George Thompson v. Commissioner of Internal Revenue, 140 T. C. 173 (U. S. Tax Court 2013)

In Thompson v. Comm'r, the U. S. Tax Court ruled that the IRS did not abuse its discretion in rejecting a taxpayer's request for a partial payment installment agreement that included tithing and college expenses. The court upheld the IRS's classification of these expenses as conditional rather than necessary, emphasizing the government's compelling interest in collecting taxes promptly. This decision reinforces the IRS's authority to determine allowable expenses in installment agreements and underscores the legal limits on using religious obligations to offset tax liabilities.

Parties

George Thompson, the petitioner, sought review from the U. S. Tax Court against the Commissioner of Internal Revenue, the respondent, regarding a Notice of Determination concerning collection actions under I. R. C. sections 6320 and 6330.

Facts

George Thompson, a member of the Church of Jesus Christ of Latter-Day Saints, sought a partial payment installment agreement to settle his substantial tax liabilities. Thompson, president of Compliance Innovations, Inc. , and a trustee of its owning trust, had been assessed trust fund recovery penalties under section 6672 for failing to collect and pay over employment taxes, as well as income tax liabilities for several years. Thompson proposed a monthly payment of $3,000, which included expenses for tithing to his church and his children's college tuition. The IRS, however, classified these as conditional expenses, not necessary, and proposed a higher monthly payment of $8,389, which Thompson rejected.

Procedural History

The IRS issued Thompson a Notice of Determination Concerning Collection Action(s) under sections 6320 and 6330, sustaining the filing of a Notice of Federal Tax Lien and the proposed levy action. Thompson filed a timely petition with the U. S. Tax Court, which reviewed the IRS's decision for abuse of discretion.

Issue(s)

Whether the IRS abused its discretion by classifying Thompson's tithing and children's college expenses as conditional expenses rather than necessary expenses in determining the amount available for a partial payment installment agreement?

Rule(s) of Law

The Internal Revenue Manual (IRM) guides the determination of necessary and conditional expenses in partial payment installment agreements. Necessary

© 2025 SCOTUSreports.com. All rights reserved.

expenses must provide for the taxpayer's health and welfare or production of income. Conditional expenses, which include tithing and college expenses, are not allowed in partial payment installment agreements unless they meet specific criteria outlined in the IRM.

Holding

The U. S. Tax Court held that the IRS did not abuse its discretion in classifying Thompson's tithing and children's college expenses as conditional expenses. The court found that the IRS's decision was consistent with the Internal Revenue Manual and did not violate Thompson's rights under the Free Exercise Clause of the First Amendment or the Religious Freedom Restoration Act of 1993.

Reasoning

The court's reasoning focused on the IRS's authority to define and apply the necessary expense test as outlined in the Internal Revenue Manual. The court emphasized that tithing did not meet the necessary expense test because it was not required for Thompson's production of income, and the IRS's interpretation of "health and welfare" did not include spiritual health. The court also rejected Thompson's arguments that the IRS's decision violated his religious freedoms, citing the government's compelling interest in collecting taxes and the fact that the IRS's decision did not interfere with the church's autonomy in selecting its ministers. Regarding college expenses, the court upheld the IRS's interpretation that such expenses were not necessary under the IRM unless the taxpayer could fully pay the liability within five years, which Thompson could not. The court's analysis considered the legal tests applied, policy considerations, statutory interpretation methods, and the treatment of counter-arguments.

Disposition

The U. S. Tax Court entered a decision for the respondent, sustaining the IRS's determination to proceed with collection actions.

Significance/Impact

Thompson v. Comm'r clarifies the IRS's authority in determining allowable expenses in partial payment installment agreements, emphasizing the distinction between necessary and conditional expenses. It reinforces the government's interest in prompt tax collection and limits the use of religious obligations or educational expenses to offset tax liabilities. The decision has implications for taxpayers seeking installment agreements and underscores the IRS's discretion in defining necessary expenses, which subsequent courts have referenced in similar cases.

© 2025 SCOTUSreports.com. All rights reserved.