## SUPREME COURT OF MINNESOTA

# Bond v. Commissioner of Revenue

691 N.W.2d 831 (Minn. 2005) · No. No. A04-564 · Decided February 10, 2005

### SUMMARY

The Minnesota Supreme Court affirmed a tax court judgment upholding Minnesota income-tax liability against Frederick O. Bond for wages, interest, and dividends received in 2000. The court rejected Bond’s claim that the Social Security Administration had created a trust that permitted him to deduct all of his income as fiduciary fees. The court also upheld a $500 penalty for filing a frivolous tax return.

### CASE DETAILS

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| COURT | Supreme Court of Minnesota |
| WRITING FOR THE COURT | Paul H. Anderson, Justice; Russell A. Anderson, Justice; Page, Justice; G. Barry Anderson, Justice, not participating |
| JURISDICTION | Minnesota |
| DECIDED | February 10, 2005 |
| DOCKET | No. A04-564 |
| DISPOSITION | affirmed |
| PROCEDURAL POSTURE | Appeal by writ of certiorari from a Minnesota Tax Court order granting the Commissioner of Revenue's motion for summary judgment and affirming a state tax assessment, interest, and frivolous-return penalty. |
| STANDARD OF REVIEW | The Supreme Court reviews tax court decisions for jurisdiction, evidentiary support, conformity with law, and other errors of law; it will overrule the tax court only when its decision is clearly erroneous. Summary-judgment issues are reviewed for genuine disputes of material fact and legal error. Conclusions of law, statutory interpretation, and application of law are reviewed de novo. |
| PRECEDENTIAL VALUE | Published opinion of the Supreme Court of Minnesota; precedential. |
| PARTIES | Frederick O. Bond v. Commissioner of Revenue |

### TOPICS

income tax · tax penalties · tax court procedure · summary judgment · appellate procedure

PRACTICE AREAS

state income taxation · tax procedure · trusts · appellate procedure

QUESTIONS PRESENTED

1. Whether summary judgment was proper because Bond failed to identify a genuine issue of material fact concerning the validity of his purported trust and tax reporting.
2. Whether Bond could avoid Minnesota income tax on wages, interest, and dividends by treating the income as belonging to a purported trust allegedly created by the Social Security Administration.
3. Whether federal tax refund notices or the Social Security Administration's failure to respond to Bond's correspondence established the existence of the purported trust or prevented Minnesota from independently assessing state taxes.
4. Whether the Commissioner properly imposed a $500 penalty for filing a frivolous tax return.

HOLDINGS

1. Summary judgment was proper because the material facts shown by Bond's W-2 and tax filings were undisputed, and his legal theory did not create a genuine issue of material fact.
2. An individual cannot avoid Minnesota income tax on wages, taxable interest, and dividends by claiming that the income was paid to him as fiduciary fees of a purported trust.
3. Federal refund notices and the Social Security Administration's failure to respond to Bond's correspondence neither established the purported trust nor prevented Minnesota from independently evaluating and assessing Bond's state tax liability.
4. The Commissioner properly imposed the $500 frivolous-return penalty because Bond's position that he could eliminate all tax liability through the purported trust had no basis in fact or law.

KEY QUOTATIONS

> *"Having earned the income, he cannot avoid taxation by contrivances."* (838)

> *"Bond's contention that he can escape all income tax liability by claiming that his income from wages, taxable interest, and ordinary dividends was paid out to him as the Trust's fiduciary has no basis in the tax law."* (839)

> *"that there is no genuine issue as to any material fact and that either party is entitled to a judgment as a matter of law."* (836)

FACTUAL BACKGROUND

Frederick O. Bond earned $49,499 in 2000, consisting of wages, taxable interest, and ordinary dividends, and his employer withheld $2,304.53 in Minnesota income taxes from his wages. Bond claimed that the Social Security Administration had created a trust named FREDERICK O. BOND and filed trust-related federal and modified state returns, deducting all income as fiduciary fees and reporting zero taxable income. After auditing the return, the Commissioner determined that Bond had taxable income of $43,024 and assessed additional tax, interest, and a $500 penalty for filing a frivolous return.

### PROCEDURAL HISTORY

Bond filed a modified Minnesota individual income tax return for 2000, claimed that his income belonged to a purported Social Security-related trust, reported zero taxable income, and sought a refund of state tax withholdings. After an audit, the Commissioner assessed additional taxes, interest, and a $500 frivolous-return penalty. The Minnesota Tax Court granted the Commissioner's motion for summary judgment and affirmed the assessment; it denied Bond's motion for relief from judgment. The Minnesota Supreme Court affirmed on certiorari.

### DISPOSITION

affirmed

### CASES CITED

- Jefferson v. Commissioner of Revenue, 631 N.W.2d 391, 394-95 (Minn. 2001)
- A & H Vending Co. v. Commissioner of Revenue, 608 N.W.2d 544, 546 (Minn. 2000)
- Lewis v. County of Hennepin, 623 N.W.2d 258, 261 (Minn. 2001)
- In re Daniel, 656 N.W.2d 543, 545 (Minn. 2003)
- Anderson v. Liberty Lobby, 477 U.S. 242, 248 (1986)
- Zappa v. Fahey, 310 Minn. 555, 556, 245 N.W.2d 258, 259-60 (1976)
- Rosenberg v. Heritage Renovations, LLC, 685 N.W.2d 320, 324 (Minn. 2004)
- Chapman v. Commissioner of Revenue, 651 N.W.2d 825, 830 (Minn. 2002)
- In re Bren, 284 B.R. 681, 697 (Bankr. D. Minn. 2002)
- In re Bush's Trust, 249 Minn. 36, 42-43, 81 N.W.2d 615, 619-20 (1957)
- Northwest Airlines, Inc. v. County of Hennepin, 632 N.W.2d 216, 221 (Minn. 2001)
- Specktor v. Commissioner of Revenue, 308 N.W.2d 806, 807-08 (Minn. 1981)
- Weed v. Commissioner of Revenue, 550 N.W.2d 285, 289 (Minn. 1996)
- Midwest Federal Sav. and Loan Ass'n v. Commissioner of Revenue, 259 N.W.2d 596, 599 (Minn. 1977)
- Kahn v. United States, 753 F.2d 1208 (3d Cir. 1985)
- Gillett v. United States, 233 F. Supp. 2d 874, 881 (W.D. Mich. 2002)
- Schoffner v. United States, 627 F. Supp. 167, 169 (S.D. Ohio 1985)
- Matz v. United States, 581 F. Supp. 714, 716 (N.D. Ill. 1984)
- Knox v. Knox, 222 Minn. 477, 488, 25 N.W.2d 225, 232 (1946)
- PJ Acquisition Corp. v. Skoglund, 453 N.W.2d 1, 20 (Minn. 1990)
- Mathews v. De Castro, 429 U.S. 181, 185-86 (1976)
- Doe v. Heckler, 568 F. Supp. 681, 683 (D. Md. 1983)

- Paukstis v. Kenwood Golf & Country Club, Inc., 241 F. Supp. 2d 551, 560 (D. Md. 2003)
- Bradley v. United States, 817 F.2d 1400, 1404 (9th Cir. 1987)
- Crain v. Commissioner of Internal Revenue, 737 F.2d 1417, 1417-18 (5th Cir. 1984)