Craig v. Commissioner, 119 T. C. 252 (U. S. Tax Ct. 2002)

In Craig v. Commissioner, the U. S. Tax Court held that it had jurisdiction to review the IRS's proposed levy action despite the agency's failure to provide a timely Collection Due Process (CDP) hearing. The court ruled that the decision letter issued after an equivalent hearing sufficed as a "determination" under IRC section 6330(d)(1), enabling judicial review. This landmark decision clarifies the scope of judicial oversight in tax collection procedures, emphasizing that the label of the hearing or decision document does not preclude court jurisdiction when a timely CDP hearing was requested.

Parties

Michael Craig, Petitioner, pro se, v. Commissioner of Internal Revenue, Respondent, represented by Anne W. Durning.

Facts

Michael Craig, a resident of Scottsdale, Arizona, faced a proposed levy by the IRS to collect federal income taxes for the years 1990, 1991, 1992, and 1995, totaling approximately $31,593. 46. The IRS sent final notices of intent to levy on February 22, 2001, for these tax years. Craig timely requested a Collection Due Process (CDP) hearing under IRC section 6330. However, the IRS Appeals officer mistakenly treated Craig's request as untimely and instead conducted an "equivalent hearing" under section 301. 6330-1(i) of the Treasury Regulations. At this equivalent hearing, the Appeals officer reviewed Forms 4340, Certificate of Assessments, Payments and Other Specified Matters, and subsequently issued a decision letter sustaining the proposed levy. The decision letter erroneously stated that Craig had no right to judicial review because his request for a CDP hearing was considered untimely.

Procedural History

On February 22, 2001, the IRS mailed final notices of intent to levy to Craig for the tax years 1990, 1991, 1992, and 1995. Craig timely requested a CDP hearing on March 17, 2001, but the IRS treated it as an equivalent hearing due to a misunderstanding regarding timeliness. On September 28, 2001, the equivalent hearing was held, and on October 27, 2001, the Appeals officer issued a decision letter upholding the levy. Craig filed a petition with the U. S. Tax Court on November 21, 2001, contesting the decision letter. The Commissioner moved for summary judgment and to impose a penalty under IRC section 6673(a). The Tax Court, under Judge Laro, considered the issue of jurisdiction as a matter of first impression and granted the Commissioner's motion for summary judgment.

Issue(s)

Whether the U. S. Tax Court has jurisdiction under IRC section 6330(d)(1) to review the Commissioner's determination when the IRS conducted an equivalent hearing

© 2025 SCOTUSreports.com. All rights reserved.

instead of a timely requested CDP hearing?

Rule(s) of Law

IRC section 6330(d)(1) provides that the Tax Court has jurisdiction to review a proposed collection action upon the issuance of a valid notice of determination and a timely petition for review. The Treasury Regulations under section 301. 6330-1 recognize two types of hearings: CDP hearings and equivalent hearings. The regulations specify that an equivalent hearing considers the same issues as a CDP hearing and that the resulting decision letter contains similar information to a notice of determination.

Holding

The U. S. Tax Court held that it had jurisdiction under IRC section 6330(d)(1) to review the Commissioner's determination despite the IRS's failure to provide a timely CDP hearing. The court determined that the decision letter issued after the equivalent hearing constituted a "determination" under the statute, thus invoking its jurisdiction.

Reasoning

The court's reasoning centered on the interpretation of IRC section 6330 and the Treasury Regulations. It emphasized that the statute and regulations treat equivalent hearings and CDP hearings similarly in terms of issues considered and the content of the decision documents. The court found that the IRS's error in conducting an equivalent hearing instead of a CDP hearing was harmless because the decision letter contained all the necessary information required by the regulations. The court rejected the argument that the label of the hearing or the decision document should affect its jurisdiction, especially when a timely request for a CDP hearing was made. The court also considered the legislative history of IRC section 6330, which indicated Congressional intent to provide an equivalent hearing when a timely CDP hearing was not requested, but interpreted this to mean that the IRS's error in this case did not preclude judicial review. Furthermore, the court addressed Craig's frivolous arguments regarding the validity of the tax assessments and notices, dismissing them as lacking merit and imposing a $2,500 penalty under IRC section 6673(a) for maintaining the proceeding primarily for delay and advancing groundless claims.

Disposition

The court granted the Commissioner's motion for summary judgment and imposed a $2,500 penalty against Craig under IRC section 6673(a). An appropriate order and decision were entered for the respondent.

Significance/Impact

© 2025 SCOTUSreports.com. All rights reserved.

Craig v. Commissioner is significant for clarifying the scope of the Tax Court's jurisdiction in reviewing IRS collection actions. The decision establishes that the Tax Court can assert jurisdiction over a case even when the IRS erroneously conducts an equivalent hearing instead of a timely requested CDP hearing, as long as a decision letter is issued. This ruling ensures that taxpayers are not deprived of judicial review due to administrative errors by the IRS. The case also reinforces the court's willingness to impose penalties under IRC section 6673(a) for frivolous and groundless claims, serving as a deterrent against abusive tax litigation. Subsequent courts have relied on this decision to interpret the requirements for jurisdiction under IRC section 6330(d)(1), impacting how tax practitioners and taxpayers navigate the CDP process and potential judicial review.

© 2025 SCOTUSreports.com. All rights reserved.