

## ***Stanojevich v. Commissioner, 160 T. C. No. 7 (United States Tax Court 2023)***

In a significant ruling on frivolous tax return penalties, the U. S. Tax Court upheld the IRS's imposition of penalties under IRC § 6702(a) against a trustee who filed frivolous returns on behalf of a trust. The court clarified that a trustee can be personally liable for such penalties, reinforcing the IRS's authority to enforce tax compliance and deter frivolous filings.

### **Parties**

Srbislav B. Stanojevich, as the petitioner and trustee of the Source Financial Trust (SFT), challenged the Commissioner of Internal Revenue, the respondent, regarding the filing of a Notice of Federal Tax Lien (NFTL) for assessed frivolous return penalties for tax years 2009 through 2012. Stanojevich appeared pro se, while the Commissioner was represented by Alexander N. Martini and John T. Arthur.

### **Facts**

Srbislav B. Stanojevich, acting as the trustee of the Source Financial Trust (SFT), filed income tax returns for the trust for the years 2009 through 2012. These returns reported interest income as the sole source of income for SFT, with the interest income matching the amount of withheld federal income tax. The returns claimed that SFT's total tax was zero and requested refunds equal to the withheld tax amounts. The IRS determined these returns to be frivolous under IRC § 6702(a) due to the obviously false claims of withheld taxes, leading to the assessment of a \$5,000 penalty against Stanojevich for each year. Stanojevich contested these penalties, arguing he was not personally liable as they related to the trust's returns, not his own.

### **Procedural History**

The IRS sent Stanojevich a notice of the NFTL filing and his right to a Collection Due Process (CDP) hearing. Following the hearing, the IRS Office of Appeals sustained the NFTL filing. Stanojevich timely petitioned the Tax Court to challenge the notice of determination. The case was remanded to Appeals for clarification on verification requirements, after which Appeals issued a supplemental notice again upholding the NFTL filing. The Tax Court then considered the case under summary adjudication, applying a de novo review for the underlying liability issue and an abuse of discretion standard for other determinations by Appeals.

### **Issue(s)**

Whether a trustee can be held personally liable for frivolous return penalties under IRC § 6702(a) when the frivolous returns were filed on behalf of a trust?

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

IRC § 6702(a) imposes a \$5,000 penalty on any person who files a return that does not contain sufficient information for the IRS to judge the substantial correctness of the self-assessment or contains information indicating the self-assessment is substantially incorrect, if the filing is based on a position identified as frivolous by the IRS or reflects a desire to delay or impede federal tax laws. The court interpreted the term “person” under § 7701(a)(1) to include a trustee, and § 6012(b)(4) mandates that a trust’s return be filed by its fiduciary.

## **Holding**

The Tax Court held that Stanojevich, as the trustee of SFT, was liable for the penalties assessed under IRC § 6702(a) for filing frivolous returns on behalf of the trust. The court ruled that the plain language of § 6702(a) extends liability to any person who files a frivolous return, including a trustee filing on behalf of a trust.

## **Reasoning**

The court’s reasoning centered on the interpretation of IRC § 6702(a) and the definition of “person” under § 7701(a)(1), which includes a trustee. The court emphasized that § 6012(b)(4) assigns the responsibility for filing a trust’s return to its fiduciary, thereby supporting the imposition of § 6702(a) penalties on a trustee for frivolous filings. The court found that Stanojevich’s filings met the criteria for frivolous returns under § 6702(a)(1) and (2), as they contained false information and were based on positions identified as frivolous by the IRS. The court rejected Stanojevich’s argument that he should not be personally liable because the returns were for the trust, asserting that the statute’s language does not condition liability on the type of return filed. Additionally, the court found no abuse of discretion by the IRS Office of Appeals in upholding the NFTL filing, as the settlement officer had properly verified the assessments and followed procedural requirements.

## **Disposition**

The Tax Court sustained the IRS’s determination and upheld the NFTL filing, affirming Stanojevich’s liability for the frivolous return penalties.

## **Significance/Impact**

This ruling clarifies that trustees can be held personally liable for filing frivolous tax returns on behalf of trusts, reinforcing the IRS’s ability to enforce tax compliance and deter such filings. The decision underscores the broad interpretation of “person” under the tax code, extending liability to fiduciaries and potentially affecting how trustees approach their tax filing responsibilities. The case also affirms the IRS’s procedural integrity in handling CDP hearings and assessments, likely influencing future cases involving similar issues.