Boyd v. Commissioner, T.C. Memo. 2001-207

A taxpayer bears the burden of proving tax payments and the statute of limitations for tax collection is suspended during a Collection Due Process (CDP) hearing and related appeals.

Summary

In this Tax Court case, the petitioner, Boyd, contested an IRS levy, arguing that the statute of limitations barred collection for 1989 and 1990 and that he had already paid taxes for 1991-1993, 1996, and 1997. The court found that the statute of limitations was suspended due to Boyd's CDP hearing request and that Boyd failed to provide sufficient evidence of prior tax payments. The court upheld the IRS's determination, emphasizing the taxpayer's responsibility to substantiate payments and the statutory suspension of collection limitations during CDP proceedings.

Facts

Boyd, a self-employed carpet installer, filed timely income tax returns for 1989-1993, 1996, and 1997 but made no payments. The IRS assessed tax liabilities for these years. In 1999, the IRS issued a Final Notice of Intent to Levy for these unpaid taxes. Boyd requested a Collection Due Process (CDP) hearing, arguing the statute of limitations for 1989 and payment for other years. The IRS provided account transcripts, and scheduled a hearing, which Boyd failed to attend. The IRS issued a Notice of Determination to proceed with collection.

Procedural History

The IRS issued a Notice of Intent to Levy. Boyd requested a CDP hearing with the IRS Office of Appeals. After the Appeals Office upheld the levy, Boyd petitioned the Tax Court for review under section 6330(d) of the Internal Revenue Code. The Tax Court reviewed the statute of limitations issue and the payment issue de novo.

Issue(s)

1. Whether the IRS is time-barred from collecting income tax liabilities for 1989 and 1990 due to the statute of limitations.
2. Whether Boyd had already paid his income tax liabilities for 1991, 1992, 1993, 1996, and 1997.

Holding

1. No, because the statute of limitations was suspended when Boyd requested a CDP hearing, and the 10-year collection period had not expired prior to the hearing request.
2. No, because Boyd failed to provide credible evidence to substantiate his claim of prior payments beyond the IRS's official records.

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Court’s Reasoning

Regarding the statute of limitations, the court cited section 6502(a)(1) of the Internal Revenue Code, which generally allows the IRS 10 years to collect taxes after assessment. Crucially, section 6330(e)(1) suspends this limitations period during a CDP hearing and any appeals. The court noted that Boyd requested a CDP hearing in March 1999, before the 10-year period expired for the 1989 and 1990 assessments. Therefore, the statute of limitations was suspended and collection was not time-barred.

On the payment issue, the court stated that Boyd bears the burden of proving payments. The IRS provided transcripts showing unpaid balances. Boyd claimed payment agreements and money orders but offered only uncorroborated testimony and incomplete documentation (pay stubs with handwritten notes and money order copies without proof of negotiation). The court cited *Tokarski v. Commissioner*, 87 T.C. 74, 77 (1986), for the principle that “self-serving, uncorroborated testimony inadequately substantiates the alleged payments.” The court concluded that Boyd failed to meet his burden of proof.

The court also denied Boyd’s request for a new trial and appointed counsel, stating that Boyd had the opportunity to present evidence and secure representation earlier and showed no good cause for a rehearing.

Practical Implications

Boyd v. Commissioner reinforces several key points for tax law and practice. First, it clarifies that requesting a Collection Due Process hearing under section 6330 automatically suspends the statute of limitations for tax collection, providing the IRS with additional time to pursue collection efforts. This is a critical consideration for taxpayers contemplating CDP hearings, as it prevents the statute of limitations from running out during the hearing process. Second, the case underscores the taxpayer’s burden of proof in payment disputes. Taxpayers must maintain thorough records and provide credible, verifiable evidence of payments, not just self-serving statements. This decision serves as a reminder to legal professionals and taxpayers alike about the importance of documentation and the procedural effects of CDP hearings on collection timelines.

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