

(g) Burden of proof**(1) Reasonableness of levy, termination, or jeopardy assessment**

In a proceeding under subsection (b) involving the issue of whether the making of a levy described in subsection (a)(1) or the making of an assessment under section 6851, 6852, 6861, or 6862 is reasonable under the circumstances, the burden of proof in respect to such issue shall be upon the Secretary.

(2) Reasonableness of amount of assessment

In a proceeding under subsection (b) involving the issue of whether an amount assessed or demanded as a result of action taken under section 6851, 6852, 6861, or 6862 is appropriate under the circumstances, the Secretary shall provide a written statement which contains any information with respect to which his determination of the amount assessed was based, but the burden of proof in respect of such issue shall be upon the taxpayer.

(Added Pub. L. 94-455, title XII, § 1204(a), Oct. 4, 1976, 90 Stat. 1695; amended Pub. L. 98-369, div. A, title IV, § 446(a), July 18, 1984, 98 Stat. 817; Pub. L. 100-203, title X, § 10713(b)(2)(F), Dec. 22, 1987, 101 Stat. 1330-470; Pub. L. 100-647, title VI, § 6237(a)-(e)(3), Nov. 10, 1988, 102 Stat. 3741-3743; Pub. L. 105-206, title III, § 3434(a), July 22, 1998, 112 Stat. 760.)

Editorial Notes**AMENDMENTS**

1998—Subsec. (a)(1). Pub. L. 105-206 substituted “Administrative review” for “Information to taxpayer” in heading and amended text of par. (1) generally. Prior to amendment, text read as follows: “Within 5 days after the day on which an assessment is made under section 6851(a), 6852(a), 6861(a), or 6862, or levy is made under section 6331(a) less than 30 days after notice and demand for payment is made under section 6331(a), the Secretary shall provide the taxpayer with a written statement of the information upon which the Secretary relies in making such assessment or levy.”

1988—Pub. L. 100-647, § 6237(e)(3), inserted “levy or” after “jeopardy” in section catchline.

Subsec. (a)(1). Pub. L. 100-647, § 6237(a), inserted “or levy is made under section 6331(a) less than 30 days after notice and demand for payment is made under section 6331(a),” after “6862,” and “or levy” after “such assessment”.

Subsec. (a)(3). Pub. L. 100-647, § 6237(b), amended par. (3) generally. Prior to amendment, par. (3) read as follows: “After a request for review is made under paragraph (2), the Secretary shall determine whether or not—

“(A) the making of the assessment under section 6851, 6852, 6861, or 6862, as the case may be, is reasonable under the circumstances, and

“(B) the amount so assessed or demanded as a result of the action taken under section 6851, 6852, 6861, or 6862 is appropriate under the circumstances.”

Subsec. (b). Pub. L. 100-647, § 6237(c), amended subsec. (b) generally, substituting provisions of pars. (1) to (4) for provisions of former pars. (1) to (3) relating to actions permitted, determination by district court, and order of district court.

Subsec. (c). Pub. L. 100-647, § 6237(e)(1), struck out “district” before “court”.

Subsec. (e). Pub. L. 100-647, § 6237(d), amended subsec. (e) generally. Prior to amendment, subsec. (e) read as follows: “A civil action under subsection (b) shall be commenced only in the judicial district described in section 1402(a)(1) or (2) of title 28, United States Code.”

Subsec. (f). Pub. L. 100-647, § 6237(e)(1), struck out “district” after “made by a”.

Subsec. (g)(1). Pub. L. 100-647, § 6237(e)(2), in heading substituted “levy, termination,” for “termination” and in text substituted “a proceeding” for “an action” and inserted “the making of a levy described in subsection (a)(1) or” after “whether”.

Subsec. (g)(2). Pub. L. 100-647, § 6237(e)(2)(C), substituted “a proceeding” for “an action”.

1987—Subsec. (a)(1). Pub. L. 100-203, § 10713(b)(2)(F)(i), substituted “6851(a), 6852(a)” for “6851(a).”

