Whistleblower 4496-15W v. Commissioner, 148 T. C. 19 (U. S. Tax Ct. 2017)

In *Whistleblower 4496-15W v. Commissioner*, the U. S. Tax Court upheld the validity of a whistleblower's waiver of judicial review rights in exchange for prompt payment of an award reduced by a sequester. The court determined that the issuance of the award check constituted the IRS's final determination, and the whistleblower's petition was timely filed. However, the court found the waiver binding, denying the whistleblower's challenge to the sequester reduction. This ruling reinforces the enforceability of waivers in administrative settlements and clarifies the timing of IRS determinations in whistleblower cases.

Parties

Whistleblower 4496-15W (Petitioner) v. Commissioner of Internal Revenue (Respondent). Petitioner was represented by Thomas C. Pliske and Shine Lin. Respondent was represented by John T. Arthur, Patricia P. Davis, and Richard L. Hatfield.

Facts

In December 2008, Petitioner filed Form 211 with the IRS Whistleblower Office (Office), seeking an award for information provided regarding certain taxpayers. The IRS collected proceeds from these taxpayers, and on December 1, 2014, the Office sent Petitioner a preliminary award letter recommending an award of $2,954,933, which was reduced by 7. 3% due to the Budget Control Act of 2011's sequester. Petitioner accepted this award on December 15, 2014, waiving all administrative and judicial appeal rights, including the right to petition the U. S. Tax Court. Subsequently, on January 15, 2015, the Office issued a check to Petitioner in the amount of $2,135,826, representing the award less federal income tax withholding. After cashing the check, Petitioner filed a petition on February 11, 2015, challenging the sequester reduction.

Procedural History

Following the IRS's issuance of the award check on January 15, 2015, Petitioner filed a petition with the U. S. Tax Court on February 11, 2015, contesting the 7. 3% sequester reduction. The Commissioner moved to dismiss for lack of jurisdiction, arguing that the petition was untimely. The Tax Court held that the issuance of the check constituted the IRS's final determination, thus the petition was timely filed within 30 days of the check's mailing. However, the court treated the Commissioner's motion to dismiss as a motion for summary judgment and granted it, holding that Petitioner's waiver of judicial appeal rights was valid and binding.

Issue(s)

Whether the issuance of the award check by the IRS Whistleblower Office constituted its final determination, thereby triggering the 30-day period for filing a

© 2025 SCOTUSreports.com. All rights reserved.

petition in the U. S. Tax Court?

Whether Petitioner's waiver of judicial appeal rights in exchange for prompt payment of the award was valid and binding?

Rule(s) of Law

Under *I. R. C. sec. 7623(b)(4)*, any determination regarding an award may be appealed to the Tax Court within 30 days of such determination. The court has jurisdiction over such matters. The regulations at *26 C. F. R. sec. 301. 7623-3* provide that if a whistleblower agrees to an award and waives the right to appeal, the IRS will not send a determination letter and will make payment as promptly as possible.

Settlement agreements in tax disputes, outside the scope of *I. R. C. sec. 7121* or *7122*, are governed by general principles of contract law and are enforceable if there is a clear waiver of judicial review rights.

Holding

The Tax Court held that the IRS's issuance of the award check constituted its final determination under *I. R. C. sec. 7623(b)(4)*, and thus Petitioner's petition was timely filed within 30 days of the check's mailing. The court further held that Petitioner's explicit waiver of judicial appeal rights in exchange for prompt payment of the award was valid and binding, precluding him from challenging the sequester reduction.

Reasoning

The court reasoned that the preliminary award letter explicitly stated it was not a final determination, and the award remained uncertain until the check was issued. The IRS's regulations under *26 C. F. R. sec. 301. 7623-3* support this conclusion, providing that no determination letter is sent when a whistleblower agrees to an award and waives appeal rights. The court emphasized that the IRS's issuance of the check was the final notice of determination, triggering the 30-day filing period.

Regarding the validity of the waiver, the court applied general contract principles, noting that settlements are generally upheld absent fraud or mutual mistake. Petitioner's waiver was clear and unambiguous, explicitly waiving judicial appeal rights in exchange for immediate payment. The court rejected Petitioner's arguments that the agreement was ambiguous or that the IRS breached the contract by withholding taxes, finding no basis to invalidate the waiver.

The court also addressed policy considerations, noting that allowing Petitioner to challenge the award after waiving appeal rights would undermine the finality of settlements and the regulatory framework designed to encourage prompt resolution of whistleblower claims.

© 2025 SCOTUSreports.com. All rights reserved.

Disposition

The Tax Court denied the Commissioner's motion to dismiss for lack of jurisdiction but granted summary judgment for the Commissioner, sustaining the IRS's determination and enforcing Petitioner's waiver of judicial review rights.

Significance/Impact

This case reinforces the enforceability of waivers in administrative settlements, particularly in the context of tax whistleblower awards. It clarifies that the issuance of a payment check can constitute the IRS's final determination under *I. R. C. sec. 7623(b)(4)*, affecting the timing of judicial review. The decision underscores the importance of clear communication and understanding of rights and obligations in settlement agreements, impacting how whistleblowers and the IRS negotiate and finalize award agreements. Subsequent cases may reference this ruling when addressing the validity of waivers and the finality of IRS determinations in whistleblower matters.

© 2025 SCOTUSreports.com. All rights reserved.