

# **Bond Case Briefs**

*Municipal Finance Law Since 1971*

---

## **TAX - MICHIGAN**

### **United States v. Detroit Medical Center**

**United States Court of Appeals, Sixth Circuit - August 17, 2016 - F.3d - 2016 WL 4376431**

United States brought action against not-for-profit hospital corporation to collect Federal Insurance Contributions Act (FICA) taxes on stipends that hospital corporation paid to medical residents.

The United States District Court for the Eastern District of Michigan granted summary judgment to United States. Hospital corporation appealed. The Court of Appeals affirmed in part, vacated in part, and remanded.

IRS issued administrative ruling that medical residents were students who were exempt from FICA taxes, and issued refunds to hospital corporation.

Hospital corporation sought \$9.1 million in additional interest on employer portion refunds, contending it was not "corporation" subject to lower interest rate on refunds.

The District Court granted summary judgment to United States. Hospital corporation appealed.

The Court of Appeals held that hospital corporation was "corporation" subject to lower interest on refund of employer portion of FICA taxes.

Not-for-profit hospital corporation was "corporation" under Internal Revenue Code that was subject to lower interest on refund of employer portion of Federal Insurance Contributions Act (FICA) taxes it paid for medical residents whom IRS subsequently determined were students exempt from FICA taxes. In keeping with common-law definition of "corporation," Internal Revenue Code consistently used "corporation" to include nonprofit corporations organized under state law as well as for-profit corporations, and, contrary to hospital corporation's contention, refund provision's cross-reference to subsection dealing with tax payments by C corporations was to define "taxable period," not corporations subject to lower interest rates on refunds.