

Jimmy Asiegbu Prince v. Commissioner of Internal Revenue, 133 T. C. 270 (U. S. Tax Court 2009)

In *Prince v. Commissioner*, the U. S. Tax Court upheld the IRS's use of a jeopardy levy to collect unpaid taxes from funds seized by the Los Angeles Police Department before Prince's bankruptcy. The court ruled that Prince could not challenge claims on behalf of third parties and that the levy was valid despite his bankruptcy discharge, as the funds were part of his pre-bankruptcy estate and subject to a pre-existing tax lien. This decision clarifies the IRS's ability to enforce tax liens on pre-bankruptcy assets, even after personal liability is discharged.

Parties

Jimmy Asiegbu Prince, the petitioner, represented himself (pro se). The respondent, Commissioner of Internal Revenue, was represented by Vivian Bodey and Debra Bowe.

Facts

In February 2002, the IRS determined that Jimmy Asiegbu Prince had federal income tax deficiencies for the tax years 1997, 1998, and 1999. Prince challenged this determination in the U. S. Tax Court, which ruled against him in September 2003 (*Prince v. Commissioner*, T. C. Memo 2003-247). On March 6, 2003, while the tax case was pending, the Los Angeles Police Department (LAPD) seized \$263,899. 93 from Prince, suspecting fraudulent credit card transactions. On January 28, 2004, the IRS assessed the deficiencies and additions to tax as per the court's decision. On April 7, 2005, the IRS filed a notice of federal tax lien with the Los Angeles County Recorder for the tax years 1997, 1998, 1999, and 2002. On June 2, 2005, Prince filed for bankruptcy under Chapter 7 of the Bankruptcy Code, but did not include the seized funds in his bankruptcy schedules, despite \$212,237. 89 of these funds remaining with the LAPD. Prince's debts were discharged in bankruptcy on January 27, 2006. In December 2007, informed that the seized money would be returned to Prince, the IRS served a jeopardy levy on the Los Angeles County District Attorney's Office to collect Prince's unpaid tax liabilities.

Procedural History

The IRS issued a notice of determination in May 2008, upholding the jeopardy levy. Prince timely petitioned the U. S. Tax Court for review. The IRS moved for summary judgment on April 17, 2009, which was heard on June 25, 2009. The court granted the IRS's motion for summary judgment on November 2, 2009, upholding the jeopardy levy and denying Prince's petition.

Issue(s)

Whether the IRS's jeopardy levy was proper under the circumstances where the levied funds were part of Prince's pre-bankruptcy estate and subject to a pre-

existing federal tax lien?

Whether Prince could raise third-party claims in this lien or levy case?

Rule(s) of Law

The Internal Revenue Code allows the IRS to levy upon a taxpayer's property if it finds that the collection of tax is in jeopardy (26 U. S. C. § 6331(a)). A discharge in bankruptcy under 11 U. S. C. § 727 relieves a debtor of personal liability but does not extinguish a valid federal tax lien filed before the bankruptcy petition (26 U. S. C. § 6323). The Tax Court reviews determinations regarding the underlying tax liability de novo if properly at issue, but reviews other administrative determinations for abuse of discretion (26 U. S. C. § 6330). The doctrine of standing requires a plaintiff to assert his own legal rights and interests (*Anthony v. Commissioner*, 66 T. C. 367 (1976)).

Holding

The Tax Court held that the IRS's jeopardy levy was proper because the funds levied were part of Prince's pre-bankruptcy estate and subject to a valid federal tax lien filed before his bankruptcy petition. The court further held that Prince could not raise third-party claims in this lien or levy case due to lack of standing.

Reasoning

The court reasoned that Prince's bankruptcy discharge relieved him of personal liability for his tax debts, but did not protect the seized funds from the IRS's collection efforts since those funds were part of his pre-bankruptcy estate and subject to a pre-existing federal tax lien. The court relied on previous holdings that a valid tax lien survives bankruptcy and continues to attach to pre-bankruptcy property (*Bussell v. Commissioner*, 130 T. C. 222 (2008); *Iannone v. Commissioner*, 122 T. C. 287 (2004)). The court also applied the doctrine of standing, concluding that Prince did not have standing to seek the return of money or property that did not belong to him or to represent the rights of third parties in this proceeding. The court found no abuse of discretion in the IRS's determination that a jeopardy levy was appropriate, given the risk of the funds being dissipated and the limitations on the IRS's ability to collect post-bankruptcy. The court dismissed Prince's other arguments, including claims of bias by the IRS Appeals officer and lack of timely notice of the jeopardy levy, as meritless or not properly raised before the Appeals Office.

Disposition

The Tax Court granted the IRS's motion for summary judgment, upheld the jeopardy levy, and denied Prince's petition.

Significance/Impact

Prince v. Commissioner clarifies that a federal tax lien remains enforceable against a debtor's pre-bankruptcy assets, even after a personal discharge in bankruptcy. This decision underscores the importance of including all assets in bankruptcy schedules and reinforces the IRS's authority to use jeopardy levies to protect its interests in collecting tax liabilities from pre-bankruptcy assets. The ruling also serves as a reminder of the limitations on a taxpayer's ability to challenge IRS collection actions on behalf of third parties in Tax Court proceedings.