Subsecs. (a)(3)(A), (B), (b)(2)(A), (B), (g)(1), (2). Pub. L. 100-203, § 10713(b)(2)(F)(ii), substituted “6851, 6852,” for “6851,” wherever appearing.

1984—Subsec. (b)(2). Pub. L. 98-369 inserted provision that if the court determines that proper service was not made on the United States within 5 days after the date of the commencement of the action, the running of the 20-day period shall not begin before the day on which proper service was made on the United States.

Statutory Notes and Related Subsidiaries**EFFECTIVE DATE OF 1998 AMENDMENT**

Pub. L. 105-206, title III, § 3434(b), July 22, 1998, 112 Stat. 760, provided that: “The amendment made by this section [amending this section] shall apply to taxes assessed and levies made after the date of the enactment of this Act [July 22, 1998].”

EFFECTIVE DATE OF 1988 AMENDMENT

Pub. L. 100-647, title VI, § 6237(f), Nov. 10, 1988, 102 Stat. 3743, provided that: “The amendments made by this section [amending this section] shall apply to jeopardy levies issued and assessments made on or after July 1, 1989.”

EFFECTIVE DATE OF 1984 AMENDMENT

Pub. L. 98-369, div. A, title IV, § 446(b), July 18, 1984, 98 Stat. 817, provided that: “The amendment made by subsection (a) [amending this section] shall apply to actions commenced after the date of the enactment of this Act [July 18, 1984].”

EFFECTIVE DATE

Section applicable with respect to action taken under section 6851, 6861, or 6862 of this title where notice and demand takes place after Feb. 28, 1977, see section 1204(d) of Pub. L. 94-455, as amended, set out as a note under section 6851 of this title.

§ 7430. Awarding of costs and certain fees**(a) In general**

In any administrative or court proceeding which is brought by or against the United States in connection with the determination, collection, or refund of any tax, interest, or penalty under this title, the prevailing party may be awarded a judgment or a settlement for—

(1) reasonable administrative costs incurred in connection with such administrative proceeding within the Internal Revenue Service, and

(2) reasonable litigation costs incurred in connection with such court proceeding.

(b) Limitations**(1) Requirement that administrative remedies be exhausted**

A judgment for reasonable litigation costs shall not be awarded under subsection (a) in any court proceeding unless the court determines that the prevailing party has exhausted the administrative remedies available to such party within the Internal Revenue Service.

Any failure to agree to an extension of the time for the assessment of any tax shall not be taken into account for purposes of determining whether the prevailing party meets the requirements of the preceding sentence.

(2) Only costs allocable to the United States

An award under subsection (a) shall be made only for reasonable litigation and administrative costs which are allocable to the United States and not to any other party.

(3) Costs denied where party prevailing protracts proceedings

No award for reasonable litigation and administrative costs may be made under subsection (a) with respect to any portion of the administrative or court proceeding during which the prevailing party has unreasonably protracted such proceeding.

(4) Period for applying to IRS for administrative costs

An award may be made under subsection (a) by the Internal Revenue Service for reasonable administrative costs only if the prevailing party files an application with the Internal Revenue Service for such costs before the 91st day after the date on which the final decision of the Internal Revenue Service as to the determination of the tax, interest, or penalty is mailed to such party.

(c) Definitions

For purposes of this section—

(1) Reasonable litigation costs

The term “reasonable litigation costs” includes—

(A) reasonable court costs, and

(B) based upon prevailing market rates for the kind or quality of services furnished—

(i) the reasonable expenses of expert witnesses in connection with a court proceeding, except that no expert witness shall be compensated at a rate in excess of the highest rate of compensation for expert witnesses paid by the United States,

(ii) the reasonable cost of any study, analysis, engineering report, test, or project which is found by the court to be necessary for the preparation of the party's case, and

(iii) reasonable fees paid or incurred for the services of attorneys in connection with the court proceeding, except that such fees shall not be in excess of \$125 per hour unless the court determines that a special factor, such as the limited availability of qualified attorneys for such proceeding, the difficulty of the issues presented in the case, or the local availability of tax expertise, justifies a higher rate.

