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SUPREME COURT OF THE UNITED STATES

No. 94–395

UNITED STATES, PETITIONER *v.* LORI RABIN WILLIAMS

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

[April 25, 1995]

JUSTICE GINSBURG delivered the opinion of the Court.

This case presents the question whether respondent Lori Williams, who paid a tax under protest to remove a lien on her property, has standing to bring a refund action under 28 U. S. C. §1346(a)(1), even though the tax she paid was assessed against a third party. We hold that respondent has standing to sue for a refund. Respondent's suit falls within the broad language of §1346(a)(1), which gives federal courts jurisdiction to hear "[a]ny civil action against the United States for the recovery of any internal-revenue tax alleged to have been erroneously or illegally assessed or collected," and only a strained reading of other relevant provisions would bar her suit. She had no realistic alternative to payment of a tax she did not owe,[1] and we do not believe Congress intended to leave parties in respondent's position without a remedy.

Before this litigation commenced, respondent Lori

[1]Seeking summary disposition in the District Court, the Government did not contend otherwise or question the District Court's understanding that "the plaintiff here is left without a remedy." App. 22.

Williams and her then-husband Jerrold Rabin jointly owned their home. As part owner of a restaurant, Rabin personally incurred certain tax liabilities, which he failed to satisfy. In June 1987 and March 1988, the Government assessed Rabin close to $15,000 for these liabilities, and thereby placed a lien in the assessed amount on all his property, including his interest in the house. See 26 U. S. C. §6321 ("If any person liable to pay any tax neglects or refuses to pay the same after demand, the amount . . . shall be a lien in favor of the United States upon all property and rights to property, whether real or personal, belonging to such person."). The Government has not alleged that Williams is personally liable for these or any subsequent assessments.

Meanwhile, Rabin and Williams divided their marital property in contemplation of divorce. Williams did not have notice of the lien when Rabin deeded his interest in the house to her on October 25, 1988, for the Government did not file its tax lien until November 10, 1988. As consideration for the house, Williams assumed three liabilities for Rabin (none of them tax liabilities) totaling almost $650,000. App. 7–8 (Statement of Uncontroverted Facts presented by Attorneys for United States). In the ensuing months, the Government made further assessments on Rabin in excess of $26,000, but did not file notice of them until June 22, 1989.

Williams entered a contract on May 9, 1989, to sell the house, and agreed to a closing date of July 3. App. 8. One week before the closing, the Government gave actual notice to Williams and the purchaser of over $41,000 in tax liens which, it claimed, were valid against the property or proceeds of the sale. The purchaser threatened to sue Williams if the sale did not go through on schedule. Believing she had no realistic alternative—none having been suggested by the Government—Williams, under protest, authorized disbursement of $41,937 from the sale proceeds directly to the Internal Revenue Service so that she could convey clear title.

After the Government denied Williams' claim for an administrative refund, she filed suit in the United States District Court for the Central District of California, claiming she had taken the property free of the Government's lien under 26 U. S. C. §6323(a) (absent proper notice, tax lien not valid against purchaser). To enforce her rights, she invoked 28 U. S. C. §1346(a)(1), which waives the Government's sovereign immunity from suit by authorizing federal courts to adjudicate "[a]ny civil action against the United States for the recovery of any internal-revenue tax alleged to have been erroneously or illegally assessed or collected." In a trial on stipulated facts, the Government maintained that it was irrelevant whether the Government had a right to Williams' money; her plea could not be entertained, the Government insisted, because she lacked standing to seek a refund under §1346(a)(1).[2] According to the Government, that provision authorizes actions only by the assessed party, *i. e.*, Rabin. The District Court accepted this jurisdictional argument, relying on precedent set in the Fifth and Seventh Circuits.[3]

The United States Court of Appeals for the Ninth Circuit reversed, 24 F. 3d 1143, 1145 (1994), guided by Fourth Circuit precedent.[4] To resolve this conflict among the Courts of Appeals, we granted certiorari, 513 U. S. ___ (1994), and now affirm.

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[2]The dissent, perhaps finding unappealing the Government's defense of unjustified taking, tenders factual inferences, *post*, at 5, both unfavorable to Williams and beyond the parties' stipulation of uncontroverted facts. The sole issue in this case, however, is whether one in Williams' situation has standing to sue for a refund, and to that issue the strength of Williams' case on the merits is not relevant.

