Blake M. Adams v. Commissioner of Internal Revenue, 160 T. C. No. 1 (2023)

The U. S. Tax Court ruled that it lacks jurisdiction to review underlying tax liabilities certified as seriously delinquent under I. R. C. § 7345. The court upheld the Commissioner's certification against Blake Adams, who owed over $1. 2 million in unpaid federal income taxes. The decision clarifies the court's limited role to assessing the certification's validity, not the underlying tax liabilities, and reinforces the statutory framework for tax debt enforcement.

Parties

Blake M. Adams, the petitioner, filed pro se against the Commissioner of Internal Revenue, the respondent, in the U. S. Tax Court, docket number 1527-21P.

Facts

Blake M. Adams had unpaid federal income tax liabilities exceeding $1. 2 million for the tax years 2007, 2009, 2010, 2011, 2012, 2013, 2014, and 2015. Adams failed to file federal income tax returns for these years, prompting the Commissioner to prepare substitutes for returns under I. R. C. § 6020(b). The Commissioner assessed the taxes, penalties, and interest based on these substitutes. Efforts to collect these debts were largely unsuccessful. Consequently, the Commissioner certified Adams as having a "seriously delinquent tax debt" to the Secretary of State under I. R. C. § 7345(b), triggering potential passport-related actions. Adams petitioned the Tax Court to challenge the certification's validity.

Procedural History

Adams filed a petition in the U. S. Tax Court to challenge the certification under I. R. C. § 7345(e)(1). Both parties filed motions for summary judgment. The Commissioner argued that Adams had a seriously delinquent tax debt at the time of certification, while Adams contended that the certification was erroneous due to improper assessment and unconstitutional denial of his right to international travel. The Tax Court reviewed the case based on the administrative record and applicable law, ultimately granting the Commissioner's motion for summary judgment and denying Adams's motion.

Issue(s)

Whether the U. S. Tax Court has jurisdiction to review the underlying tax liabilities certified as seriously delinquent under I. R. C. § 7345?
Whether the certification of Blake M. Adams as having a seriously delinquent tax debt was erroneous because the underlying liabilities were not properly assessed?
Whether the Tax Court has jurisdiction to review the constitutionality of passport-related actions taken by the Secretary of State under the Fixing America's Surface Transportation Act?

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Rule(s) of Law

I. R. C. § 7345(b) defines a "seriously delinquent tax debt" as an unpaid, legally enforceable federal tax liability of an individual that has been assessed, exceeds $50,000 (adjusted for inflation), and for which a notice of lien has been filed or a levy made. I. R. C. § 7345(e)(1) grants the Tax Court jurisdiction to determine whether the certification was erroneous or whether the Commissioner failed to reverse the certification. The court does not have jurisdiction to review the underlying tax liabilities. The Fixing America's Surface Transportation Act, Pub. L. No. 114-94, § 32101, authorizes the Secretary of State to take passport-related actions upon certification of a seriously delinquent tax debt.

Holding

The U. S. Tax Court lacks jurisdiction to review the underlying tax liabilities certified as seriously delinquent under I. R. C. § 7345. The certification of Blake M. Adams was not erroneous because the underlying liabilities were assessed, satisfying I. R. C. § 7345(b)(1)(A). The court also lacks jurisdiction to review the constitutionality of passport-related actions taken by the Secretary of State under the Fixing America's Surface Transportation Act.

Reasoning

The Tax Court's reasoning is based on statutory interpretation and the legislative framework of I. R. C. § 7345. The court emphasized that its jurisdiction under § 7345(e)(1) is limited to reviewing the certification's validity, not the underlying tax liabilities. The court relied on the plain text of § 7345(b)(1)(A), which requires only that the tax liability "has been assessed," not that it was "properly assessed. " This interpretation was supported by the absence of "pursuant to" language in § 7345(b)(1)(A), unlike in § 7345(b)(1)(C), which specifies that liens and levies must be pursuant to certain Code sections. The court also considered the overall structure of the tax code, noting that Adams had multiple prior opportunities to challenge the assessments through deficiency notices and collection due process proceedings. Regarding the constitutional challenge, the court held that it lacks jurisdiction to review the Secretary of State's actions under the FAST Act, as § 7345(e) does not authorize such review. The court's decision reaffirmed its role in reviewing only the certification process, not the substantive tax liabilities or passport actions, and highlighted the statutory separation of responsibilities between the Commissioner and the Secretary of State.

Disposition

The Tax Court granted the Commissioner's motion for summary judgment, denied Adams's motion for summary judgment, and sustained the certification of Adams as having a seriously delinquent tax debt.

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Significance/Impact

This case clarifies the Tax Court's limited jurisdiction under I. R. C. § 7345, emphasizing that it cannot review the underlying tax liabilities certified as seriously delinquent. It reinforces the statutory framework for enforcing tax debts through certification to the Secretary of State and potential passport actions. The decision may impact taxpayers seeking to challenge such certifications by limiting their avenues for judicial review. It also underscores the separation of powers between the Commissioner, responsible for certification, and the Secretary of State, responsible for passport actions, under the FAST Act. Subsequent courts have generally followed this interpretation, affirming the Tax Court's role in reviewing only the certification process.

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