In the case of any calendar year beginning after 1996, the dollar amount referred to in clause (iii) shall be increased by an amount equal to such dollar amount multiplied by the cost-of-living adjustment determined under section 1(f)(3) for such calendar year, by substituting “calendar year 1995” for “calendar year 2016” in subparagraph (A)(ii) thereof. If any dollar amount after being increased under

the preceding sentence is not a multiple of \$10, such dollar amount shall be rounded to the nearest multiple of \$10.

(2) Reasonable administrative costs

The term “reasonable administrative costs” means—

(A) any administrative fees or similar charges imposed by the Internal Revenue Service, and

(B) expenses, costs, and fees described in paragraph (1)(B), except that any determination made by the court under clause (ii) or (iii) thereof shall be made by the Internal Revenue Service in cases where the determination under paragraph (4)(C) of the awarding of reasonable administrative costs is made by the Internal Revenue Service.

Such term shall only include costs incurred on or after whichever of the following is the earliest: (i) the date of the receipt by the taxpayer of the notice of the decision of the Internal Revenue Service Independent Office of Appeals; (ii) the date of the notice of deficiency; or (iii) the date on which the first letter of proposed deficiency which allows the taxpayer an opportunity for administrative review in the Internal Revenue Service Independent Office of Appeals is sent.

(3) Attorneys' fees

(A) In general

For purposes of paragraphs (1) and (2), fees for the services of an individual (whether or not an attorney) who is authorized to practice before the Tax Court or before the Internal Revenue Service shall be treated as fees for the services of an attorney.

(B) Pro bono services

The court may award reasonable attorneys' fees under subsection (a) in excess of the attorneys' fees paid or incurred if such fees are less than the reasonable attorneys' fees because an individual is representing the prevailing party for no fee or for a fee which (taking into account all the facts and circumstances) is no more than a nominal fee. This subparagraph shall apply only if such award is paid to such individual or such individual's employer.

(4) Prevailing party

(A) In general

The term “prevailing party” means any party in any proceeding to which subsection (a) applies (other than the United States or any creditor of the taxpayer involved)—

(i) which—

(I) has substantially prevailed with respect to the amount in controversy, or

(II) has substantially prevailed with respect to the most significant issue or set of issues presented, and

(ii) which meets the requirements of the 1st sentence of section 2412(d)(1)(B) of title 28, United States Code (as in effect on October 22, 1986) except to the extent differing procedures are established by rule of court and meets the requirements of section 2412(d)(2)(B) of such title 28 (as so in effect).

(B) Exception if United States establishes that its position was substantially justified

(i) General rule

A party shall not be treated as the prevailing party in a proceeding to which subsection (a) applies if the United States establishes that the position of the United States in the proceeding was substantially justified.

(ii) Presumption of no justification if Internal Revenue Service did not follow certain published guidance

For purposes of clause (i), the position of the United States shall be presumed not to be substantially justified if the Internal Revenue Service did not follow its applicable published guidance in the administrative proceeding. Such presumption may be rebutted.

(iii) Effect of losing on substantially similar issues

In determining for purposes of clause (i) whether the position of the United States was substantially justified, the court shall take into account whether the United States has lost in courts of appeal for other circuits on substantially similar issues.

(iv) Applicable published guidance

For purposes of clause (ii), the term “applicable published guidance” means—

(I) regulations, revenue rulings, revenue procedures, information releases, notices, and announcements, and

(II) any of the following which are issued to the taxpayer: private letter rulings, technical advice memoranda, and determination letters.

(C) Determination as to prevailing party

Any determination under this paragraph as to whether a party is a prevailing party shall be made by agreement of the parties or—

(i) in the case where the final determination with respect to the tax, interest, or penalty is made at the administrative level, by the Internal Revenue Service, or

(ii) in the case where such final determination is made by a court, the court.

(D) Special rules for applying net worth requirement

In applying the requirements of section 2412(d)(2)(B) of title 28, United States Code, for purposes of subparagraph (A)(ii) of this paragraph—

(i) the net worth limitation in clause (i) of such section shall apply to—

(I) an estate but shall be determined as of the date of the decedent's death, and

(II) a trust but shall be determined as of the last day of the taxable year involved in the proceeding, and

(ii) individuals filing a joint return shall be treated as separate individuals for purposes of clause (i) of such section.