[3]See *Snodgrass* v. *United States*, 834 F. 2d 537, 540 (CA5 1987); *Busse* v. *United States*, 542 F. 2d 421, 425 (CA7 1976).

[4]See *Martin* v. *United States*, 895 F. 2d 992 (CA4 1990).

The question before us is whether the waiver of sovereign immunity in §1346(a)(1) authorizes a refund suit by a party who, though not assessed a tax, paid the tax under protest to remove a federal tax lien from her property. In resolving this question, we may not enlarge the waiver beyond the purview of the statutory language. *Department of Energy* v. *Ohio*, 503 U. S. 607, 614–616 (1992). Our task is to discern the "unequivocally expressed" intent of Congress, construing ambiguities in favor of immunity. *United States* v. *Nordic Village, Inc.*, 503 U. S. 30, 33 (1992) (internal quotation marks omitted).

To fathom the congressional instruction, we turn first to the language of §1346(a). This provision does not say that only the person assessed may sue. Instead, the statute uses broad language:

> "The district courts shall have original jurisdiction, concurrent with the United States Court of Federal Claims, of:
>
> (1) *Any* civil action against the United States for the recovery of *any* internal-revenue tax alleged to have been *erroneously* or illegally assessed or *collected*, or any penalty claimed to have been *collected* without authority or any sum alleged to have been excessive or any manner wrongfully *collected* under the internal-revenue laws." 28 U. S. C. §1346(a) (1988 ed. and Supp. V) (emphasis added).

Williams' plea to recover a tax "erroneously . . . collected" falls squarely within this language.

The broad language of §1346(a)(1) mirrors the broad common law remedy the statute displaced: actions of assumpsit for money had and received, once brought against the tax collector personally rather than against the United States. See Ferguson, Jurisdictional Problems in Federal Tax Controversies,

48 Iowa L. Rev. 312, 327 (1963). Assumpsit afforded a remedy to those who, like Williams, had paid money they did not owe—typically as a result of fraud, duress, or mistake. See H. Ballantine, Shipman on Common-Law Pleading 163–164 (3d ed. 1923). Assumpsit refund actions were unavailable to volunteers, a limit that would not have barred Williams because she paid under protest. See *City of Philadelphia* v. *Collector*, 5 Wall. 720, 731–732 (1867) ("Where the party voluntarily pays the money, he is without remedy; but if he pays it by compulsion of law, or under protest, or with notice that he intends to bring suit to test the validity of the claim, he may recover it back . . . .").

Acknowledging the evident breadth of §1346(a)(1), the Government relies on the interaction of three other provisions to narrow the waiver of sovereign immunity. The Government argues: Under 26 U. S. C. §7422, a party may not bring a refund action without first exhausting administrative remedies; under 26 U. S. C. §6511, only a "taxpayer" may exhaust; under 26 U. S. C. §7701(a)(14), Williams is not a taxpayer.

It is undisputed that §7422 requires administrative exhaustion.[5] If Williams is eligible to exhaust, she did so by filing an administrative claim. But to show that

[5]Section 7422(a) provides in relevant part:

"No suit or proceeding shall be maintained in any court for the recovery of any internal revenue tax alleged to have been erroneously or illegally assessed or collected, or of any penalty claimed to have been collected without authority, or of any sum alleged to have been excessive or in any manner wrongfully collected, until a claim for refund or credit has been duly filed with the Secretary, according to the provisions of law in that regard, and the regulations of the Secretary established in pursuance thereof."

Williams is not eligible to exhaust, the Government relies first on 26 U. S. C. §6511(a), which provides in part:

> "(a) Period of limitations on filing claim
>
> "Claim for credit or refund of an overpayment of any tax imposed by this title in respect of which tax the taxpayer is required to file a return *shall be filed by the taxpayer* within 3 years from the time the return was filed or 2 years from the time the tax was paid, whichever of such periods expires the later, or if no return was filed by the taxpayer, within 2 years from the time the tax was paid." (Emphasis added.)

