Organic Cannabis Foundation, LLC v. Commissioner, 161 T. C. No. 4 (2023)

The U. S. Tax Court ruled that the 30-day deadline for requesting a Collection Due Process (CDP) hearing can be equitably tolled, overturning prior precedent. This decision enhances taxpayer rights by allowing late-filed requests for CDP hearings to be considered under certain circumstances, impacting how the IRS handles tax collection disputes.

Parties

Organic Cannabis Foundation, LLC, the petitioner, sought review of the IRS's tax lien filings for the years 2010, 2011, and 2018. The respondent was the Commissioner of Internal Revenue. The case was heard in the U. S. Tax Court under docket numbers 381-22L and 5442-22L.

Facts

Organic Cannabis Foundation, LLC, had unpaid income taxes for the years 2010, 2011, and 2018. The IRS issued notices of federal tax lien (NFTL) filings for these years. The petitioner timely requested a CDP hearing for 2010 and 2011 within the 30-day period specified by I. R. C. § 6320(a)(3)(B). However, the request for a 2018 CDP hearing was submitted one day after the deadline. The IRS treated this as untimely and provided an equivalent hearing instead, which does not allow for judicial review. The petitioner challenged the timeliness of the 2018 request and argued for equitable tolling of the 30-day period.

Procedural History

The IRS provided a CDP hearing for 2010 and 2011 and an equivalent hearing for 2018, issuing a Notice of Determination for 2010 and 2011, and a Decision Letter for 2018. The petitioner filed a petition seeking review for all three years. The Commissioner moved to dismiss the 2018 claim for lack of jurisdiction, arguing that the hearing request was untimely. The Tax Court overruled its prior precedent in Kennedy v. Commissioner, which had held that the 30-day period for requesting a CDP hearing was a fixed deadline not subject to equitable tolling.

Issue(s)

Whether the 30-day period for requesting a CDP hearing under I. R. C. § 6320(a)(3)(B) is subject to equitable tolling?

Rule(s) of Law

The Internal Revenue Code, specifically I. R. C. § 6320, provides taxpayers with the right to request a CDP hearing within 30 days of receiving a notice of federal tax lien filing. The Supreme Court's decision in Boechler, P. C. v. Commissioner established that nonjurisdictional deadlines, such as the 30-day period for filing a

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petition for judicial review, are subject to equitable tolling. The Tax Court applied this principle to the administrative deadline for requesting a CDP hearing.

Holding

The Tax Court held that the 30-day period for requesting a CDP hearing is subject to equitable tolling. The court overruled Kennedy v. Commissioner to the extent that it held the 30-day period was a fixed deadline not amenable to equitable tolling.

Reasoning

The Tax Court's reasoning was grounded in the Supreme Court's decision in Boechler, which established that nonjurisdictional deadlines are presumptively subject to equitable tolling unless Congress clearly indicates otherwise. The court found no such clear statement in I. R. C. § 6320 that would preclude equitable tolling of the 30-day period. The court also examined the legislative history and Treasury regulations, concluding that they did not categorically preclude equitable tolling. The court noted that the regulations allow for some equitable considerations, such as permitting taxpayers to perfect defective hearing requests after the 30-day period. The court rejected the argument that the IRS's need for prompt collection justified a strict deadline, emphasizing the remedial nature of the CDP regime designed to protect taxpayers. The court also considered the administrative burden of applying equitable tolling but found it manageable compared to other tax-related deadlines.

Disposition

The Tax Court remanded the collection action for 2018 to the IRS Independent Office of Appeals to determine whether the circumstances surrounding the petitioner's late filing warranted equitable tolling.

Significance/Impact

This decision expands taxpayer rights by allowing for the possibility of equitable tolling of the 30-day period for requesting a CDP hearing. It overrules prior Tax Court precedent and aligns with the Supreme Court's approach to nonjurisdictional deadlines. The ruling may lead to increased requests for CDP hearings and could affect the IRS's collection procedures. It also highlights the importance of considering equitable principles in administrative processes, potentially influencing future interpretations of similar statutory deadlines.

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