



United States Tax Court

Washington, DC 20217

MD M. RAHMAN & SYEDA MOMOTAZ,

Petitioners

v.

COMMISSIONER OF INTERNAL
REVENUE,

Respondent

Docket No. 8286-23.

ORDER

Pursuant to Rule 152(b), Tax Court Rules of Practice and Procedure, it is

ORDERED that the Clerk of the Court shall transmit herewith to petitioners and to respondent a copy of the pages of the transcript in the above case before Judge Joseph W. Nega at Philadelphia, Pennsylvania, on October 7, 2026, containing his oral findings of fact and opinion rendered at the conclusion of the trial.

In accordance with the oral findings of fact and opinion, decision will be entered under Rule 155.

(Signed) Joseph W. Nega
Judge

Served 10/13/26

1 Bench Opinion by Judge Joseph W. Nega

2 October 7, 2026

3 MD M. Rahman & Syeda Momotaz v. Commissioner of Internal
4 Revenue

5 Docket No. 8286-23

6 THE COURT: The Court has decided to render oral
7 findings of fact and opinion in this case and the
8 following represents the Court's oral findings of fact and
9 opinion. The oral findings of fact and opinion shall not
10 be relied upon as precedent in any other case. The oral
11 findings of fact and opinion are made pursuant to the
12 authority granted by section 7459(b) of the Internal
13 Revenue Code and Tax Court Rule 152. Rule references in
14 this opinion are to the Tax Court Rules of Practice and
15 Procedure, and section references are to the Internal
16 Revenue Code, in effect at all relevant times. Regulation
17 references are to the Code of Federal Regulations, Title
18 26, in effect at all relevant times. And section
19 references are to the Internal Revenue Code effective at
20 all relevant times.

21 This case was tried in Philadelphia,
22 Pennsylvania on October 5, 2026. Petitioner MD M. Rahman
23 appeared in person and was accompanied by an interpreter.
24 Petitioner Syeda Momotaz did not appear in person. Steven
25 J. McManus appeared on behalf of respondent.



1 By notice of deficiency dated January 27, 2023,
2 respondent determined deficiencies of \$5,222 and \$8,406 in
3 petitioners' federal income tax and additions to tax
4 pursuant to section 6651(a)(1) of \$1,305.50 and \$2,351.02
5 for tax years 2017 and 2018, respectively. In that notice
6 of deficiency, respondent also asserted accuracy-related
7 penalties of \$1,044.40 and \$1,681.20 pursuant to section
8 6662(a) for tax years 2017 and 2018, respectively. On
9 April 22, 2026, this Court dismissed tax years 2017 and
10 2018 by order because the petition was not filed within
11 the period prescribed by section 6213(a) with respect to
12 those years.

13 By notice of deficiency dated February 13, 2023,
14 respondent determined a deficiency of \$12,789 in
15 petitioners' federal income tax for tax year 2019 and
16 asserted an accuracy-related penalty pursuant to section
17 6662(a) of \$2,557.80.

18 The only issues remaining for decision are with
19 respect to tax year 2019. Pursuant to a stipulation of
20 settled issues filed by the parties on April 13, 2026, the
21 parties reached an agreement with respect to most of the
22 items at issue in that notice of deficiency. The Court
23 accepts the parties' agreement resolving those items.

24 The only remaining issues for decision are: (1)
25 whether petitioners under reported gross receipts or sales



1 received by \$59,527; (2) whether petitioners are entitled
2 to a deduction for meals; (3) whether petitioners are
3 entitled to a deduction for supplies greater than \$2,253;
4 (4) whether petitioners are entitled to a deduction for
5 repairs and maintenance; and (5) whether petitioners are
6 liable for an accuracy-related penalty pursuant to section
7 6662(a) in the amount of \$2,557.80.

8 On the evidence before us, and using the burden-
9 of-proof principles explained below, the Court finds the
10 following facts:

11 FINDINGS OF FACT

12 Some of the facts and certain exhibits have been
13 stipulated. The parties' stipulated facts are
14 incorporated in this opinion by reference and are so
15 found. Petitioners are married and resided in
16 Pennsylvania at the time they filed their petition in this
17 case.

18 During 2019, Mr. Rahman engaged in several
19 different entrepreneurial business ventures. They
20 included tax preparation, accounting services, insurance
21 sales, travel agency-related services, immigration
22 paperwork preparation services, acting as an agent for
23 MoneyGram, retail sales of cellular phones, and as a taxi
24 driver and an Uber driver. The issues in this case arise
25 from those activities.



