***James M. Robinette v. Commissioner of Internal Revenue, 123 T. C. 85 (2004)*** (U. S. Tax Court, 2004)

In Robinette v. Comm'r, the U. S. Tax Court ruled that the IRS abused its discretion in declaring a taxpayer's offer-in-compromise in default and proceeding with collection, despite the taxpayer's late filing of a tax return. This decision emphasizes the importance of considering all relevant circumstances before defaulting an offer-in-compromise and highlights the court's broad discretion to review evidence not included in the administrative record. The case is significant for its impact on IRS collection procedures and taxpayer rights in offer-in-compromise agreements.

**Parties**

James M. Robinette (Petitioner) filed a petition against the Commissioner of Internal Revenue (Respondent) in the United States Tax Court. The procedural designations of the parties remained consistent throughout the litigation, with Robinette as the petitioner and the Commissioner as the respondent.

**Facts**

On October 31, 1995, James M. Robinette entered into an offer-in-compromise with the IRS, agreeing to pay $100,000 to settle tax liabilities and penalties totaling $989,475 for the years 1983 through 1991. The agreement required Robinette to file all required tax returns timely for five years following its acceptance. On October 15, 1999, the due date for his 1998 tax return, Robinette's accountant, Douglas W. Coy, prepared the return and obtained Robinette's signature. Coy then used a private postage meter to mail the return, depositing it in a U. S. Postal Service mailbox before midnight. However, the IRS did not receive the 1998 return, and after several requests for the missing return went unanswered, the IRS declared Robinette's offer-in-compromise in default on July 13, 2000. Robinette filed a Form 12153 requesting a Collection Due Process Hearing, arguing that he had complied with the offer-in-compromise terms. The Appeals Officer, after reviewing the administrative file and conducting a telephone hearing with Coy, determined to proceed with collection, asserting that the offer-in-compromise was properly defaulted due to non-compliance.

**Procedural History**

Robinette filed a petition with the U. S. Tax Court challenging the IRS's determination to proceed with collection under I. R. C. § 6330. The IRS moved to strike all evidence not part of the administrative record. The Tax Court reviewed the case under an abuse of discretion standard, allowing evidence presented at trial that was not included in the administrative record. The court ultimately held that the IRS abused its discretion in determining to proceed with collection.

**Issue(s)**

© 2025 SCOTUSreports.com. All rights reserved. 

Whether the IRS abused its discretion in determining to proceed with collection of Robinette's tax liabilities after declaring his offer-in-compromise in default for failure to timely file his 1998 tax return?

**Rule(s) of Law**

The court reviews IRS determinations under I. R. C. § 6330 for abuse of discretion, which occurs when the determination is "arbitrary, capricious, clearly unlawful, or without sound basis in fact or law. " *Ewing v. Commissioner*, 122 T. C. 32, 39 (2004). The court may consider evidence presented at trial that was not included in the administrative record. *Ewing v. Commissioner*, 122 T. C. at 44. An offer-in-compromise is governed by general principles of contract law. *Dutton v. Commissioner*, 122 T. C. 133, 138 (2004).

**Holding**

The U. S. Tax Court held that the IRS abused its discretion in determining to proceed with collection of Robinette's tax liabilities, as the breach of the offer-in-compromise by Robinette's late filing of his 1998 tax return was not material under contract law principles, and the Appeals Officer failed to consider relevant evidence and circumstances before making the determination.

**Reasoning**

The court reasoned that the Appeals Officer's determination to proceed with collection was an abuse of discretion because it was arbitrary and without sound basis in law. The court analyzed the materiality of Robinette's breach of the offer-in-compromise using contract law principles, finding that the breach was not material given the circumstances. The court considered the extent to which the IRS was deprived of its expected benefit, the adequacy of compensation for any loss, the forfeiture Robinette would suffer, the likelihood of curing the breach, and Robinette's good faith efforts to comply. The court noted that Robinette had substantially performed under the agreement, had a pattern of timely filing, and had acted in good faith. Additionally, the court criticized the Appeals Officer for failing to consider relevant evidence, such as Robinette's pattern of filing and the circumstances surrounding the mailing of the 1998 return, and for not seeking guidance from the National Office on reinstating the offer-in-compromise. The court also addressed the IRS's motion to strike evidence not in the administrative record, holding that such evidence was admissible and relevant to the issue of abuse of discretion.

**Disposition**

The U. S. Tax Court reversed the IRS's determination to proceed with collection and instructed the IRS to reinstate Robinette's offer-in-compromise.

**Significance/Impact**

© 2025 SCOTUSreports.com. All rights reserved. 

This case is significant for its clarification of the Tax Court's authority to review evidence outside the administrative record in I. R. C. § 6330 cases and for its application of contract law principles to offers-in-compromise. It emphasizes the importance of considering all relevant circumstances before declaring an offer-in-compromise in default and highlights the potential for IRS abuse of discretion in collection actions. The decision impacts IRS procedures and taxpayer rights by reinforcing the need for a thorough and fair evaluation of compliance with offer-in-compromise terms.

© 2025 SCOTUSreports.com. All rights reserved. 