

***Pierson v. Commissioner, 115 T. C. 576 (2000); 2000 U. S. Tax Ct. LEXIS 93; 115 T. C. No. 39***

A taxpayer who received a notice of deficiency but did not contest it cannot challenge the underlying tax liability in a collection review proceeding under section 6330.

**Summary**

Terry Hiram Pierson sought review of the IRS's intent to levy for his 1988 tax liability after failing to contest the earlier notice of deficiency. The Tax Court dismissed his petition, ruling that Pierson could not challenge his tax liability in a collection review proceeding because he had a prior opportunity to dispute it. The court emphasized that such proceedings are limited to collection issues, not the underlying liability. Additionally, the court warned that frivolous arguments in such cases could lead to penalties under section 6673.

**Facts**

On October 6, 1995, the IRS issued a notice of deficiency to Terry Hiram Pierson for his 1988 tax year, assessing a deficiency of \$5,944 along with additions to tax. Pierson did not file a petition with the Tax Court within the 90-day period. On January 24, 2000, the IRS sent a final notice of intent to levy. Pierson requested a hearing with the Appeals Office, which issued a Notice of Determination on July 12, 2000, stating that Pierson could not contest the 1988 liability due to the prior notice of deficiency. Pierson then filed an imperfect petition with the Tax Court to review the collection determination, which lacked specific allegations.

**Procedural History**

The IRS issued a notice of deficiency to Pierson on October 6, 1995, which Pierson did not contest. Following a notice of intent to levy on January 24, 2000, Pierson requested a hearing, leading to a Notice of Determination on July 12, 2000. Pierson filed a petition with the Tax Court on August 10, 2000, which was deemed imperfect. The IRS moved to dismiss for failure to state a claim. The Tax Court directed Pierson to file an amended petition, which he did not do, leading to the dismissal of his petition on December 14, 2000.

**Issue(s)**

1. Whether a taxpayer who received a notice of deficiency but did not file a timely petition can challenge the underlying tax liability in a collection review proceeding under section 6330.
2. Whether the Tax Court can impose penalties under section 6673 for frivolous arguments in a collection review proceeding.

**Holding**

1. No, because section 6330(c)(2)(B) precludes a taxpayer from contesting the underlying tax liability in a collection review proceeding if they had a prior opportunity to dispute it.
2. Yes, because section 6673(a)(1) allows the Tax Court to impose penalties for proceedings instituted primarily for delay or based on frivolous or groundless positions, although no penalty was imposed in this case.

### **Court's Reasoning**

The Tax Court applied section 6330, which governs collection review proceedings, and specifically section 6330(c)(2)(B), which prohibits challenging the underlying tax liability if the taxpayer had a prior opportunity to dispute it. The court noted that Pierson received a notice of deficiency but did not contest it, thus he was barred from challenging the liability in the collection review. The court also referenced *Goza v. Commissioner*, where a similar situation led to dismissal. On the issue of penalties, the court cited section 6673(a)(1), which allows for penalties up to \$25,000 for frivolous or groundless proceedings. Although no penalty was imposed, the court used this case to warn future litigants about the potential consequences of such actions.

### **Practical Implications**

This decision clarifies that taxpayers cannot use collection review proceedings under section 6330 to challenge underlying tax liabilities if they had a prior opportunity to contest them. Attorneys should advise clients to timely contest notices of deficiency to preserve their rights. The ruling also serves as a warning to taxpayers against raising frivolous arguments in Tax Court, as such actions may lead to penalties. Subsequent cases, such as *Smith v. Commissioner*, have cited this case in dismissing similar frivolous claims. This decision reinforces the importance of adhering to statutory deadlines and procedures in tax disputes and highlights the Tax Court's commitment to efficiently handling legitimate cases.