From the statute's use of the term "taxpayer," rather than "person who paid the tax," the Government concludes that only a "taxpayer" may file for administrative relief under §7422, and thereafter pursue a refund action under 28 U. S. C. §1346(a)(1).[6] Then, to show that Williams is not a "taxpayer," the Government relies on 26 U. S. C. §7701(a)(14), which defines "taxpayer" as "any person subject to any internal revenue tax." According to the Government, a party who pays a tax is not "subject to" it unless she is the one assessed.

The Government's argument fails at both statutory junctures. First, the word "taxpayer" in §6511(a)—

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[6]Title 26 U. S. C. §6532(a)(1), governing the time to file a refund suit in court, reads in part:

"No suit or proceeding under section 7422(a) for the recovery of any internal revenue tax, penalty, or other sum, shall be begun before the expiration of 6 months from the date of filing the claim required under such section unless the Secretary renders a decision thereon within that time, nor after the expiration of 2 years from the date of mailing by certified mail or registered mail by the Secretary to the taxpayer of a notice of the disallowance of the part of the claim to which the suit or proceeding relates."

the provision governing administrative claims—cannot bear the weight the Government puts on it. This provision's plain terms provide only a deadline for filing for administrative relief,[7] not a limit on who may file. To read the term "taxpayer" as implicitly limiting administrative relief to the party assessed is inconsistent with other provisions of the refund scheme, which expressly contemplate refunds to parties other than the one assessed. Thus, in authorizing the Secretary to award a credit or refund "[i]n the case of an overpayment," 26 U. S. C. §6402(a) describes the recipient not as the "taxpayer," but as "the person who made the overpayment." Similarly, in providing for credits and refunds for sales taxes and taxes on tobacco and alcohol, 26 U. S. C. §6416(a) and 26 U. S. C. §6419(a) describe the recipient as "the person who paid the tax."

Further, even if, as the Government contends, only "taxpayers" could seek administrative relief under §6511, the Government's claim that Williams is not at this point a "taxpayer" is unpersuasive. Section §7701(a)(14), defining "taxpayer," informs us that "[w]hen used in [the Internal Revenue Code], where not otherwise distinctly expressed or manifestly incompatible with the intent thereof, . . . [t]he term `taxpayer' means any person subject to any internal

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[7]As a statute of limitations, §6511(a) does narrow the waiver of sovereign immunity in §1346(a)(1) by barring the tardy. See *United States* v. *Dalm*, 494 U. S. 596, 602 (1990) ("Read together, the import of these sections [§§1346(a)(1), 7422(a), 6511(a)] is clear: unless a claim for refund of a tax has been filed within the time limits imposed by §6511(a), a suit for refund, regardless of whether the tax is alleged to have been `erroneously,' `illegally,' or `wrongfully collected,' §§1346(a)(1), 7422(a), may not be maintained in any court.").

revenue tax."[8] That definition does not exclude Williams. The Government reads the definition as if it said "any person who is assessed any internal revenue tax," but these are not Congress' words. The general phrase "subject to" is broader than the specific phrase "assessed" and, in the tax collection context before us, we think it is broad enough to include Williams. In placing a lien on her home and then accepting her tax payment under protest, the Government surely subjected Williams to a tax, even though she was not the assessed party.

In support of its reading of "taxpayer," the Government cites our observation in *Colorado Nat. Bank of Denver* v. *Bedford* that "[t]he taxpayer is the person ultimately liable for the tax itself." 310 U. S. 41, 52 (1940). The Government takes this language out of context. We were not interpreting the term "taxpayer" in the Internal Revenue Code, but deciding whether a state tax scheme was consistent with federal law. In particular, we were determining whether Colorado had imposed its service tax on a bank's customers (which was consistent with federal law) or on the bank itself (which was not). Though the bank collected and paid the tax, its incidence fell on the customers. Favoring substance over form, we said: "The person liable for the tax [the bank], primarily, cannot always be said to be the real taxpayer. The taxpayer is the person ultimately liable for the tax itself." *Ibid.* As a result, we determined that the tax had been imposed on the customers rather than the bank. If *Colorado Nat. Bank* is relevant at all, it shows our preference for common sense inquiries over formalism—a preference that

[8]The Treasury's regulation, 26 CFR §301.7701–16 (1994), adds nothing to the statute; in particular, the regulation does not ascribe any special or limiting meaning to the statute's "subject to" terminology.

works against the Government's technical argument in this case.

