review the IRS's determination to proceed with a levy, even if the taxpayer did not file a petition for redetermination after receiving a deficiency notice.
2. No, because IRC section 6330(c)(2)(B) precludes a taxpayer from challenging the underlying tax liability in a CDP hearing if they received a notice of deficiency and had an opportunity to dispute the liability earlier.

Court's Reasoning

The court reasoned that IRC section 6330(d) grants it jurisdiction to review the IRS's determination to proceed with a levy, despite Goza's failure to file a petition for redetermination. The key issue was whether Goza could challenge his underlying tax liability in the CDP hearing. The court relied on IRC section 6330(c)(2)(B), which states that a taxpayer cannot contest the underlying tax liability in a CDP hearing if they received a statutory notice of deficiency or had an earlier opportunity to dispute such liability. Goza received a notice of deficiency but did not challenge it, thus he was precluded from challenging the liability in the CDP hearing. The court dismissed Goza's petition for failing to state a claim upon which relief could be granted, as it did not raise valid collection issues. The court emphasized the importance of following statutory procedures for challenging tax liabilities and the limitations on challenging such liabilities in CDP hearings.

Practical Implications

This decision clarifies the limits of challenging tax liabilities in CDP hearings. Taxpayers must contest a notice of deficiency within the statutory period to preserve their right to challenge the underlying liability. Practitioners should advise clients to respond to deficiency notices to avoid preclusion in later CDP hearings. The ruling impacts how tax professionals handle collection actions, emphasizing the importance of timely and proper responses to IRS notices. Subsequent cases like Moore v. Commissioner have applied this principle, reinforcing the procedural requirements for contesting tax liabilities.

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