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THE TAX LAWYER

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### Even Tax Lawyers Face IRS Penalties



You might think that boning up on tax law would carry advantages. At a minimum, you might assume tax credentials would mean you could avoid all IRS penalties. That seems especially likely if you get a law degree and then a Master in Laws (LL.M) specializing in tax! Not necessarily.

In [Brown v. Commissioner](#), the taxpayers argued they had authority for the tax position they

took on their return. Did they? Nope, not to the IRS and not even to the Tax Court.

Bruce Brown and his wife Carol are both attorneys. Carol even has an LL.M. in taxation on top of her law degree. The Browns received about \$37,000 on the termination of an insurance contract which they failed to report as income. The IRS sent a bill, asking not only for the tax but also for \$1,711 of penalties.

The Browns went to Tax Court and disputed it. It doesn't appear that they fought too hard on the tax issue. After all, it was clear most of the payment was taxable. The life insurance company even issued a [Form 1099-R](#) to them which reflected the gross distribution of \$37,365 and a taxable amount of \$29,093.

Were there good arguments this shouldn't have been taxed? Not really. The **real** question was whether the Browns owed penalties. In many cases, I would expect a taxpayer to avoid the penalties.

Not here. In fact, the Tax Court said that the experience, knowledge, and education the Browns had weighed **against** them. Both of them were licensed attorneys, one with an LL.M. in taxation.

Tax lawyers may not be held to a higher standard in everything. Still, they would need to show they had reasonable cause to file as they did and acted in good faith. The Browns failed, so the Tax Court ruled the IRS was correct in slapping on the substantial understatement penalty under [Section 6662\(a\)](#).

For more, see:

[IRS Wants More Penalties](#)

[IRS Penalties Despite Accountant's Mistake](#)

[Choose Your Ground In Tax Disputes](#)

[IRS Penalties Despite Dead/Embezzling Accountant](#)

[Got A Tax Notice? Here's What To Do](#)

[Dr. Faust Goes To Tax Court](#)

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