

Piper Trucking & Leasing, LLC v. Commissioner of Internal Revenue, 161 T. C. No. 3 (2023)

The U. S. Tax Court ruled that penalties automatically assessed by the IRS's CAWR computer program do not require supervisory approval under I. R. C. § 6751(b)(1). This decision clarifies that penalties calculated through electronic means are exempt from the approval requirement, impacting how the IRS enforces tax compliance.

Parties

Piper Trucking & Leasing, LLC, as Petitioner, and the Commissioner of Internal Revenue, as Respondent, in a case heard before the United States Tax Court.

Facts

Piper Trucking & Leasing, LLC, a single-member limited liability company based in Celina, Ohio, failed to file Forms W-2 for the year 2015 with the Social Security Administration (SSA). The SSA issued two warning letters to Piper Trucking, which went unheeded, leading to the transfer of the company's information to the IRS. The IRS's Combined Annual Wage Reporting (CAWR) computer program then automatically assessed a penalty under I. R. C. § 6721(e) against Piper Trucking for failing to file these forms. Piper Trucking did not respond to the penalty notice, and the IRS subsequently filed a Notice of Federal Tax Lien and issued a notice of determination sustaining the lien.

Procedural History

The IRS assessed the penalty on March 4, 2019, and sent a Notice of Federal Tax Lien Filing on September 17, 2019. Piper Trucking requested a Collection Due Process (CDP) hearing, which was scheduled for June 24, 2020, but neither the company nor its representative attended. A second hearing was scheduled for June 30, 2020, which Piper Trucking's representative attended but failed to submit the required documentation by the set deadline. On April 30, 2021, the IRS issued a Notice of Determination Concerning Collection Actions sustaining the lien filing. Piper Trucking timely filed a Petition with the U. S. Tax Court on June 4, 2021. The Tax Court denied the IRS's first Motion for Summary Judgment on September 27, 2022, due to a lack of evidence regarding supervisory approval of the penalty. Both parties filed subsequent Motions for Summary Judgment on November 9, 2022, and December 5, 2022, respectively.

Issue(s)

Whether a penalty assessed under I. R. C. § 6721(e) through the IRS's CAWR computer program requires supervisory approval under I. R. C. § 6751(b)(1).

Rule(s) of Law

I. R. C. § 6751(b)(1) mandates that no penalty shall be assessed unless the initial determination to assert such penalty is approved in writing by the immediate supervisor of the person making the determination. However, I. R. C. § 6751(b)(2)(B) exempts penalties “automatically calculated through electronic means” from this requirement.

Holding

The U. S. Tax Court held that a penalty assessed under I. R. C. § 6721(e) through the IRS’s CAWR computer program does not require supervisory approval under I. R. C. § 6751(b)(1) because it is “automatically calculated through electronic means. “

Reasoning

The court’s reasoning was grounded in the statutory language of I. R. C. § 6751(b)(2)(B), which explicitly exempts penalties calculated through electronic means from the supervisory approval requirement. The court referenced *Walquist v. Commissioner*, 152 T. C. 61 (2019), which established that penalties assessed without human intervention through an IRS computer program are considered automatically calculated. The court emphasized that the penalty in question was assessed entirely by the CAWR program without any human involvement, thus falling squarely within the statutory exception. The court also noted that Piper Trucking did not dispute the underlying liability during the CDP hearing, which further supported the court’s decision to review the IRS’s administrative determinations for abuse of discretion. The court concluded that the IRS’s Appeals officer met the requirements of I. R. C. § 6330(c) and did not abuse discretion in sustaining the lien.

Disposition

The U. S. Tax Court granted summary judgment in favor of the Commissioner of Internal Revenue, affirming the penalty assessment and the sustaining of the lien.

Significance/Impact

This decision clarifies the scope of I. R. C. § 6751(b)(1) by affirming that penalties automatically assessed by IRS computer systems do not require supervisory approval. It has significant implications for IRS enforcement practices, particularly in the context of automated penalty assessments. The ruling may lead to increased reliance on automated systems for penalty assessments, potentially streamlining IRS operations but also raising questions about due process and the role of human oversight in tax enforcement. The decision also underscores the importance of taxpayers engaging with the IRS during CDP hearings, as failure to do so can limit their ability to challenge underlying liabilities.