(E) Special rules where judgment less than taxpayer's offer

(i) In general

A party to a court proceeding meeting the requirements of subparagraph (A)(ii) shall be treated as the prevailing party if the liability of the taxpayer pursuant to the judgment in the proceeding (determined without regard to interest) is equal to or less than the liability of the taxpayer which would have been so determined if the United States had accepted a qualified offer of the party under subsection (g).

(ii) Exceptions

This subparagraph shall not apply to—

(I) any judgment issued pursuant to a settlement; or

(II) any proceeding in which the amount of tax liability is not in issue, including any declaratory judgment proceeding, any proceeding to enforce or quash any summons issued pursuant to this title, and any action to restrain disclosure under section 6110(f).

(iii) Special rules

If this subparagraph applies to any court proceeding—

(I) the determination under clause (i) shall be made by reference to the last qualified offer made with respect to the tax liability at issue in the proceeding; and

(II) reasonable administrative and litigation costs shall only include costs incurred on and after the date of such offer.

(iv) Coordination

This subparagraph shall not apply to a party which is a prevailing party under any other provision of this paragraph.

(5) Administrative proceedings

The term “administrative proceeding” means any procedure or other action before the Internal Revenue Service.

(6) Court proceedings

The term “court proceeding” means any civil action brought in a court of the United States (including the Tax Court and the United States Court of Federal Claims).

(7) Position of United States

The term “position of the United States” means—

(A) the position taken by the United States in a judicial proceeding to which subsection (a) applies, and

(B) the position taken in an administrative proceeding to which subsection (a) applies as of the earlier of—

(i) the date of the receipt by the taxpayer of the notice of the decision of the Internal Revenue Service Independent Office of Appeals, or

(ii) the date of the notice of deficiency.

(d) Special rules for payment of costs

(1) Reasonable administrative costs

An award for reasonable administrative costs shall be payable out of funds appro-

priated under section 1304 of title 31, United States Code.

(2) Reasonable litigation costs

An award for reasonable litigation costs shall be payable in the case of the Tax Court in the same manner as such an award by a district court.

(e) Multiple actions

For purposes of this section, in the case of—

(1) multiple actions which could have been joined or consolidated, or

(2) a case or cases involving a return or returns of the same taxpayer (including joint returns of married individuals) which could have been joined in a single court proceeding in the same court,

such actions or cases shall be treated as 1 court proceeding regardless of whether such joinder or consolidation actually occurs, unless the court in which such action is brought determines, in its discretion, that it would be inappropriate to treat such actions or cases as joined or consolidated.

(f) Right of appeal

(1) Court proceedings

An order granting or denying (in whole or in part) an award for reasonable litigation or administrative costs under subsection (a) in a court proceeding, may be incorporated as a part of the decision or judgment in the court proceeding and shall be subject to appeal in the same manner as the decision or judgment.

(2) Administrative proceedings

A decision granting or denying (in whole or in part) an award for reasonable administrative costs under subsection (a) by the Internal Revenue Service shall be subject to the filing of a petition for review with the Tax Court under rules similar to the rules under section 7463 (without regard to the amount in dispute). If the Secretary sends by certified or registered mail a notice of such decision to the petitioner, no proceeding in the Tax Court may be initiated under this paragraph unless such petition is filed before the 91st day after the date of such mailing.

(3) Appeal of Tax Court decision

An order of the Tax Court disposing of a petition under paragraph (2) shall be reviewable in the same manner as a decision of the Tax Court, but only with respect to the matters determined in such order.

(g) Qualified offer

For purposes of subsection (c)(4)—

(1) In general

The term “qualified offer” means a written offer which—

(A) is made by the taxpayer to the United States during the qualified offer period;

(B) specifies the offered amount of the taxpayer’s liability (determined without regard to interest);

(C) is designated at the time it is made as a qualified offer for purposes of this section; and

(D) remains open during the period beginning on the date it is made and ending on

the earliest of the date the offer is rejected, the date the trial begins, or the 90th day after the date the offer is made.

