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Medical College of Wisconsin Affiliate Hospitals, Inc. v. United States

United States District Court, E.D. Wisconsin - September 14, 2016 - Slip Copy - 2016 WL 4916811 - 118 A.F.T.R.2d 2016-5798 - 2016-2 USTC P 50, 409

The Medical College of Wisconsin Affiliated Hospitals, Inc. overpaid its Federal Insurance Contributions Act (FICA) tax and received a tax refund with interest calculated at the rate for corporations. It filed this lawsuit to recover additional interest at the higher, noncorporate rate. IRC § 6621(a)(1)

"Under § 6621(a)(1) noncorporate taxpayers receive interest on tax refunds at a higher rate than corporate taxpayers receive. Hence, the question here is whether for purposes of IRC § 6621(a)(1) a § 501(c)(3) nonprofit is considered to be a corporation. When the pending summary judgment motions were briefed initially, the identical legal issue had been decided in the government's favor by district courts in New York and Michigan and presented on appeal to the Second and Sixth Circuits. Both circuit courts have since issued their decisions affirming the judgments in the government's favor."

"This court has fully considered the parties' arguments here, the statutory and regulatory language cited, the opinions of the two district courts, the Second Circuit's Maimonides Medical Center v. United States, 809 F.3d 85 (2d Cir. 2015), the Sixth Circuit's United States v. Detroit Medical Center, No. 15-1279, ––– F.3d ––––, 2016 WL 4376431 (6th Cir. Aug. 17, 2016), the Court of Federal Claims' Eaglehawk Carbon, Inc. v. United States, 122 Fed. Cl. 209 (2015), and the Tax Court's Garwood Irrigation Co. v. Commissioner of Internal Revenue, 126 T.C. 233 (2006). Because this court's determination is in accord with the decisions of the Second and Sixth Circuit, there is no need to add a lengthy opinion to the mix. In short, this court rejects the Hospital's argument that the parenthetical in the "flush language" of § 66211 incorporates the "C corporation" limitation of (c)(3)(A), notwithstanding that the flush language cites only "(c)(3)." The flush-language parenthetical more naturally refers only to the definition of "taxable period" in (c)(3)(B), especially as the flush language does not use the defined term "large corporate underpayment" (or, as possibly adjusted, "large corporate overpayment"). And this court is unpersuaded that perfect symmetry between the overpayment and underpayment provisions was intended by Congress. Instead, it appears that where Congress intended to use "C corporation" in § 6621 it did so and where it used only "corporation" it included all corporations—C, S, and § 501(c)(3) together. Although the Hospital's policy arguments for a higher interest rate for refunds to nonprofits have merit, those arguments are better aimed at Congress. Here the text of the statute expresses Congress's intent. For these reasons and the reasons discussed by the Second Circuit and Sixth Circuit in Maimonides and Detroit Medical College."