1 For tax year 2019, petitioners filed a Form
2 1040, U.S. Individual Income Tax Return, and selected the
3 married filing jointly status. Attached to their return,
4 petitioners included a Schedule C, Profit and Loss from
5 Business (Sole Proprietorship). On that Schedule C,
6 petitioners reported \$21,850 of gross receipts or sales
7 and claimed a \$5,700 deduction for repairs and
8 maintenance, \$4,500 deduction for supplies, and \$2,340
9 deduction for meals.

10 Respondent selected petitioners' return for
11 examination and as part of the examination performed a
12 bank deposits analysis. The bank deposits analysis found
13 \$81,378 in gross receipts but it appears, and the Court
14 finds, that in preparing the notice of deficiency
15 respondent rounded this figure down to \$81,377. This
16 resulted in an adjustment of \$59,527 of unreported gross
17 receipts or sales for tax year 2019. Respondent also
18 disallowed in full petitioners' claimed deductions for
19 repairs and maintenance and claimed deduction for meals.
20 Respondent determined that petitioners were entitled to a
21 deduction of \$2,253 for supplies. Respondent based its
22 determination of allowable deductions on credit card
23 statements provided by petitioners that substantiated
24 some, but not all, of the claimed deductions.

25 During the examination process, petitioners



1 submitted to respondent a Form 1040-X, Amended U.S.
2 Individual Income Tax Return, signed July 28th, 2021.
3 Petitioners attached a new Schedule C to the Form 1040-X
4 that reported gross receipts or sales of \$59,027. The new
5 Schedule C reported a \$1,101 deduction for repairs and
6 maintenance, a \$2,384 deduction for supplies, and no
7 deduction for meals.

8 On May 17th, 2023, petitioners filed a petition
9 with this Court.

10 OPINION

11 I. Burden of Proof

12 The Commissioner's determinations in a notice of
13 deficiency are generally presumed correct, and the
14 taxpayer bears the burden of proving them erroneous. See
15 Rule 142(a); *Welch v. Helvering*, 290 U.S. 111, 115 (1933).
16 Deductions and credits are a matter of legislative grace,
17 and the taxpayer bears the burden of proving that he or
18 she is entitled to any deduction or credit claimed. See
19 Rule 142(a); *Deputy v. du Pont*, 308 U.S. 483 (sic), 493
20 (1940); *New Colonial Ice. Co. v. Helvering*, 292 U.S. 435,
21 440 (1934). The burden of proof may shift to the
22 Commissioner if the taxpayer establishes that he or she
23 has complied with the requirements of section
24 7491(a)(2)(A) and (B) to substantiate items, to maintain
25 records, and to cooperate fully with Commissioner's



1 reasonable requests. The resolution of the issues in this
2 case, however, do not depend on which party has the burden
3 of proof. We instead resolve those issues based on the
4 preponderance of evidence in the record. See *Dagres v.*
5 *Commissioner*, 136 T.C. 263, 279 (2011).

6 II. Unreported Income

7 Gross income means all income from whatever
8 source derived. See § 61; Treas. Reg. § 1.61-2(a)(1).
9 When a taxpayer fails to maintain adequate records, the
10 Commissioner may determine the taxpayer's taxable income
11 by a method that clearly reflects income. See § 446(b);
12 see also *Cole v. Commissioner*, 637 F.3d 767, 774-75 (7th
13 Cir. 2011) (citing *Webb v. Commissioner*, 394 F.2d, 366,
14 371-72 (5th Cir. 1968); *Factor v. Commissioner*, 281 F.2d
15 100, 117 (9th Cir. 1960)), *aff'g* T.C. Memo. 2010-31. The
16 bank deposits method is a permissible method of
17 reconstructing income. See *Cole v. Commissioner*, 637 F.3d
18 at 775; *Clayton v. Commissioner*, 102 T.C. 632, 645 (1994).
19 Bank deposits constitute prima facie evidence of income.
20 See *Tokarski*, 87 T.C. at 77.

21 According to the respondent's bank deposits
22 analysis, petitioners failed to report \$59,528 of gross
23 receipts and sales, rounded to \$59,527 in the notice of
24 deficiency. Respondent's evidence is sufficient to
25 connect petitioners to an income generating activity,

1 namely, Mr. Rahman's many business ventures. See §
2 61(a)(1), (2); *Walquist v. Commissioner*, 152 T.C. 61, 67
3 (2019). Mr. Rahman honestly admitted that his books and
4 records were not perfect, and even that he at times had
5 comingled his children's income with the business account.
6 The Court is, likewise, unable to agree with Mr. Rahman's
7 argument that a \$40,000 line of credit from American
8 Express somehow resulted in an overstatement in
9 petitioners' 2019 gross receipts and sales. The absence
10 of an adequate explanation by petitioners is fatal to
11 their dispute. The Court, therefore, finds that
12 petitioners understated their gross receipts by \$59,527,
13 as determined by the respondent in the notice of
14 deficiency.

