SUPREME COURT OF RHODE ISLAND

Sullivan v. Reilly

55 A.3d 207 (R.I. 2012) · Decided July 5, 2012

SUMMARY

The Rhode Island Supreme Court affirmed summary judgment for the State Tax Administrator in an action seeking more than $1 million in unpaid personal income taxes from William J. and Marielle Reilly. The court held that the defendants failed to exhaust available administrative remedies and could not challenge the assessments in the collection action. It also held that the statute-of-limitations and laches defenses were waived because they were not properly raised in the answer.

CASE DETAILS

COURT	Supreme Court of Rhode Island
WRITING FOR THE COURT	Justice Flaherty; Flaherty; Goldberg; Indeglia; Robinson; Suttell
JURISDICTION	Rhode Island
DECIDED	July 5, 2012
DISPOSITION	affirmed
PROCEDURAL POSTURE	Defendants appealed from the Providence County Superior Court's grant of summary judgment to the Rhode Island Tax Administrator in an action to collect assessed but unpaid personal income taxes.
STANDARD OF REVIEW	The Supreme Court reviewed the grant of summary judgment de novo, viewing the facts and reasonable inferences in the light most favorable to the nonmoving party.
PRECEDENTIAL VALUE	Published Rhode Island Supreme Court opinion
PARTIES	William J. Reilly, Marielle Reilly v. State of Rhode Island Tax Administrator

TOPICS

tax collection · tax court procedure · exhaustion of remedies · summary judgment · appellate procedure

PRACTICE AREAS

tax · administrative law · civil procedure · appellate procedure

QUESTIONS PRESENTED

1. Whether the defendants could challenge the Tax Administrator's assessments in the collection action after failing to exhaust available administrative remedies.
2. Whether the defendants' statute-of-limitations defense barred the Tax Administrator's collection action.
3. Whether the defendants' laches defense barred the collection action.
4. Whether summary judgment was properly entered for the Tax Administrator.

HOLDINGS

1. The defendants were not entitled to judicial review of the Tax Administrator's assessments because they failed to exhaust the available administrative remedies and could not wait to be sued before objecting to the assessments.
2. The Tax Administrator was expressly authorized to file an action to recover assessed taxes, and the collection action was proper.
3. The statute-of-limitations defense was waived because the defendants failed to plead it in their answer.
4. The defendants' laches defense was waived because they failed to properly raise it below and attempted to rely on it for the first time on appeal.
5. Summary judgment for the Tax Administrator was proper because the defendants failed to establish a genuine dispute of material fact or a preserved legal defense defeating collection.

KEY QUOTATIONS

> *““Summary judgment is appropriate when, viewing the facts and all reasonable inferences therefrom in the light most favorable to the nonmoving party, the court determines that there are no issues of material fact in dispute, and the moving party is entitled to judgment as a matter of law.””* (at 210)

> *““A plaintiff is required to commence a proceeding against the tax administrator for tax refunds * * *. The tax administrator is then required to review the complaint and render a decision. This is the sequence of action mandated by statute.””* (at 211)

> *“We agree with plaintiff that a taxpayer cannot “simply wait to be sued for the income tax to then raise objection to the assessment or payment in [the] collection proceeding.””* (at 211)

FACTUAL BACKGROUND

The Tax Administrator assessed Rhode Island personal income taxes against William J. and Marielle Reilly for tax years 1994, 1996, 1997, 1998, and 1999. The 1996 and 1997 assessments were based on filed returns, while the 1994, 1998, and 1999 assessments were based on estimated Rhode Island income. Certified-mail records showed that ten-day demands for payment were delivered to the defendants' Florida address, but the defendants did not contest the assessments administratively and first challenged them after the collection action was filed.

PROCEDURAL HISTORY

The Tax Administrator filed a collection action in August 2008 seeking more than $1 million in unpaid Rhode Island personal income taxes for tax years 1994, 1996, 1997, 1998, and 1999. The Superior Court granted partial summary judgment on liability and later entered judgment for $1,287,803.15, including interest and penalties. The defendants appealed, arguing that they were nonresidents, that the collection action was time-barred, and that laches applied. The Supreme Court decided the appeal summarily after oral argument and affirmed.

DISPOSITION

affirmed

REMAND INSTRUCTIONS

The papers in the matter were remanded to the Superior Court after affirmance.

CASES CITED

- Higgins v. Rhode Island Hospital, 35 A.3d 919, 922 (R.I. 2012)
- Lynch v. Spirit Rent-A-Car, Inc., 965 A.2d 417, 424 (R.I. 2009)
- DuBois v. Quilitzsch, 21 A.3d 375, 379 (R.I. 2011)
- Montiero v. Silver Lake I, L.P., 813 A.2d 978, 980 (R.I. 2003)
- Berardis v. Louangxay, 969 A.2d 1288, 1291 (R.I. 2009)
- Benaski v. Weinberg, 899 A.2d 499, 502 (R.I. 2006)
- Owner-Operators Independent Drivers Association of America v. State, 541 A.2d 69, 72 (R.I. 1988)
- Old Colony Bank v. Clark, 517 A.2d 249, 251 (R.I. 1986)
- Burns v. Sundlun, 617 A.2d 114, 116 (R.I. 1992)
- Bowden v. Gofax, Inc., 776 A.2d 1066, 1066 (R.I. 2001) (mem.)
- LaBounty v. LaBounty, 497 A.2d 302, 305 (R.I. 1985)
- Rhode Island Hospital Trust National Bank v. de Beru, 553 A.2d 544, 547 (R.I. 1989)
- Duquette v. Godbout, 416 A.2d 669, 670 (R.I. 1980)