Mary T. Belair v. Commissioner of Internal Revenue, 157 T. C. No. 2 (2021)

In Mary T. Belair v. Commissioner, the U. S. Tax Court upheld the IRS's filing of a tax lien against Belair, ruling that the IRS did not abuse its discretion in denying her an installment agreement due to her failure to file required tax returns. This case underscores the importance of filing compliance in collection due process (CDP) hearings and the limited scope of judicial review in such cases, confined to the administrative record for abuse of discretion.

Parties

Mary T. Belair, the petitioner, appeared pro se. The respondent was the Commissioner of Internal Revenue, represented by Joseph E. Conley, Thomas R. Mackinson, and Cameron W. Carr. The case was heard by the United States Tax Court, with appellate venue in the Court of Appeals for the Ninth Circuit.

Facts

Mary T. Belair received a notice from the IRS on February 28, 2019, informing her of a Federal tax lien filed against her for unpaid income taxes for the years 2013, 2014, and 2015. Belair requested a collection due process (CDP) hearing and expressed interest in an installment agreement, claiming she expected to receive a large judgment from a lawsuit against a former U. S. Attorney. During the CDP hearing process, the IRS requested Belair to submit her delinquent tax returns for 2016, 2017, and 2018, and a completed Form 433-A. Belair failed to provide the requested documents, leading to the IRS's determination to uphold the tax lien and deny her request for an installment agreement.

Procedural History

Belair timely requested a CDP hearing following the IRS's notice of a Federal tax lien. After the hearing, the IRS's Office of Appeals upheld the lien and denied Belair's request for an installment agreement due to her noncompliance with filing requirements. Belair then petitioned the U. S. Tax Court for review. The Commissioner moved for summary judgment, which was supported by the administrative record. The Tax Court reviewed the case under the abuse of discretion standard, limited to the administrative record, as mandated by the Ninth Circuit's application of the record rule in CDP cases.

Issue(s)

Whether the IRS's Office of Appeals abused its discretion in upholding the filing of a Federal tax lien and denying Belair's request for an installment agreement, given her failure to submit required delinquent tax returns?

Rule(s) of Law

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In reviewing a CDP case where the underlying tax liability is not at issue, the court applies an abuse of discretion standard, limited to the administrative record. The court upholds the administrative determination unless it is arbitrary, capricious, or without sound basis in fact or law. See *Keller v. Commissioner*, 568 F. 3d 710 (9th Cir. 2009). IRS guidelines require a taxpayer to be in filing and payment compliance to qualify for an installment agreement. See *Giamelli v. Commissioner*, 129 T. C. 107 (2007).

Holding

The Tax Court held that the IRS's Office of Appeals did not abuse its discretion in upholding the filing of the Federal tax lien and denying Belair's request for an installment agreement due to her failure to file required tax returns.

Reasoning

The court's reasoning focused on the administrative record and the IRS's adherence to applicable law and procedures. The IRS verified that all legal and administrative requirements were met in filing the tax lien. Belair's failure to submit the required delinquent returns and Form 433-A within the specified timeframe justified the IRS's decision to close the CDP hearing and uphold the lien. The court emphasized that the IRS's determination was not arbitrary or capricious, as it was based on Belair's noncompliance with filing requirements, a prerequisite for considering an installment agreement. The court also noted that Belair's arguments regarding a lawsuit against a former U. S. Attorney were not relevant to the CDP hearing's scope, which is limited to collection issues. The court concluded that the IRS's action balanced the need for efficient tax collection with Belair's concerns, adhering to the statutory requirement under section 6330(c)(3)(C).

Disposition

The Tax Court granted the Commissioner's motion for summary judgment, affirming the IRS's determination to uphold the Federal tax lien and deny Belair's request for an installment agreement.

Significance/Impact

This case reinforces the importance of filing compliance in CDP hearings and clarifies the scope of judicial review in such cases, limited to the administrative record for abuse of discretion. It underscores the IRS's authority to deny installment agreements based on noncompliance with filing requirements, impacting taxpayers' strategies in collection disputes. The ruling also highlights the Ninth Circuit's application of the record rule, which may influence the approach of taxpayers and the IRS in CDP proceedings within that jurisdiction.

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