Lunsford v. Commissioner, 117 T. C. 183 (U. S. Tax Ct. 2001)

In Lunsford v. Commissioner, the U. S. Tax Court upheld the IRS's reliance on Form 4340 as sufficient verification of tax assessments in a collection due process (CDP) hearing, affirming that no abuse of discretion occurred. The case emphasized the IRS's discretion in conducting informal CDP hearings and clarified that taxpayers are not entitled to additional procedural rights beyond those specified in IRC Section 6330, impacting the scope of taxpayer rights in tax collection disputes.

Parties

Joseph D. and Wanda S. Lunsford, Petitioners, v. Commissioner of Internal Revenue, Respondent. The Lunsfords were the taxpayers challenging the IRS's proposed levy action, while the Commissioner represented the IRS in this matter. The case progressed from the IRS Appeals Office to the U. S. Tax Court.

Facts

On April 30, 1999, the IRS issued a notice of intent to levy to Joseph and Wanda Lunsford for unpaid income taxes amounting to $83,087. 85 for the years 1993, 1994, and 1995. On May 24, 1999, the Lunsfords requested a collection due process (CDP) hearing under IRC Section 6330, challenging the validity of the tax assessments on the basis of the lack of a valid summary record of assessment. The IRS Appeals officer sent a letter on September 2, 1999, enclosing Form 4340, which showed that the assessments were made and remained unpaid. The Lunsfords did not respond to this letter, and no further proceedings occurred before the Appeals officer issued a notice of determination on November 3, 1999, sustaining the proposed levy. The Lunsfords timely petitioned the Tax Court for review on December 2, 1999.

Procedural History

The IRS issued a notice of intent to levy on April 30, 1999, to which the Lunsfords responded by requesting a CDP hearing. The Appeals officer conducted the hearing via correspondence and issued a notice of determination on November 3, 1999, sustaining the proposed levy. The Lunsfords then filed a timely petition in the U. S. Tax Court on December 2, 1999, challenging the determination. The Tax Court reviewed the case under the abuse of discretion standard, as the underlying tax liability was not at issue.

Issue(s)

Whether the IRS Appeals officer abused her discretion by relying on Form 4340 to verify the assessments and by refusing to produce other requested documents or witnesses?

Rule(s) of Law

© 2025 SCOTUSreports.com. All rights reserved.

IRC Section 6330(a) provides taxpayers with the right to a CDP hearing before a levy is made. IRC Section 6330(b) requires that such a hearing be held by the IRS Office of Appeals and be conducted in a fair and impartial manner. IRC Section 6330(c)(1) mandates that the Appeals officer obtain verification of the assessments at the hearing. The Tax Court's Rules require petitioners to specify the basis upon which they seek relief, and any issue not raised in the assignments of error shall be deemed conceded. *See Fed. Tax Ct. R. 331(b)(4) and (5).*

Holding

The U. S. Tax Court held that the IRS Appeals officer did not abuse her discretion by relying on Form 4340 to verify the assessments or by refusing to produce other requested documents or witnesses. The Court affirmed that Form 4340 provides at least presumptive evidence of a valid assessment, and since the Lunsfords did not demonstrate any irregularities in the assessment process, the IRS was justified in proceeding with the proposed levy action.

Reasoning

The Tax Court reasoned that the Lunsfords' only substantive issue raised was the sufficiency of the Form 4340 as verification of the assessments, which had been previously addressed in *Davis v. Commissioner, 115 T. C. 35 (2000)*. The Court found that the IRS's reliance on Form 4340 was appropriate and not an abuse of discretion, as it provides presumptive evidence of a valid assessment unless irregularities are shown. The Court also noted that the Lunsfords failed to raise any new issues or demonstrate any irregularities in the assessment process. Furthermore, the Court emphasized that CDP hearings are intended to be informal and do not require testimony under oath or the compulsory attendance of witnesses or production of all requested documents. The Court rejected the Lunsfords' request for remand to the Appeals Office to reconsider issues already ruled on, deeming it unnecessary and unproductive. The dissenting opinions argued that the Lunsfords were entitled to a face-to-face CDP hearing as a matter of right and that the lack of such a hearing constituted an abuse of discretion.

Disposition

The U. S. Tax Court affirmed the IRS's determination and allowed the IRS to proceed with the proposed levy action. The Court denied the Commissioner's request to impose a penalty under IRC Section 6673(a)(1) on the Lunsfords.

Significance/Impact

The Lunsford case clarified the scope of the IRS's discretion in conducting CDP hearings under IRC Section 6330, affirming that the IRS can rely on Form 4340 as sufficient verification of assessments without the need for additional procedural rights or formalities. The decision impacts taxpayer rights by limiting the ability to

© 2025 SCOTUSreports.com. All rights reserved.

challenge the validity of assessments in CDP hearings unless irregularities can be demonstrated. The case also highlighted the informal nature of CDP hearings and the limited role of the Tax Court in reviewing IRS determinations for abuse of discretion. The dissenting opinions underscored the ongoing debate over the extent of taxpayer rights in CDP hearings and the interpretation of the statutory requirement for a “hearing”.

© 2025 SCOTUSreports.com. All rights reserved.