

## ***Magana v. Commissioner, 118 T. C. 488 (U. S. Tax Court 2002)***

In *Magana v. Commissioner*, the U. S. Tax Court ruled that a taxpayer is barred from relitigating a statute of limitations issue previously adjudicated in a District Court case, under I. R. C. § 6330(c)(4). Additionally, the court declined to consider a new hardship argument not raised during the collection hearing, emphasizing that judicial review under § 6330(d)(1) is generally limited to issues presented to the IRS Appeals Office. This decision underscores the principles of finality in judicial decisions and the procedural constraints on raising new issues in tax collection disputes.

### **Parties**

Raymond B. Magana, the petitioner, challenged the Commissioner of Internal Revenue, the respondent, in the United States Tax Court. Magana was the taxpayer, while the Commissioner represented the IRS in this dispute over tax collection actions.

### **Facts**

Raymond B. Magana had an assessed and unpaid Federal income tax deficiency of \$472,532 for the year 1980. The IRS assessed this deficiency on April 23, 1984, following an amended return filed by Magana. In 1988, Magana submitted an offer in compromise, which was rejected. The statute of limitations for tax collection was extended from 6 to 10 years by the Omnibus Budget Reconciliation Act of 1990. In May 1995, the United States filed an action in the District Court for the Northern District of Oklahoma to reduce the tax assessment to judgment. Magana contested this action, arguing that the statute of limitations for collection had expired. On January 26, 2000, the District Court rejected Magana's contention and granted summary judgment to the United States. Subsequently, on November 19, 1999, the IRS filed federal tax liens against Magana. Magana requested a collection hearing under I. R. C. § 6320, asserting only the statute of limitations issue. The IRS Appeals Office sustained the lien filings, and Magana appealed to the Tax Court, additionally raising a hardship claim not previously mentioned.

### **Procedural History**

Magana requested a collection hearing under I. R. C. § 6320 following the IRS's filing of tax liens. During the hearing, Magana, represented by counsel, reiterated his statute of limitations argument but did not raise any hardship claims or discuss collection alternatives. The IRS Appeals Office issued a notice of determination on August 31, 2000, sustaining the lien filings. Magana timely filed a petition with the U. S. Tax Court on September 29, 2000, challenging the notice of determination and introducing a new hardship argument. The Commissioner moved for summary judgment, which the Tax Court granted.

## **Issue(s)**

Whether, under I. R. C. § 6330(c)(4), a taxpayer may relitigate a statute of limitations contention previously adjudicated in a related District Court proceeding in a Tax Court review of an IRS collection action?

Whether, under the abuse of discretion standard of I. R. C. § 6330(d)(1), the Tax Court may consider a new hardship issue not raised by the taxpayer during the collection hearing with the IRS Appeals Office?

## **Rule(s) of Law**

I. R. C. § 6330(c)(4) prohibits taxpayers from raising issues at collection hearings that were previously raised and considered in other administrative or judicial proceedings where they meaningfully participated.

I. R. C. § 6330(d)(1) mandates that Tax Court review of IRS determinations under § 6330 be conducted under an abuse of discretion standard, generally limiting review to issues raised during the collection hearing.

## **Holding**

The Tax Court held that Magana was precluded from relitigating the statute of limitations issue under I. R. C. § 6330(c)(4), as it had been previously adjudicated against him in the District Court. The court also held that it would not consider the new hardship argument raised by Magana in his Tax Court petition, as it was not presented during the collection hearing.

## **Reasoning**

The Tax Court's reasoning was grounded in the principles of statutory interpretation and judicial finality. Regarding the statute of limitations issue, the court relied on the explicit language of § 6330(c)(4), which precludes relitigation of issues previously adjudicated. The court cited the District Court's decision in *United States v. Magana*, which had already rejected Magana's statute of limitations argument based on evidence of an extension agreement and statutory extensions. The court noted that collateral estoppel further barred relitigation of this issue.

On the hardship issue, the court emphasized that judicial review under § 6330(d)(1) is generally limited to issues raised during the collection hearing. The court cited precedent, including *McCoy Enterprises, Inc. v. Commissioner*, which affirmed that the Tax Court cannot find an abuse of discretion where the Commissioner had no opportunity to exercise discretion on an unraised issue. The court found no exceptional circumstances justifying a deviation from this rule, particularly given that Magana's illness was longstanding and not recently arisen. The court also noted that the IRS's inability to levy on Magana's residence without a Federal District Court's approval under § 6334(a)(13) and (e) provided additional protections against

undue hardship.

### **Disposition**

The Tax Court granted the Commissioner's motion for summary judgment, affirming the IRS's determination to sustain the tax lien filings.

### **Significance/Impact**

Magana v. Commissioner reinforces the importance of finality in judicial decisions and the procedural limits on raising new issues in tax collection disputes. The decision clarifies the application of I. R. C. § 6330(c)(4) and § 6330(d)(1), emphasizing that taxpayers must raise all relevant issues during the collection hearing to preserve them for judicial review. This case also underscores the protective measures for taxpayers under § 6334, which limit IRS levy actions on principal residences. The ruling has implications for legal practice, particularly in advising clients on the necessity of thorough issue presentation during IRS collection hearings to avoid preclusion in subsequent judicial proceedings.