(2) Qualified offer period

For purposes of this subsection, the term “qualified offer period” means the period—

(A) beginning on the date on which the first letter of proposed deficiency which allows the taxpayer an opportunity for administrative review in the Internal Revenue Service Independent Office of Appeals is sent, and

(B) ending on the date which is 30 days before the date the case is first set for trial.

(Added Pub. L. 97-248, title II, §292(a), Sept. 3, 1982, 96 Stat. 572; amended Pub. L. 98-369, div. A, title VII, §714(c), July 18, 1984, 98 Stat. 961; Pub. L. 99-514, title XV, §1551(a)-(g), Oct. 22, 1986, 100 Stat. 2752, 2753; Pub. L. 100-647, title I, §1015(i), title VI, §6239(a), Nov. 10, 1988, 102 Stat. 3571, 3743; Pub. L. 104-168, title VII, §§701(a)-(c)(2), 702(a), 703(a), 704(a), July 30, 1996, 110 Stat. 1463, 1464; Pub. L. 105-34, title XII, §1285(a)-(c), title XIV, §1453(a), Aug. 5, 1997, 111 Stat. 1038, 1055; Pub. L. 105-206, title III, §3101(a)-(e), title VI, §§6012(h), 6014(e), July 22, 1998, 112 Stat. 727, 728, 819, 820; Pub. L. 106-554, §1(a)(7) [title III, §319(25)], Dec. 21, 2000, 114 Stat. 2763, 2763A-647; Pub. L. 115-97, title I, §11002(d)(1)(SS), Dec. 22, 2017, 131 Stat. 2061; Pub. L. 115-141, div. U, title IV, §401(a)(325)(A), Mar. 23, 2018, 132 Stat. 1199; Pub. L. 116-25, title I, §1001(b)(1)(H), (2), July 1, 2019, 133 Stat. 985.)

INFLATION ADJUSTED ITEMS FOR CERTAIN YEARS

For inflation adjustment of certain items in this section, see Revenue Procedures listed in a table under section 1 of this title.

Editorial Notes

PRIOR PROVISIONS

A prior section 7430 was renumbered section 7437 of this title.

AMENDMENTS

2019—Pub. L. 116-25 substituted “Internal Revenue Service Independent Office of Appeals” for “Internal Revenue Service Office of Appeals” wherever appearing.

2018—Subsec. (c)(6). Pub. L. 115-141 substituted “United States Court of Federal Claims” for “United States Claims Court”.

2017—Subsec. (c)(1). Pub. L. 115-97 substituted “for ‘calendar year 2016’ in subparagraph (A)(ii)” for “for ‘calendar year 1992’ in subparagraph (B)” in concluding provisions.

2000—Subsec. (c)(3). Pub. L. 106-554, §1(a)(7) [title III, §319(25)(A)], substituted “Attorneys” for “Attorneys” in heading.

Subsec. (c)(3)(B). Pub. L. 106-554, §1(a)(7) [title III, §319(25)(B)], substituted “attorneys’ fees” for “attorneys fees” wherever appearing.

1998—Subsec. (b)(4), (5). Pub. L. 105-206, §6012(h), redesignated par. (5) as (4).

Subsec. (c)(1)(B)(iii). Pub. L. 105-206, §3101(a), substituted “\$125” for “\$110” and inserted “the difficulty of the issues presented in the case, or the local availability of tax expertise,” before “justifies a higher rate”.

Subsec. (c)(2). Pub. L. 105-206, §3101(b), added concluding provisions and struck out former concluding provisions which read as follows: “Such term shall only

include costs incurred on or after the earlier of (i) the date of the receipt by the taxpayer of the notice of the decision of the Internal Revenue Service Office of Appeals, or (ii) the date of the notice of deficiency.”

