***Wnuck v. Commissioner, 136 T. C. 498 (U. S. Tax Court 2011)***

The U. S. Tax Court upheld a tax deficiency against Scott F. Wnuck, who argued his wages were not taxable income, deeming his arguments frivolous. The court increased his penalty from $1,000 to $5,000 under I. R. C. section 6673(a) for persisting with these baseless claims. The decision underscores the court's stance against frivolous tax litigation, warning of potential future penalties up to $25,000 for similar actions.

**Parties**

Scott F. Wnuck, the petitioner, represented himself pro se. The respondent was the Commissioner of Internal Revenue, represented by David M. McCallum.

**Facts**

Scott F. Wnuck, a machinery industry worker, did not report his 2007 wages on his tax return, asserting that his earnings were not subject to income tax. At trial, Wnuck admitted to receiving payment for his services but maintained his position that these earnings were not taxable. The IRS determined a deficiency based on these unreported wages and prepared a substitute for return (SFR) under I. R. C. section 6020(b).

**Procedural History**

The IRS issued a notice of deficiency to Wnuck for the unreported 2007 income. Wnuck filed a petition with the U. S. Tax Court for a redetermination of the deficiency. At trial, the court found Wnuck's arguments frivolous and imposed a $1,000 penalty under I. R. C. section 6673(a). After the court entered its decision, Wnuck moved for reconsideration, arguing the court had not adequately addressed his arguments. The court granted the motion to vacate its decision but ultimately denied the motion for reconsideration, increasing the penalty to $5,000.

**Issue(s)**

Whether Wnuck's arguments that his wages were not subject to income tax and that the court should have addressed his arguments in more detail were frivolous under I. R. C. section 6673(a)?

**Rule(s) of Law**

I. R. C. section 61(a) defines gross income as "all income from whatever source derived, including (but not limited to) (1) Compensation for services. " I. R. C. section 6673(a)(1) authorizes the Tax Court to impose a penalty not exceeding $25,000 when a taxpayer's position is frivolous or groundless or when proceedings are instituted primarily for delay.

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## Holding

The court held that Wnuck's arguments were frivolous and that he was not entitled to a detailed opinion addressing his arguments. The court increased the penalty under I. R. C. section 6673(a) from $1,000 to $5,000, citing Wnuck's persistence with frivolous arguments despite prior warnings.

## Reasoning

The court reasoned that Wnuck's arguments, including the assertion that his wages were not taxable income and the misinterpretation of the term "United States" in the tax code, were clearly frivolous and had been repeatedly rejected by courts. The court cited its discretion under I. R. C. section 6673(a) to impose penalties for maintaining frivolous positions, emphasizing that such arguments waste judicial resources and delay tax assessments. The court also noted that Wnuck's motion for reconsideration was an attempt to further delay the assessment of tax, justifying the increased penalty. The court's decision not to address each frivolous argument in detail was based on the principle that doing so might lend unwarranted credibility to such claims. The court referenced precedents like *Crain v. Commissioner*, which stated there was no need to refute frivolous arguments with extensive reasoning.

## Disposition

The court denied Wnuck's motion for reconsideration, upheld the tax deficiency, and increased the penalty to $5,000 under I. R. C. section 6673(a).

## Significance/Impact

This case reinforces the judiciary's stance against frivolous tax arguments, emphasizing the consequences of persisting with such claims. It serves as a precedent for the application of penalties under I. R. C. section 6673(a) and highlights the court's efforts to manage its resources efficiently by not engaging with baseless arguments. The decision also underscores the importance of timely tax assessments and the deterrence of abusive tax litigation tactics.

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