Spurlock v. Commissioner, 118 T. C. 155 (U. S. Tax Court 2002)

In Spurlock v. Commissioner, the U. S. Tax Court ruled that a return prepared by the IRS under Section 6020(b) for a non-filing taxpayer does not preclude the IRS from using deficiency procedures. This decision upholds taxpayers' rights to contest tax liabilities before assessment, even when the IRS has prepared a substitute return, significantly impacting the procedural rights of non-filers in tax disputes.

Parties

Gloria J. Spurlock, the petitioner, represented herself pro se throughout the proceedings. The respondent was the Commissioner of Internal Revenue, represented by Frederick W. Krieg.

Facts

Gloria J. Spurlock did not file federal income tax returns for the tax years 1995, 1996, and 1997. The Internal Revenue Service (IRS), acting under the authority of Section 6020(b) of the Internal Revenue Code (IRC), prepared substitute returns for these years, showing tax liabilities of $2,747 for 1995, $5,082 for 1996, and $3,149 for 1997. The IRS had not made any assessments against Spurlock based on these substitute returns at the time of the court's consideration. On February 20, 2001, the IRS issued a notice of deficiency to Spurlock, determining the same tax liabilities as shown on the substitute returns, along with additional penalties.

Procedural History

Spurlock filed a petition with the U. S. Tax Court challenging the notice of deficiency issued by the IRS. She moved for partial summary judgment on the issue of whether the IRS could assess a deficiency based on a Section 6020(b) return without going through deficiency procedures. The Tax Court denied Spurlock's motion, ruling that a Section 6020(b) return does not obviate the need for the IRS to follow deficiency procedures before assessing a tax liability.

Issue(s)

Whether a return prepared by the IRS under Section 6020(b) of the IRC constitutes a "return" for the purposes of calculating a "deficiency" under Section 6211(a) of the IRC, and whether the IRS can assess a tax liability based on such a return without following deficiency procedures.

Rule(s) of Law

Section 6020(b) of the IRC allows the IRS to prepare a return for a taxpayer who fails to file one. Section 6211(a) defines a "deficiency" as the amount by which the tax imposed exceeds the amount shown as tax by the taxpayer on their return. Section 6201(a)(1) mandates the IRS to assess all taxes determined by the taxpayer

© 2025 SCOTUSreports.com. All rights reserved.

or the IRS as to which returns or lists are made under the IRC.

Holding

The U. S. Tax Court held that a return prepared by the IRS under Section 6020(b) is not considered a "return" for the purpose of calculating a "deficiency" under Section 6211(a). Consequently, the IRS must follow deficiency procedures before assessing a tax liability based on a Section 6020(b) return, unless the taxpayer agrees to the correctness of the tax liability stated in such a return.

Reasoning

The court's reasoning was based on several key points:

– The language of Section 6211(a) refers to an amount shown as tax "by the taxpayer upon his return," which does not include a return prepared by the IRS.

– The court cited previous decisions such as Millsap v. Commissioner, where it was held that a Section 6020(b) return does not preclude a taxpayer's statutory right to deficiency procedures.

– The court rejected the argument that a Section 6020(b) return is "prima facie good and sufficient" for all legal purposes, as stated in Section 6020(b)(2), to the extent that it would allow the IRS to bypass deficiency procedures.

– The court distinguished between delinquent filers, who have accepted the tax liabilities shown on their returns, and non-filers, who have not accepted such liabilities. This distinction supports the necessity of deficiency procedures for non-filers.

– The court also upheld the validity of Section 301. 6211-1(a) of the Treasury Regulations, which considers the amount shown as tax on a non-filer's return to be zero for the purpose of calculating a deficiency.

Disposition

The Tax Court denied Spurlock's motions for partial summary judgment, affirming that the IRS must follow deficiency procedures before assessing a tax liability based on a Section 6020(b) return.

Significance/Impact

The Spurlock decision is significant for reinforcing the procedural rights of non-filers in tax disputes. It clarifies that the IRS cannot bypass deficiency procedures by relying on a Section 6020(b) return, thereby ensuring that taxpayers have a pre-assessment forum to contest tax liabilities. This ruling has implications for IRS practice and taxpayer rights, emphasizing the importance of due process in tax

© 2025 SCOTUSreports.com. All rights reserved.

assessments for non-filers. The decision has been followed in subsequent cases, solidifying its impact on tax law and practice.

© 2025 SCOTUSreports.com. All rights reserved.