James Anthony Ransom v. Commissioner of Internal Revenue, T. C. Memo. 2018-211 (U. S. Tax Court, 2018)

In Ransom v. Commissioner, the U. S. Tax Court upheld the IRS's decision to sustain a levy notice against a taxpayer who failed to comply with current estimated tax obligations. The court ruled that the IRS settlement officer did not abuse discretion by denying the taxpayer's request for a collection alternative, emphasizing the need for taxpayers to remain current on tax liabilities to prevent pyramiding of debt. This decision underscores the importance of taxpayer compliance in negotiating collection alternatives with the IRS.

Parties

James Anthony Ransom, the petitioner, proceeded pro se. The respondent was the Commissioner of Internal Revenue, represented by William J. Gregg and Bartholomew Cirenza.

Facts

James Anthony Ransom, a contractor for nonprofit organizations, filed Federal income tax returns for 2012, 2013, and 2015. The IRS issued notices of deficiency for 2012 and 2013, which Ransom did not contest within the statutory period, resulting in the IRS assessing his tax liabilities for those years. For 2015, the IRS assessed the tax shown on Ransom's return, which remained unpaid. As of March 2017, Ransom's total outstanding liability was $88,418. In response to a notice of intent to levy, Ransom requested a Collection Due Process (CDP) hearing, seeking an installment agreement and claiming he did not owe the full amount for 2012 due to an unprocessed amended return. During the CDP process, Ransom failed to submit required financial information and make full payment toward his 2017 estimated tax liability, despite multiple extensions and opportunities provided by the IRS settlement officer.

Procedural History

The IRS mailed Ransom a notice of intent to levy on March 16, 2017, prompting his timely request for a CDP hearing. The IRS Appeals Office settlement officer (SO) reviewed Ransom's case, confirming the proper assessment of tax liabilities and compliance with applicable laws. After a telephone hearing on August 18, 2017, and despite extensions to September 16, 2017, Ransom failed to fully comply with the SO's requirements. Consequently, the SO issued a notice of determination on September 28, 2017, sustaining the proposed levy. Ransom petitioned the U. S. Tax Court, where the Commissioner moved for summary judgment, which was granted based on the absence of disputed material facts and the legality of the IRS's actions.

Issue(s)

Whether the IRS settlement officer abused discretion in sustaining the proposed levy

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action against James Anthony Ransom due to his non-compliance with current estimated tax obligations and failure to provide required financial information?

Rule(s) of Law

The IRS's determination in a CDP case is reviewed for abuse of discretion if the taxpayer's underlying liability is not at issue. The IRS may deny collection alternatives if the taxpayer fails to comply with current tax obligations, as per Internal Revenue Manual pt. 5. 14. 1. 4. 1(19). The requirement of current compliance helps prevent the pyramiding of tax liabilities.

Holding

The U. S. Tax Court held that the IRS settlement officer did not abuse discretion in sustaining the proposed levy action against Ransom. Ransom's failure to comply with current estimated tax obligations and provide required financial information justified the IRS's denial of a collection alternative.

Reasoning

The court's reasoning focused on the standard of review for CDP cases, which is abuse of discretion when the underlying tax liability is not contested. Ransom could not challenge his liabilities for 2012, 2013, and 2015 due to prior opportunities to contest them. The court emphasized that the SO properly verified compliance with applicable laws and considered Ransom's issues. The key factor was Ransom's non-compliance with his 2017 estimated tax obligations, which the court found to be a legitimate basis for denying a collection alternative. The court cited consistent precedents affirming that non-compliance with current tax obligations can justify the IRS's refusal to consider collection alternatives. The court rejected Ransom's argument about the termination of a consulting contract, as it occurred after the CDP hearing and did not excuse his earlier non-compliance. The court's decision aligned with policy considerations to prevent the pyramiding of tax liabilities and ensure efficient tax collection.

Disposition

The U. S. Tax Court granted summary judgment to the Commissioner, affirming the IRS's proposed collection action through the levy.

Significance/Impact

Ransom v. Commissioner reinforces the IRS's authority to deny collection alternatives to taxpayers who fail to comply with current tax obligations. The decision underscores the importance of taxpayer compliance during the CDP process and the IRS's discretion in managing tax collection efforts. It serves as a reminder to taxpayers of the need to remain current on tax liabilities when seeking to negotiate collection alternatives. This case may influence future CDP hearings

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and taxpayer negotiations with the IRS, emphasizing the critical role of compliance in preventing the pyramiding of tax debt.

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