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Supreme Court Deaf To Payroll Tax Woes

Wesley Snipes isn't the only taxpayer getting turned down by the U.S. Supreme Court. See [And Scene: Snipes Denied by the Supreme Court](#). Snipes may not be too sympathetic and neither are business executives who fail to pay taxes withheld from employees. The IRS takes [payroll tax](#) liabilities seriously—especially against signatories holding the bag when the business can't pay. See [With Taxes "Responsible" Means Holding The Bag](#). Whether or not you're an owner, don't sign checks and tax returns at work and expect to skate if the IRS comes along. See [Beware Personal Liability For Employee Taxes](#).

Even the U.S. Supreme Court may turn a deaf ear, as occurred in [Davis v. United States](#). The Supremes let stand a whopping \$11 million in IRS penalties against four business owners and their accountant. A hospital and health care company had centralized payroll, billing, accounts receivable, accounts payable, and reporting. Samuel Stevens was hired as VP of finance in 1997, and shortly thereafter, learned the company was delinquent in its employment taxes.

Stevens assured the owners he had signed an installment agreement with the IRS so payroll taxes were being paid. As it turned out, there was no installment agreement and by 1998, the company was put into bankruptcy by creditors. Yet until the bankruptcy, the company continued paying creditors over the IRS. Stevens later admitted that although he had discussed the taxes with the IRS, he had done nothing to ensure they were being paid.

The IRS assessed responsible person penalties against all four owners and Stevens. See [IRS “Responsible Person” Label Hurts](#). The owners conceded they were responsible but argued they did not act willfully. The court had no trouble determining Stevens was a responsible person too. After all, he authorized payroll checks, prepared tax returns, authorized tax deposits, directed bill payments, and more.

Plus, Stevens and the four owners acted willfully, the court ruled. Even if the owners were misled about an installment agreement, the company fell even further behind in taxes and continued to pay other creditors, not the IRS. The owners argued they made reasonable efforts to see the taxes were paid, instructing Stevens to pay them. However, the mere delegation of responsibility to someone else is not “reasonable cause” to excuse penalties. See [IRS Penalties Despite Dead/Embezzling Accountant!](#)

For more, see:

[Employers Who Violate Tax Law May Go To Jail](#)

[IRS Nightmare: What Employment Taxes?](#)

[Personal Tax Liability When A Business Goes Under](#)

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