15 III. Schedule C Deductions

16 Section 162 allows as a deduction all ordinary
17 and necessary expenses paid or incurred during the taxable
18 year in carrying on any trade or business. An expense is
19 ordinary if it is normal, usual, or customary in the
20 taxpayer's trade or business, and it is necessary if
21 appropriate or helpful for such business. See
22 *Commissioner v. Heininger*, 320 U.S. 467, 471 (1943);
23 *Deputy*, 308 U.S. v. 2, 95 (sic). No deduction is allowed
24 for personal, living, or family expenses unless the Court
25 expressly provides otherwise. § 262(a). When a taxpayer

1 establishes that he or she paid or incurred a deductible
2 expense, but does not establish the amount of the expense,
3 the Court may estimate the amount allowable in some
4 circumstances. *Cohan v. Commissioner*, 39 F.2d 540, 543-44
5 (2d Cir. 1930). However, for such a so-called *Cohan*
6 estimate, there must be sufficient evidence in the record
7 to permit the Court to conclude that the taxpayer paid or
8 incurred a deductible expense in at least the amount
9 allowed. See *Williams v. United States*, 245 F.2d 559, 560
10 (5th Cir. 1957); *Vanicek v. Commissioner*, 85 T.C. 731,
11 742-43 (1985).

12 Cross examination of Mr. Rahman, in part,
13 centered around the fact that petitioners claimed lesser
14 amounts of deductible expenses on the Form 1040-X prepared
15 during the examination than on petitioners' filed Form
16 1040 for tax year 2019. It is clear to the Court that
17 petitioners viewed the amounts on their amended return as
18 the product of a negotiation between the parties to allow
19 petitioners to pay some, but not all of the disputed
20 amounts of tax and penalties. In contrast, the Court
21 finds that the efforts over the life of this case are more
22 properly viewed as a cooperative endeavor to ascertain the
23 correct dollar amount for the disputed deductions.

24 The extensive stipulation of settled issues,
25 filed April 13, 2026, is consistent with the Court's view



1 of that process, though petitioners may now not agree. In
2 his testimony, Mr. Rahman not only insisted that he should
3 prevail entirely on all disputed deduction amounts, but he
4 repeatedly explained petitioners total lack of
5 documentation as a result of the looting of his store on
6 June 1st, 2020, and March 28th, 2021.

7 However, his testimony did not explain how then
8 he was able to substantiate all the deductions allowed in
9 the stipulation of settled issues and during the
10 examination but none of the items that now remain at
11 issue. His admission regarding his incomplete bookkeeping
12 and his habit of paying personal expenses from his
13 business account do not bolster his arguments. While his
14 testimony is refreshing, it does not give the Court enough
15 to apply a *Cohan* analysis.

16 As a consequence, the Court concludes that the
17 petitioners are not entitled to a deduction with respect
18 to meals or as to repairs and maintenance. With respect
19 to supplies, the Court concludes that petitioners are
20 entitled to a deduction of \$2,253, as stipulated between
21 the parties.

22 IV. Accuracy-related penalties

23 Respondent bears the burden of production with
24 respect to the accuracy-related penalty imposed by section
25 6662(a). § 7491(c). Section 6751(b)(1) requires personal

1 written supervisory approval of the initial determination
2 of a penalty assessment. As a threshold matter, the
3 Commissioner must show that he complied with 6751(b)(1).
4 *See Chai v. Commissioner*, 851 F.3d 190, 221 (2d Cir.
5 2017), *aff'g in part, rev'g in part* T.C. Memo. 2015-42;
6 *Fumo v. Commissioner*, T.C. Memo. 2025-97, at *81.

7 No supervisory approval appears in the documents
8 submitted into evidence and respondent did not address the
9 issue at trial. Respondent has not met his burden of
10 production with respect to the accuracy-related penalty
11 pursuant to 6662(a). Petitioners are, therefore, not
12 liable for the accuracy-related penalty pursuant to
13 6662(a) with respect to tax year 2019.

14 V. Conclusion

15 Accordingly, decision will be entered under Rule
16 155. This concludes the Court's oral findings of fact and
17 opinion in this case.

18 (Whereupon, at 12:58 p.m., the above-entitled
19 matter was concluded.)
20
21
22
23
24
25