

## ***Rader v. Commissioner, 143 T. C. 376 (2014)***

In *Rader v. Commissioner*, the U. S. Tax Court upheld the IRS's use of substitutes for returns (SFRs) to assess tax deficiencies against a non-filing taxpayer, Steven Rader, for the years 2003-2006 and 2008. The court rejected Rader's technical challenges to the SFRs and his Fifth Amendment claim, confirming his liability for the deficiencies and related additions to tax. The decision underscores the IRS's authority to prepare SFRs and the stringent requirements for taxpayers to challenge them, emphasizing the consequences of failing to file tax returns and the limited scope of judicial review in such cases.

### **Parties**

Vivian L. Rader and Steven R. Rader, the petitioners, were both Colorado residents at the time the petitions were filed. The respondent was the Commissioner of Internal Revenue. Vivian L. Rader and Steven R. Rader were co-petitioners at the trial court level, but during the trial, it was stipulated that any tax deficiencies and related additions to tax would be attributed solely to Steven R. Rader.

### **Facts**

Steven Rader, a self-employed plumber, did not file federal income tax returns for the years 2003 through 2006 and 2008. The IRS conducted an examination and used the bank deposits method to reconstruct Rader's income for those years, determining that he had substantial earnings from his plumbing business. Additionally, Rader received income from the sale of two parcels of Colorado real property in 2006, from which 10% of the proceeds were withheld due to the buyers' inability to confirm Rader's non-foreign person status under section 1445 of the Internal Revenue Code. Rader failed to provide the required taxpayer identification number or certification of non-foreign status, which would have exempted the sales from the withholding requirement.

### **Procedural History**

The IRS issued notices of deficiency to Vivian L. Rader and Steven R. Rader for the years 2003-2006 on February 11, 2011, and a separate notice to Steven R. Rader for 2008. These notices were based on substitutes for returns (SFRs) prepared by the IRS under section 6020(b). The IRS later amended its answer to change the filing status from "single" to "married filing separate" for the years 2003-2006, which increased the proposed deficiencies and additions to tax. At trial, the parties stipulated that any deficiencies and related additions to tax would be attributed solely to Steven R. Rader.

### **Issue(s)**

1. Whether the IRS's substitutes for returns (SFRs) were valid under section 6020(b) of the Internal Revenue Code.



