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HUGH CULVERHOUSE JR., SON OF EX TAMPA BAY BUCCANEERS OWNER, IN THE TRENCHES WITH THE IRS

by Samantha Joseph

Coral Gables attorney Hugh Culverhouse Jr., son of the longtime owner of the Tampa Bay Buccaneers, is suing the Internal Revenue Service and Commissioner John Koskinen over a disputed $1 million tax bill.

Culverhouse is seeking a court order to prevent the agency from taxing personal assets to cover a 2006 tax bill on his real estate development firm.

He and his wife, Eliza, filed suit in Miami federal court July 24, alleging inconsistent demands from the IRS and a move by the agency to adjust the couple's 2007 and 2008 personal income tax to tack on $500,000 and more than $100,000 in interest for a debt allegedly linked to a business.

"The Internal Revenue Service is threatening to levy Hugh and Eliza Culverhouse's personal assets contrary to the Fifth Amendment, contrary to any statutory authority and contrary to the IRS's own internal procedures," according to the lawsuit filed by Miami attorney Lawrence Kellogg of Levine Kellogg Lehman Schneider + Grossman and Missouri counterparts Mark Hearne II and Meghan Largent of Arent Fox.

The personal tax bill is tied to a dispute between the IRS and Culverhouse's Palmer Ranch Holdings Ltd., one of the largest real estate development firms in Southwest Florida.

Palmer Ranch and the IRS have been battling in court over the developer's donation in December 2006 of more than 82 acres to Sarasota for a public park. When Palmer Ranch filed its 2006 tax return in April 2007, it claimed nearly a $24 million deduction for the donation.

In 2009 before the statute of limitations expired, the IRS launched an audit of the development company's 2006 tax return. It later asked the partnership to agree to two one-year extensions.

"But the IRS never asked Hugh Culverhouse or Eliza Culverhouse (to) agree to any extension of the three-year statute of limitations on their personal 2006 income tax return," the suit states. The couple "never granted the IRS any extension of the statute of limitations to audit or adjust their 2006 individual tax return."

In 2011, the IRS issued an administrative adjustment to reduce the donated land's value by almost $17 million and imposed a 40 percent gross valuation penalty, insisting Palmer Ranch overstated the fair market value by estimating its worth for unfeasible high-density projects.

After a weeklong trial, the U.S. Tax Court shrunk Palmer Ranch's valuation 20 percent and wiped out the IRS penalty because it found the developer acted in good faith. An IRS appeal is pending in the U.S. Court of Appeals for the Eleventh Circuit.

"The first time the IRS provided any notice to Hugh or Eliza Culverhouse that the IRS alleged the Culverhouses owed any 2006 tax was the IRS's notice stating it intended to levy the Culverhouses' 'state tax refund or other property,' " according to the suit. "The IRS sent this notice in June 2015—well after the statute of limitations for 2006 tax disputes had expired."

Culverhouse claimed the agency never explained the assessment or its calculations.

The IRS threatened to collect almost $1 million tax the IRS claimed was owed by the couple from 2006, the lawsuit said.

"Then the IRS sent a new notice of levy to just Hugh Culverhouse threatening to levy Hugh Culverhouse's personal assets," the complaint said. An IRS agent "told the Culverhouses' accountant the IRS's calculations were all wrong and the IRS will only seek" to tax about $500,000 for the 2006 tax year."

The IRS wrote Hugh Culverhouse on July 23 to say it recalculated the 2006 tax and Culverhouse overpaid his 2006 personal income taxes by $677,702.

"For the first time ever, the IRS is now adjusting Culverhouse's 2007 and 2008 person income tax return stating that Culverhouse owes a total tax of about $500,000 for 2007 and 2008 and about $100,000 in interest," the complaint said.

The IRS declined comment, citing a policy of not discussing pending litigation.

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