

***Northside Carting, Inc. v. Commissioner, T. C. Memo. 2020-18*** (United States Tax Court, 2020)

In a significant ruling on collection due process (CDP) under tax law, the U. S. Tax Court upheld the IRS's decision to sustain collection actions against Northside Carting, Inc. for unpaid employment taxes. The court found no abuse of discretion by the IRS in denying the taxpayer's request for an installment agreement due to the company's failure to provide necessary financial information and remain current with tax obligations. This decision underscores the IRS's authority in managing collection alternatives and emphasizes the importance of taxpayer compliance during CDP proceedings.

**Parties**

Northside Carting, Inc. , the Petitioner, was represented by Jeff Thomson, an officer of the company, throughout the proceedings. The Respondent, the Commissioner of Internal Revenue, was represented by Marie E. Small.

**Facts**

Northside Carting, Inc. , a Massachusetts corporation engaged in trash removal and recycling, had outstanding employment tax liabilities for the quarters ending September 30 and December 31, 2015, and June 30, 2016. The IRS issued notices of levy and a notice of federal tax lien filing to collect these unpaid taxes. The company requested a CDP hearing regarding the lien notice and the 2017 levy notice, but its request was untimely for the 2016 levy notices. During the CDP hearing process, Northside Carting sought to negotiate an installment agreement (IA) and an offer in compromise (OIC), but failed to provide the required financial documentation and did not remain current with its tax obligations.

**Procedural History**

The IRS issued notices of levy on June 20 and September 12, 2016, for the 2015 quarters, and a notice of federal tax lien filing on January 6, 2017. Northside Carting requested a CDP hearing for the lien notice and the 2017 levy notice, but its request for the 2016 levy notices was untimely. The IRS Appeals Office conducted a CDP hearing regarding the lien filing and the 2017 levy notice, and an equivalent hearing for the 2016 levy notices. The settlement officer (SO) rejected Northside Carting's proposed IA due to the company's failure to submit required financial information and its noncompliance with current tax obligations. The SO issued a notice of determination sustaining the proposed collection actions. Northside Carting timely petitioned the Tax Court, which granted the Commissioner's motion for summary judgment, finding no genuine dispute of material fact and no abuse of discretion by the IRS.

**Issue(s)**

Whether the IRS abused its discretion in rejecting Northside Carting's proposed installment agreement and sustaining the proposed collection actions?

### **Rule(s) of Law**

The IRS has discretion under section 6159 to enter into an installment agreement if it determines that doing so will facilitate full or partial collection of a taxpayer's unpaid liability. The IRS may reject an IA if the taxpayer fails to provide necessary financial information or is not in compliance with current tax obligations. The Tax Court reviews the IRS's action in a CDP case for abuse of discretion, which occurs when a determination is arbitrary, capricious, or without sound basis in fact or law.

### **Holding**

The Tax Court held that the IRS did not abuse its discretion in rejecting Northside Carting's proposed installment agreement and sustaining the proposed collection actions, as the company failed to provide the required financial information and was not in compliance with its current tax obligations.

### **Reasoning**

The court's reasoning was based on the following points:

1. **Legal Tests Applied:** The court applied the abuse of discretion standard, which requires that the IRS's decision be supported by a sound basis in fact or law. The court found that the SO properly discharged his responsibilities under section 6330(c) by verifying the applicable law and procedures, considering relevant issues, and balancing the need for efficient collection with the taxpayer's concerns.
2. **Policy Considerations:** The court emphasized the policy behind requiring current compliance as a condition for an IA, which is to prevent the pyramiding of tax liabilities and ensure that current taxes are paid.
3. **Precedential Analysis:** The court relied on precedents such as *Thompson v. Commissioner* and *Gentile v. Commissioner*, which established that the IRS does not abuse its discretion by rejecting an IA when the taxpayer fails to provide necessary financial information or comply with current tax obligations.
4. **Treatment of Dissenting or Concurring Opinions:** There were no dissenting or concurring opinions in this case.
5. **Counter-Arguments Addressed:** The court addressed Northside Carting's arguments that the SO did not fully consider an OIC or a penalty abatement request. The court found these arguments unpersuasive, as the company did not submit a completed Form 656 for an OIC or a written request for penalty abatement on a Form 843.

**Disposition**

The Tax Court granted the Commissioner's motion for summary judgment, affirming the IRS's determination to sustain the proposed collection actions.

**Significance/Impact**

This case reinforces the IRS's authority to manage collection alternatives and highlights the importance of taxpayer compliance during CDP proceedings. It serves as a reminder to taxpayers that failure to provide necessary financial information and remain current with tax obligations can result in the rejection of proposed collection alternatives. The decision also underscores the Tax Court's deference to the IRS's discretion in these matters, as long as the IRS's actions are supported by a sound basis in fact or law.