Goff v. Commissioner, 135 T. C. 231 (U. S. Tax Court 2010)

In Goff v. Commissioner, the U. S. Tax Court ruled that a 'Bonded Promissory Note' submitted by the taxpayer's husband did not constitute payment of federal income tax and civil penalties. The court upheld the IRS's right to proceed with collection and imposed a $15,000 penalty on the taxpayer for advancing frivolous arguments, highlighting the importance of legal tender in tax payment obligations and the court's stance against delaying tactics.

Parties

Lisa S. Goff, as the Petitioner, filed the case pro se. The Respondent was the Commissioner of Internal Revenue, represented by Richard W. Kennedy.

Facts

Lisa S. Goff sought to challenge the IRS's determination to collect her unpaid federal income taxes for the years 1996 through 2006, and civil penalties for filing frivolous returns for the years 1997, 1999, 2000, 2003, and 2004. Goff claimed that her liabilities were paid by a 'Bonded Promissory Note' issued by her husband, Harvey D. Goff, Jr. , in the amount of $5 million, sent to the IRS. The IRS rejected the note as payment, and Goff proceeded to the U. S. Tax Court for review of the IRS's determination.

Procedural History

Goff received a notice of intent to levy from the IRS and requested a pre-levy hearing under section 6330 of the Internal Revenue Code. The IRS Appeals Office rejected Goff's claim that the liabilities had been paid by the note. Goff then timely filed a petition in the U. S. Tax Court, which conducted a de novo review of the IRS's determinations. The court sustained the IRS's determinations and imposed a penalty under section 6673(a)(1) of the Internal Revenue Code.

Issue(s)

Whether a 'Bonded Promissory Note' submitted by Goff's husband constituted payment of her tax liabilities and penalties under the Internal Revenue Code?

Whether the court should impose an additional penalty on Goff pursuant to section 6673 of the Internal Revenue Code for instituting the proceeding primarily for delay or advancing a frivolous or groundless position?

Rule(s) of Law

The Internal Revenue Code specifies that 'coins and currency (including Federal reserve notes and circulating notes of Federal reserve banks and national banks) are legal tender for all debts, public charges, taxes, and dues. ' (31 U. S. C. § 5103).

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Section 6311 of the Internal Revenue Code authorizes the Secretary to receive for taxes any commercially acceptable means prescribed by regulations, which do not include private bonds or notes. Section 6673(a)(1) allows the court to impose a penalty not exceeding $25,000 if a taxpayer institutes or maintains a proceeding primarily for delay or if the taxpayer's position is frivolous or groundless.

Holding

The court held that the 'Bonded Promissory Note' did not constitute payment of Goff's tax liabilities and penalties because it was not recognized as legal tender under the relevant statutes and regulations. The court further held that Goff was subject to a $15,000 penalty under section 6673(a)(1) for instituting the proceeding primarily for delay and advancing a frivolous position.

Reasoning

The court's reasoning focused on the legal definitions of payment under the Internal Revenue Code, emphasizing that only legal tender or commercially acceptable means prescribed by regulations can be used for payment of taxes. The court cited 31 U. S. C. § 5103 and section 6311 of the Internal Revenue Code to support its conclusion that the note did not meet these criteria. The court also considered the frivolous nature of Goff's argument, her refusal to comply with court orders, and her husband's nonsensical claims, which suggested the case was instituted primarily for delay. The court referenced prior case law, such as *Boyd v. Commissioner* and *Landry v. Commissioner*, to justify its de novo review and the imposition of the penalty under section 6673(a)(1). The court noted that Goff's position was contrary to established law and lacked any reasoned argument for change, thus warranting the penalty.

Disposition

The court sustained the IRS's determinations and ordered Goff to pay a penalty of $15,000 under section 6673(a)(1) of the Internal Revenue Code.

Significance/Impact

This case reinforces the principle that only legal tender or commercially acceptable means prescribed by regulations can be used to pay tax liabilities. It also serves as a warning to taxpayers against using frivolous arguments and delaying tactics in tax disputes, as such actions can result in significant penalties. The ruling underscores the court's commitment to maintaining the integrity of the tax system and the importance of adhering to established legal procedures in tax litigation.

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