Subsec. (c)(3). Pub. L. 105-206, §3101(c), substituted “attorneys” for “attorney’s” in heading and amended text of par. (3) generally. Prior to amendment, text read as follows: “For purposes of paragraphs (1) and (2), fees for the services of an individual (whether or not an attorney) who is authorized to practice before the Tax Court or before the Internal Revenue Service shall be treated as fees for the services of an attorney.”

Subsec. (c)(4)(B)(iii), (iv). Pub. L. 105-206, §3101(d), added cl. (iii) and redesignated former cl. (iii) as (iv).

Subsec. (c)(4)(D). Pub. L. 105-206, §6014(e), substituted “subparagraph (A)(ii)” for “subparagraph (A)(iii)” in introductory provisions.

Subsec. (c)(4)(E). Pub. L. 105-206, §3101(e)(1), added subpar. (E).

Subsec. (g). Pub. L. 105-206, §3101(e)(2), added subsec. (g).

1997—Subsec. (b)(5). Pub. L. 105-34, §1285(b), added par. (5).

Subsec. (c)(4)(D). Pub. L. 105-34, §1453(a), added subpar. (D).

Subsec. (f)(2). Pub. L. 105-34, §1285(c), substituted “the filing of a petition for review with” for “appeal to” and inserted at end “If the Secretary sends by certified or registered mail a notice of such decision to the petitioner, no proceeding in the Tax Court may be initiated under this paragraph unless such petition is filed before the 91st day after the date of such mailing.”

Subsec. (f)(3). Pub. L. 105-34, §1285(a), added par. (3). 1996—Subsec. (b)(1). Pub. L. 104-168, §703(a), inserted at end “Any failure to agree to an extension of the time for the assessment of any tax shall not be taken into account for purposes of determining whether the prevailing party meets the requirements of the preceding sentence.”

Subsec. (b)(3), (4). Pub. L. 104-168, §704(a), redesignated par. (4) as (3) and struck out former par. (3) which read as follows:

“(3) EXCLUSION OF DECLARATORY JUDGMENT PROCEEDINGS.—

“(A) IN GENERAL.—No award for reasonable litigation costs may be made under subsection (a) with respect to any declaratory judgment proceeding.

“(B) EXCEPTION FOR SECTION 501(c)(3) DETERMINATION REVOCATION PROCEEDINGS.—Subparagraph (A) shall not apply to any proceeding which involves the revocation of a determination that the organization is described in section 501(c)(3).”

Subsec. (c)(1). Pub. L. 104-168, §702(a)(3), inserted closing provisions “In the case of any calendar year beginning after 1996, the dollar amount referred to in clause (iii) shall be increased by an amount equal to such dollar amount multiplied by the cost-of-living adjustment determined under section 1(f)(3) for such calendar year, by substituting ‘calendar year 1995’ for ‘calendar year 1992’ in subparagraph (B) thereof. If any dollar amount after being increased under the preceding sentence is not a multiple of \$10, such dollar amount shall be rounded to the nearest multiple of \$10.”

Subsec. (c)(1)(B)(iii). Pub. L. 104-168, §702(a)(1), (2), substituted “\$110” for “\$75” and struck out “an increase in the cost of living or” before “a special factor.”

Subsec. (c)(2)(B). Pub. L. 104-168, §701(c)(1), substituted “paragraph (4)(C)” for “paragraph (4)(B)”.

Subsec. (c)(4)(A). Pub. L. 104-168, §701(a), redesignated cls. (ii) and (iii) as (i) and (ii), respectively, and struck out former cl. (i) which read as follows: “which establishes that the position of the United States in the proceeding was not substantially justified.”

Subsec. (c)(4)(B). Pub. L. 104-168, §701(b), added subpar. (B). Former subpar. (B) redesignated (C).

Subsec. (c)(4)(C). Pub. L. 104-168, §701(c)(2), substituted “Any determination under this paragraph” for “Any determination under subparagraph (A)”.

Pub. L. 104-168, §701(b), redesignated subpar. (B) as (C).

1988—Pub. L. 100-647, §6239(a), substituted “costs” for “court costs” in section catchline and amended text generally, revising and restating provisions so as to include costs and fees in administrative proceedings.