As we have just developed, 28 U. S. C. §1346(a)(1) clearly allows one from whom taxes are erroneously or illegally collected to sue for a refund of those taxes. And 26 U. S. C. §6402(a), with similar clarity, authorizes
the Secretary to pay out a refund to "the person who made the overpayment." The Government's strained reading of §1346(a)(1), we note, would leave people in Williams' position without a remedy. See *supra,* at 1, n. 1. This consequence reinforces our conclusion that Congress did not intend refund actions under §1346(a)(1) to be unavailable to persons situated as Lori Williams is. Though the Government points to three other remedies, none was realistically open to Williams. Nor would any of the vaunted remedies be available to others in her situation. See, *e.g.*, *Martin* v. *United States*, 895 F. 2d 992 (CA4 1990); *Barris* v. *United States*, 851 F. Supp. 696 (WD Pa. 1994); *Brodey* v. *United States*, 788 F. Supp. 44 (Mass. 1991) (all ordering refunds of amounts erroneously collected to the people who paid those amounts).

If the Government has not levied on property—as it has not levied on Williams' home—the owner cannot challenge such a levy under 26 U. S. C. §7426. Nor would an action under 28 U. S. C. §2410(a)(1) to quiet title afford meaningful relief to someone in Williams' position. The first lien on her property, for nearly $15,000, was filed just six months before the closing; and liens in larger sum—over $26,000, out of $41,937—were filed only 11 days before the closing. (Williams did not receive actual notice of *any* of the liens until barely a week before the closing.) She simply did not have time to bring a quiet-title action. She urgently sought to sell the property, but a sale would have been difficult before a final judgment in

such litigation, which could have been protracted. In contrast, a refund suit would allow her to sell the property and simultaneously pay off the lien, leaving her free to litigate with the Government without tying up her real property, whose worth far exceeded the value of the Government's liens.

Nor may Williams and persons similarly situated rely on §6325(b)(3) for such an arrangement. This provision permits the Government to discharge a lien on property if the owner sets aside a fund that becomes subject to a new lien; the parties then can litigate the propriety of the new lien after the property is sold. However, §6325(b)(3) and its implementing regulation render this remedy doubtful indeed, for it is available only at the Government's discretion. See §6325(b)(3) ("[T]he Secretary *may* issue a certificate of discharge [of a federal tax lien] of any part of the property subject to the lien if such part of the property is sold and, *pursuant to an agreement with the Secretary*, the proceeds of such sale are to be held, as a fund subject to the liens and claims of the United States, in the same manner and with the same priority as such liens and claims had with respect to the discharged property.") (emphasis added); 26 CFR §301.6325–1(b)(3) (1994) ("A district director [of the Internal Revenue Service] may, *in his discretion*, issue a certificate of discharge of any part of the property subject to a [tax lien] if such part of the property is sold and, *pursuant to a written agreement with the district director*, the proceeds of the sales are held, as a fund subject to the liens and claims of the United States, in the same manner and with the same priority as the lien or claim had with respect to the discharged property.") (emphasis added).

So far as the record shows, the Government did not afford Williams an opportunity to substitute a fund

pursuant to §6325(b)(3).[9] This omission is not surprising, for on the Government's theory of who may sue under §1346(a)(1), the Government had scant incentive to agree to such an arrangement with people caught in Williams' bind. Under §6325(b)(3), the Government does not receive cash, but another lien (albeit one on a fund). In contrast, if the Government resists a §6325(b)(3) agreement, it is likely to get cash immediately: property owners eager to remove a tax lien will have to pay, as did Williams. If they may not sue under §1346(a)(1), their payment is nonrefundable. An agreement pursuant to §6325(b)(3) thus dependent on the district director's grace cannot sensibly be described as available to Williams.

We do not agree with the Government that, if §1346(a)(1) authorizes some third party suits, the levy, quiet-title, and separate-fund remedies become superfluous. Section 1346(a)(1) is a postdeprivation remedy, available only if the taxpayer has paid the Government in full. *Flora* v. *United States*, 362 U. S. 145 (1960). The other remedies offer predeprivation relief. The levy provision in 26 U. S. C. §7426(a)(1) is available "without regard to whether such property has been surrendered to or sold by the Secretary." Likewise, 28 U. S. C. §2410 allows a property owner to have a lien discharged without ever paying the tax. Under 26 U. S. C. §6325(b)(3), the lien on the property is removed in exchange for a new lien, rather than a cash payment.

