Lewis v. Commissioner, 125 T. C. 24 (U. S. Tax Court 2005)

In Lewis v. Commissioner, the U. S. Tax Court ruled that it lacks jurisdiction to determine overpayments or order refunds in collection due process proceedings under section 6330. The court dismissed the case as moot after the IRS offset the petitioner's 1999 overpayment against her 1992 tax liability, leaving no unpaid balance subject to collection action. This decision clarifies the limited scope of Tax Court jurisdiction in collection review proceedings, emphasizing that such proceedings cannot serve as a back-door route to tax refunds absent explicit statutory authority.

Parties

Petitioner: Dorothy Lewis, residing in Chicago, Illinois, filed the petition in the U. S. Tax Court. Respondent: The Commissioner of Internal Revenue, representing the Internal Revenue Service (IRS).

Facts

On June 5, 1997, the U. S. Tax Court entered a stipulated decision for Dorothy Lewis's 1992 taxable year, determining a $10,195 deficiency in income tax but no additions to tax or penalties. Lewis waived restrictions on assessment and collection of the deficiency plus statutory interest. On December 19, 1997, the IRS assessed the 1992 deficiency and allegedly sent a notice of balance due of $14,514. 53, which Lewis disputes receiving. On July 3, 2000, the IRS sent Lewis a Form CP 504 indicating a balance of $23,805. 53 for 1992, including penalties and interest. Lewis paid $14,514. 53 on July 18, 2000, and requested a Collection Due Process (CDP) hearing. On January 9, 2001, the IRS issued a Final Notice of Intent to Levy for the 1992 tax year, showing an assessed balance of $4,992. 70. Lewis again requested a CDP hearing, asserting she did not owe the money. The IRS Appeals Office sustained the proposed levy action on May 22, 2001. After the petition was filed, the IRS offset Lewis's 1999 overpayment of $10,633 against her 1992 liability, resulting in full payment.

Procedural History

Lewis filed her petition in the U. S. Tax Court on June 22, 2001, challenging the IRS's determination to proceed with the proposed levy for her 1992 tax year. The court granted the IRS's motion for partial summary judgment on February 25, 2003, affirming that Lewis received a meaningful CDP hearing. Lewis's motion to amend her petition to include her 1999 tax year was denied on January 30, 2003. Lewis filed a refund suit in the U. S. District Court for the Northern District of Illinois, which was stayed pending the Tax Court proceedings. The IRS moved to dismiss the case as moot after offsetting Lewis's 1999 overpayment against her 1992 liability.

Issue(s)

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Whether the U. S. Tax Court has jurisdiction to determine overpayments or order refunds in a collection due process proceeding under section 6330 of the Internal Revenue Code?

Rule(s) of Law

Section 6330(d)(1)(A) of the Internal Revenue Code grants the U. S. Tax Court jurisdiction over matters covered by the final determination in a CDP hearing. The Tax Court's jurisdiction is limited to reviewing the propriety of the proposed levy action. Section 6402(a) allows the IRS to offset overpayments against outstanding tax liabilities. The Tax Court lacks explicit statutory authority to determine overpayments or order refunds in section 6330 proceedings, as established by the legislative history of sections 6512(b) and 6404(h).

Holding

The U. S. Tax Court held that it lacks jurisdiction to determine overpayments or order refunds in a collection due process proceeding under section 6330. The case was dismissed as moot because the IRS had offset Lewis's 1999 overpayment against her 1992 tax liability, leaving no unpaid balance subject to collection action.

Reasoning

The court reasoned that its jurisdiction in section 6330 proceedings is limited to reviewing the propriety of the proposed levy action, as explicitly stated in section 6330(d)(1)(A). The court emphasized that the legislative history of sections 6512(b) and 6404(h) demonstrates Congress's intent to require explicit statutory authority for the Tax Court to determine overpayments and order refunds. The court distinguished section 6330 from deficiency proceedings under section 6213, where the Tax Court has jurisdiction to determine overpayments. The court also noted that section 6330 lacks the detailed limitations on refunds and credits found in sections 6511 and 6512(b), further indicating that Congress did not intend to provide a back-door route to tax refunds through collection review proceedings. The court declined to assume jurisdiction over Lewis's refund claim, as it would require rendering an advisory opinion on issues not affecting the disposition of the case.

Disposition

The case was dismissed as moot by the U. S. Tax Court.

Significance/Impact

Lewis v. Commissioner clarifies the limited scope of Tax Court jurisdiction in collection due process proceedings under section 6330. The decision reinforces the principle that the Tax Court cannot determine overpayments or order refunds in such proceedings without explicit statutory authority. This ruling has implications for taxpayers seeking to challenge the existence or amount of underlying tax

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liabilities through CDP hearings, as it limits their ability to obtain refunds through this avenue. The case also highlights the distinction between the Tax Court's jurisdiction in deficiency proceedings versus collection review proceedings, emphasizing the need for taxpayers to pursue refund claims through appropriate channels, such as filing a claim with the IRS or bringing a refund suit in district court.

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