Davis v. Commissioner, 116 T. C. 362 (2001)

In a landmark decision, the U. S. Tax Court affirmed its jurisdiction to review the IRS's use of jeopardy levies under section 6330(f) of the Internal Revenue Code. The ruling in Davis v. Commissioner clarifies that taxpayers can appeal the IRS's determination to employ such levies, ensuring judicial oversight in urgent tax collection actions. This decision significantly impacts the procedural protections available to taxpayers facing aggressive IRS collection tactics, reinforcing the balance between government collection powers and individual rights.

Parties

Petitioner: Davis, residing in Naples, Florida. Respondent: Commissioner of Internal Revenue.

Facts

Petitioner Davis maintained various accounts in the Evergreen Funds. On November 29, 1999, the IRS issued a notice of levy to Evergreen Funds to collect petitioner's unpaid income tax liabilities for tax years 1987-89. Concurrently, the IRS issued a notice of jeopardy levy and right of appeal to Davis. Following this, Davis timely filed a Form 12153 requesting a Collection Due Process Hearing. On May 1, 2000, an IRS Appeals officer conducted a hearing concerning the tax years in question. On May 22, 2000, the IRS sent Davis a Notice of Determination Concerning Collection Action(s) under sections 6320 and/or 6330, determining the jeopardy levy was appropriate.

Procedural History

Davis filed a petition in the U. S. Tax Court seeking review of the IRS's determination that a jeopardy levy was appropriate. The Tax Court, in considering its jurisdiction under section 6330(d), questioned its authority sua sponte to review determinations under section 6330(f). The court analyzed whether its jurisdiction to review section 6330 determinations included the authority to review jeopardy levy determinations under section 6330(f). The Tax Court held that it did have such jurisdiction.

Issue(s)

Whether the U. S. Tax Court has jurisdiction under section 6330(d) to review the IRS's determination under section 6330(f) that a jeopardy levy was appropriate?

Rule(s) of Law

Section 6330(d) of the Internal Revenue Code provides that a taxpayer may appeal a determination made under section 6330 to the Tax Court within 30 days. Section 6330(f) states that the section does not apply to jeopardy levies, but the taxpayer

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shall be given an opportunity for a hearing within a reasonable period after the levy. The legislative history of the Internal Revenue Service Restructuring and Reform Act of 1998 (RRA 1998), which created section 6330, indicates that Congress intended for taxpayers to have the right to judicial review of determinations made under this section, including those related to jeopardy levies.

Holding

The U. S. Tax Court held that it has jurisdiction under section 6330(d) to review the IRS's determination under section 6330(f) that a jeopardy levy was appropriate.

Reasoning

The court's reasoning was rooted in the interpretation of the statutory language and legislative intent. It noted that the phrase "this section" in section 6330(d)(1) applies to all subsections of section 6330, including subsection (f). The court cited prior cases, such as Butler v. Commissioner and Woodral v. Commissioner, to support this interpretation. Furthermore, the court examined the legislative history of the RRA 1998, which clearly indicated Congress's intent to allow taxpayers to appeal IRS determinations under section 6330, including those related to jeopardy levies. The court concluded that interpreting section 6330(f) to restrict jurisdiction under section 6330(d) would be inconsistent with the overall purpose of section 6330, which is to provide procedural protections in tax collection disputes. The court also considered policy considerations, emphasizing the balance between the IRS's need to collect taxes urgently and the taxpayer's right to judicial review.

Disposition

The Tax Court affirmed its jurisdiction to review the IRS's determination that the jeopardy levy was appropriate, and an appropriate order was issued reflecting this decision.

Significance/Impact

The Davis decision is significant as it clarifies the Tax Court's jurisdiction over jeopardy levy determinations, enhancing taxpayer protections in IRS collection actions. This ruling ensures that taxpayers facing jeopardy levies have a clear path to judicial review, reinforcing the procedural safeguards intended by Congress in the RRA 1998. The decision has been influential in subsequent cases involving similar issues and underscores the importance of judicial oversight in balancing the government's tax collection powers with individual rights.

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