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[9]The dissent asserts, regarding §6325(b)(3), that Williams cannot complain in court without exhausting her administrative remedy. *Post*, at 6–7. But §6325(b)(3) presents no question of administrative exhaustion as a prelude to judicial review, for that "remedy" lies entirely within the Government's discretion.

Finally, the Government urges that allowing Williams to sue will violate the principle that parties may not challenge the tax liabilities of others. According to the Government, undermining this principle will lead to widespread abuse: In particular, parties will volunteer to pay the tax liabilities of others, only to seek a refund once the Government has ceased collecting from the real taxpayer.

Although parties generally may not challenge the tax liabilities of others, this rule is not unyielding. A taxpayer's fiduciary may litigate the taxpayer's liability, even though the fiduciary is not herself liable. See 26 CFR §301.6903–1(a) (1994) (the fiduciary must "assume the powers, rights, duties, and privileges of the taxpayer with respect to the taxes imposed by the Code"); *ibid.* ("The amount of the tax or liability is ordinarily not collectible from the personal estate of the fiduciary but is collectible from the estate of the taxpayer . . . ."); 15 J. Mertens, Law of Federal Income Taxation §58.08 (1994) (refund claims for decedents filed by executor, administrator, or other fiduciary of estate). Similarly, certain transferees may litigate the tax liabilities of the transferor; if the transfer qualifies as a fraudulent conveyance under state law, the Code treats the transferee as the taxpayer, see 26 U. S. C. §6901(a)(1)(A); 5 J. Rabkin & M. Johnson, Federal Income, Gift and Estate Taxation §73.10, pp. 73–82 to 73–87 (1992), so the transferee may contest the transferor's liability either in tax court, see 14 Mertens, *supra*, §53.50, or in a refund suit under §1346(a)(1). See *id.*, §53.55. Furthermore, the Court has allowed a refund action by parties who were not assessed, albeit under a different statute. See *Stahmann* v. *Vidal*, 305 U. S. 61 (1938) (cotton producers could bring a refund action for a federal cotton ginning tax if they had paid the tax, even though the tax was assessed against ginners rather than producers).

The burden on the principle that a party may not

challenge the tax liability of another is mitigated, moreover, because Williams' main challenge is to the existence of a lien against *her* property, rather than to the underlying assessment on her husband. That is, her primary claim is not that *her husband* never owed the tax[10]—a matter that, had she not paid these taxes herself under the duress of a lien, would not normally be her concern. Rather, she asserts that the Government has attached a lien on the wrong property, because the house belongs to her rather than to him—a scenario which leaves her "subject to" the tax in a meaningful and immediate way.

We do not find disarming the Government's forecast that allowing Williams to sue will lead to rampant abuse. The Government's posited scenario seems implausible; it is not clear what incentive a volunteer has to pay someone else's taxes as a way to help her evade them. Nor does the Government report that such schemes are commonplace among the millions of taxpayers in the Fourth and Ninth Circuits, Circuits that permit persons in Williams' position to bring refund suits. Furthermore, our holding does not authorize the host of third party

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[10]On motion for summary judgment in District Court, Williams did challenge her husband's liability as well. See Plaintiff's Notice of Motion and Cross-Motion for Summary Judgment 13. However, counsel retreated from this claim at oral argument. Tr. of Oral Arg. 36 ("We're not arguing that she's going to go into court and litigate the liability of her ex-husband."); *id.*, at 37 ("[W]e're not saying that she wa[nts] [to] go into court and litigate his tax liability. That's his problem, not hers."). Moreover, to affirm the Ninth Circuit's judgment, we can rely solely on Williams' standing to challenge the lien, regardless of whether she has standing to challenge the underlying assessment on her husband. Accordingly, we need not resolve whether Williams is still asserting her challenge to the underlying assessment, let alone whether she has standing to do so.

challenges the Government fears. Williams paid under protest, solely to gain release of the Government's lien on her property—a lien she attacked as erroneously maintained. We do not decide the circumstances, if any, under which a party who volunteers to pay a tax assessed against someone else may seek a refund under §1346(a).

* * *

The judgment of the United States Court of Appeals for the Ninth Circuit is

Affirmed.