



Frances Dalm ("Dalm") was appointed administratrix of the estate of Harold Schrier in May 1975, at the request of Schrier's surviving brother, Clarence. Dalm had been the decedent's loyal secretary for many years and Clarence wanted her to take charge of the affairs of the estate and receive some of the moneys that otherwise would belong to him. Dalm received fees from the estate of \$37,000. She also received from Clarence two payments, \$180,000 in 1976 and \$188,818 in 1977. Clarence and his wife filed a gift tax return in December 1976 reporting the \$180,000 payment as a gift to Dalm, and in that same month Dalm paid the gift tax of \$18,675. The Internal Revenue Service (IRS) later assessed an additional \$1,587 in penalties and interest with respect to the transfer. The Schriers paid the penalties and interest in 1977, and were reimbursed by Dalm. But no gift tax return was filed with respect to the 1977 payment of \$133,813. After auditing Dalm's 1976 and 1977 income tax returns, the IRS determined that the payments from Clarence represented additional fees for Dalm's services as administratrix of the estate and should have been reported as income. The IRS asserted deficiencies in her income tax of \$91,471 in 1976, and \$70,689 in 1977.

Dalm petitioned the Tax Court for a redetermination of the asserted deficiencies, arguing that the 1976 and 1977 payments from Clarence were gifts. Dalm and the IRS settled the case, with the parties agreeing that Dalm owed income tax deficiencies of \$10,416 for 1976 and \$70,639 for 1977. No claim for a credit or recoupment of the gift tax paid by Dalm was raised in the Tax Court proceedings, although there is some dispute whether the gift tax was one of the factors considered in arriving at the terms of the settlement. Immediately after agreeing to the settlement, Dalm filed an administrative claim for refund of the \$20,262 in gift tax, interest, and penalties paid with respect to the \$180,000 transfer in 1976. The claim was filed in November 1984, even though the IRC required Dalm to file any claim for a refund of the gift tax by December 1979. See section 6511(a). When the IRS failed to act upon her claim within six months, Dalm filed suit in District Court seeking a refund of "overpaid gift tax."

Section 7422(a) limits a taxpayer's right to bring a refund suit by providing that:

[n]o 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 . . .

Section 6511(a) provides that if a taxpayer is required to file a return with respect to a tax, such as the gift tax, the taxpayer must file any claim for refund within three years from the time the return was filed or two years from the time the tax was paid, whichever period expires later. Therefore unless a claim for refund of a tax has been filed within the time limits imposed by section 6511(a), a suit for refund may not be maintained in any court. The Sixth Circuit had held that Dalm was permitted to maintain an action to recover the overpaid gift tax under the doctrine of equitable recoupment. However, the Supreme Court disagreed and held that "[a] statute of limitations requiring a suit against the Government be brought within a certain time period is one of those terms" that defines the court's jurisdiction.