Greenoak Holdings Ltd. v. Comm'r, 143 T. C. 170 (U. S. Tax Court 2014)

In Greenoak Holdings Ltd. v. Comm'r, the U. S. Tax Court ruled it lacked jurisdiction over a petition filed by third parties claiming ownership of assets potentially subject to levy for unpaid estate taxes. The court clarified that only the taxpayer, the estate in this case, has standing to appeal a collection due process (CDP) notice of determination. This decision underscores the limits of third-party rights in tax collection disputes and the procedural protections afforded to taxpayers under the Internal Revenue Code.

Parties

Greenoak Holdings Limited, Southbrook Properties Limited, and Westlyn Properties Limited (collectively, "Petitioners") were the appellants in this case. They were represented by Michael Ben-Jacob. The respondent was the Commissioner of Internal Revenue, represented by Frederick C. Mutter. The estate of James B. Irwin was the taxpayer involved, with Howard L. Crown as the initial personal representative, later succeeded by Jill McCrory.

Facts

James B. Irwin died on September 21, 2009, and Howard L. Crown was appointed as the personal representative of the estate. The estate filed a Form 706, United States Estate (and Generation-Skipping Transfer) Tax Return, in December 2010, reporting both probate and nonprobate assets. Among the nonprobate assets listed was the Karamia Settlement, an offshore trust owned by the decedent, which in turn owned the Petitioners. The estate failed to timely pay the reported estate tax, leading the Commissioner to issue a Final Notice of Intent to Levy and Notice of Your Right to a Hearing on November 28, 2012, to Crown. The estate requested a collection due process (CDP) hearing, which was held on April 18, 2013. On May 1, 2013, the Commissioner issued a notice of determination sustaining the levy on the estate's nonprobate assets. The estate did not appeal this determination, but the Petitioners filed a petition with the U. S. Tax Court on May 30, 2013, asserting their ownership interest in the assets potentially subject to levy.

Procedural History

The U. S. Tax Court issued an order to show cause on June 19, 2013, directing the parties to explain why the estate should not be substituted as the petitioner. On July 11, 2013, the Commissioner moved to dismiss for lack of jurisdiction, arguing that the Petitioners were not proper parties to appeal the notice of determination. Crown, on behalf of the estate, agreed with the Commissioner's position. On January 16, 2014, Crown resigned as personal representative, and Jill McCrory was appointed as his successor. McCrory filed supplemental responses on May 6, 2014, arguing that the Petitioners had standing to appeal and that the estate should be substituted as a party. The Tax Court ultimately dismissed the case for lack of

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jurisdiction on September 16, 2014.

Issue(s)

Whether a third party, who claims an ownership interest in property that might be subject to levy, has standing to appeal a notice of determination issued to the taxpayer under I. R. C. § 6330(d)?

Rule(s) of Law

The controlling legal principle is found in I. R. C. § 6330, which provides taxpayers with procedural protections before the Internal Revenue Service (IRS) can levy on their property to collect unpaid taxes. Specifically, I. R. C. § 6330(d) states that "[t]he person may, within 30 days of a determination under this section, appeal such determination to the Tax Court (and the Tax Court shall have jurisdiction with respect to such matter). " The regulations under § 6330 further clarify that the "person" entitled to notice and appeal rights is the taxpayer liable for the unpaid tax, not third parties who may claim an interest in the property subject to levy.

Holding

The U. S. Tax Court held that it lacked jurisdiction over the Petitioners' appeal because they were not the taxpayers liable for the unpaid estate tax, nor were they authorized representatives of the taxpayer. The court ruled that only the estate, as the taxpayer, had standing to appeal the notice of determination under I. R. C. § 6330(d).

Reasoning

The court's reasoning focused on the statutory language and legislative history of I. R. C. § 6330, which consistently refers to "the person" as the taxpayer liable for the unpaid tax. The court noted that the purpose of § 6330 was to provide taxpayers with due process protections before the IRS could levy on their property. The court rejected the Petitioners' argument that they were "persons" entitled to appeal rights under § 6330(d) because they claimed an ownership interest in property potentially subject to levy. The court emphasized that the regulations under § 6330 explicitly state that only the taxpayer is entitled to notice and appeal rights, and third parties must pursue other remedies, such as a wrongful levy action under I. R. C. § 7426. The court also considered the legislative history, which further supported the conclusion that § 6330 was intended to benefit taxpayers, not third parties. The court dismissed the successor personal representative's attempt to reverse the estate's original position and substitute the estate as a party, noting that the estate had not filed a timely petition.

Disposition

The U. S. Tax Court dismissed the case for lack of jurisdiction, as the Petitioners

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were not proper parties to appeal the notice of determination issued to the estate.

Significance/Impact

The Greenoak Holdings Ltd. v. Comm’r decision clarifies the limits of third-party standing in collection due process appeals under I. R. C. § 6330. It establishes that only the taxpayer liable for the unpaid tax has the right to appeal a notice of determination, and third parties claiming an interest in property subject to levy must pursue other remedies, such as a wrongful levy action under I. R. C. § 7426. This ruling has important implications for tax practitioners and taxpayers, as it underscores the importance of timely filing by the taxpayer to preserve appeal rights in collection disputes. The decision also highlights the procedural protections afforded to taxpayers under the Internal Revenue Code and the limited role of third parties in such proceedings.

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