



# TaxNewsFlash

## United States



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## Fourth Circuit: IRS summons to taxpayer not quashed despite criminal referral of taxpayer's agent

The U.S. Court of Appeals for the Fourth Circuit today affirmed the conclusion of a federal district court, holding that the district court did not abuse its discretion on denying an entity's petition to quash an IRS summons.

The case is: *Equity Investment Associates LLC v. United States*, No. 21-2001 (4<sup>th</sup> Cir. July 8, 2022). Read the Fourth Circuit's [decision](#) [PDF 191 KB]

### Summary

The IRS issued a summons for information related to a limited liability company (LLC) that claimed a \$223 million deduction for a conservation easement. The LLC sought to quash that summons, arguing that an existing criminal referral for its lone agent (an individual) must be treated as a referral for the LLC itself.

The Fourth Circuit noted that section 7602(d)(1) bars the IRS from issuing a summons "with respect to any person if a Justice Department [criminal] referral is in effect with respect to such person." The Fourth Circuit rejected the LLC's argument to quash the summons because under section 7602, a business entity is a distinct person from its agents, and the court can only look to whether the taxpayer itself has been referred to the Justice Department.

Thus, the appeals court agreed with the district court and held that the lower court did not abuse its discretion in denying the petition to quash the summons.

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