Roberts v. Commissioner, 118 T. C. 365 (2002)

In *Roberts v. Commissioner*, the U. S. Tax Court upheld the IRS's use of a computer-generated Revenue Accounting Control System (RACS) Report 006 instead of the traditional Form 23C for tax assessments. The court ruled that this method was valid and that the IRS Appeals officer did not abuse discretion by relying on Form 4340 to verify the assessment. This decision reinforces the IRS's transition to electronic record-keeping and dismisses claims of procedural irregularities by taxpayers.

Parties

Thomas W. Roberts, the petitioner, appeared pro se. The respondent was the Commissioner of Internal Revenue, represented by Joanne B. Minsky.

Facts

Thomas W. Roberts filed his 1996 federal income tax return, reporting a tax due of $42,710, which he did not pay at the time of filing. On December 21, 1998, Roberts requested from the IRS Disclosure Office a copy of the Form 23C for his 1996 tax year, specifically rejecting the RACS Report 006 or the Individual Master File as non-responsive. The IRS responded that no assessments beyond processing his return and calculating penalties and interest had been made, providing a transcript instead. On October 11, 1999, the IRS issued a final notice of intent to levy on Roberts' 1996 tax liability, prompting Roberts to request a hearing with the IRS Appeals Office, which occurred on August 8, 2000. The Appeals officer, relying on Form 4340, issued a notice of determination on January 12, 2001, affirming the validity of the assessment and the IRS's compliance with applicable laws and procedures.

Procedural History

Roberts filed a petition with the U. S. Tax Court, challenging the Appeals officer's determination on three grounds: failure to verify the assessment under IRC § 6330(c)(1), failure to provide requested documentation, and inability to examine documents and cross-examine witnesses. Both parties filed cross-motions for partial summary judgment. The Tax Court denied Roberts' motion and granted the Commissioner's motion, affirming the validity of the assessment and the IRS's procedural compliance.

Issue(s)

Whether the IRS's use of a computer-generated RACS Report 006 instead of a manually prepared Form 23C constitutes an irregularity in the assessment procedure, rendering the assessment invalid under IRC § 6203 and 26 CFR § 301. 6203-1?

Whether the Appeals officer's reliance on Form 4340 to verify the assessment

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complied with the verification requirement of IRC § 6330(c)(1)?

Whether the inability to examine Forms 23C and 4340 and cross-examine witnesses before or at the Appeals Office hearing constituted an abuse of discretion by the Appeals officer?

Rule(s) of Law

IRC § 6203 requires that assessments be made by recording the taxpayer's liability according to prescribed rules or regulations. 26 CFR § 301. 6203-1 specifies that the assessment shall be made by an assessment officer signing the summary record of assessment, which may include the RACS Report 006. IRC § 6330(c)(1) mandates that the Appeals officer obtain verification that the requirements of applicable law or administrative procedure have been met before proceeding with collection actions. Form 4340 provides presumptive evidence of a valid assessment by the IRS.

Holding

The Tax Court held that the IRS's use of the RACS Report 006 instead of Form 23C did not constitute an irregularity in the assessment procedure and that a valid assessment was made with respect to Roberts' 1996 tax year. The court further held that the Appeals officer did not abuse discretion by relying on Form 4340 to verify the assessment, as required by IRC § 6330(c)(1). Finally, the court determined that the inability to examine Forms 23C and 4340 and cross-examine witnesses did not constitute an abuse of discretion.

Reasoning

The court reasoned that the IRS's transition from manually prepared Form 23C to the computer-generated RACS Report 006 was consistent with the Internal Revenue Manual (IRM) and did not violate IRC § 6203 or 26 CFR § 301. 6203-1. Both forms were considered valid summary records of assessment, and the court rejected Roberts' contention that the absence of a manually signed Form 23C invalidated the assessment. The court also found that Form 4340 provided presumptive evidence of a valid assessment, and absent any showing of procedural irregularity, the Appeals officer's reliance on it complied with IRC § 6330(c)(1). The court cited precedents like *Davis v. Commissioner* and *Nestor v. Commissioner* to support its conclusion that the inability to examine certain documents or cross-examine witnesses did not constitute an abuse of discretion. The court further noted that Roberts' arguments were primarily for delay and imposed a penalty under IRC § 6673(a)(1).

Disposition

The Tax Court denied Roberts' motion for partial summary judgment and granted the Commissioner's motion for partial summary judgment. The court also imposed a $10,000 penalty on Roberts under IRC § 6673(a)(1) for instituting or maintaining the proceeding primarily for delay.

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Significance/Impact

Roberts v. Commissioner is significant for affirming the IRS's transition to electronic assessment procedures, specifically the use of the RACS Report 006. The decision clarifies that the IRS's use of computer-generated records for assessments is valid under current law and regulations, reinforcing the agency's modernization efforts. The case also underscores the Tax Court's stance on frivolous litigation and the imposition of penalties under IRC § 6673(a)(1) for proceedings instituted primarily for delay. Subsequent courts have relied on this decision to uphold the validity of similar electronic assessment records and the use of Form 4340 for verification purposes in tax collection disputes.

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