Subsec. (c)(2)(A)(iii). Pub. L. 100-647, §1015(i), amended cl. (iii) generally. Prior to amendment, cl. (iii) read as follows: “meets the requirements of section 504(b)(1)(B) of title 5, United States Code (as in effect on the date of the enactment of the Tax Reform Act of 1986 and applied by taking into account the commencement of the proceeding described in subsection (a) in lieu of the initiation of the adjudication referred to in such section).”

1986—Subsec. (a). Pub. L. 99-514, §1551(f), inserted “(payable in the case of the Tax Court in the same manner as such an award by a district court)” in concluding provisions.

Subsec. (b). Pub. L. 99-514, §1551(a), (b), redesignated pars. (2) to (4) as (1) to (3), respectively, added par. (4), and struck out former par. (1), maximum dollar amount, which read as follows: “The amount of reasonable litigation costs which may be awarded under subsection (a) with respect to any prevailing party in any civil proceeding shall not exceed \$25,000.”

Subsec. (c)(1)(A). Pub. L. 99-514, §1551(c), amended subpar. (A) generally. Prior to amendment, subpar. (A) read as follows: “The term ‘reasonable litigation costs’ includes—

“(i) reasonable court costs,

“(ii) the reasonable expenses of expert witnesses in connection with the civil proceeding,

“(iii) the reasonable cost of any study, analysis, engineering report, test, or project which is found by the court to be necessary for the preparation of the party’s case, and

“(iv) reasonable fees paid or incurred for the services of attorneys in connection with the civil proceeding.”

Subsec. (c)(2)(A). Pub. L. 99-514, §1551(d), substituted “was not substantially justified” for “was unreasonable” in cl. (i), and added cl. (iii).

Subsec. (c)(4). Pub. L. 99-514, §1551(e), added par. (4).

Subsec. (f). Pub. L. 99-514, §1551(g), struck out subsec. (f), termination, which read as follows: “This section shall not apply to any proceeding commenced after December 31, 1985.”

1984—Subsec. (a)(2). Pub. L. 98-369 inserted reference to United States Claims Court.

Statutory Notes and Related Subsidiaries

EFFECTIVE DATE OF 2017 AMENDMENT

Amendment by Pub. L. 115-97 applicable to taxable years beginning after Dec. 31, 2017, see section 11002(e) of Pub. L. 115-97, set out as a note under section 1 of this title.

EFFECTIVE DATE OF 1998 AMENDMENT

Pub. L. 105-206, title III, §3101(g), July 22, 1998, 112 Stat. 729, provided that: “The amendments made by this section [amending this section and section 7431 of this title] shall apply to costs incurred (and, in the case of the amendment made by subsection (c) [amending this section], services performed) more than 180 days after the date of the enactment of this Act [July 22, 1998].”

Amendment by sections 6012(h) and 6014(e) of Pub. L. 105-206 effective, except as otherwise provided, as if included in the provisions of the Taxpayer Relief Act of 1997, Pub. L. 105-34, to which such amendment relates, see section 6024 of Pub. L. 105-206, set out as a note under section 1 of this title.

EFFECTIVE DATE OF 1997 AMENDMENT

Pub. L. 105-34, title XII, §1285(d), Aug. 5, 1997, 111 Stat. 1039, provided that: “The amendments made by this section [amending this section] shall apply to civil actions or proceedings commenced after the date of the enactment of this Act [Aug. 5, 1997].”

Pub. L. 105-34, title XIV, §1453(b), Aug. 5, 1997, 111 Stat. 1055, provided that: “The amendment made by this section [amending this section] shall apply to proceedings commenced after the date of the enactment of this Act [Aug. 5, 1997].”

EFFECTIVE DATE OF 1996 AMENDMENT

Amendment by section 701(a)-(c)(2) of Pub. L. 104-168 applicable in case of proceedings commenced after July 30, 1996, see section 701(d) of Pub. L. 104-168, set out as a note under section 6404 of this title.

Pub. L. 104-168, title VII, §702(b), July 30, 1996, 110 Stat. 1464, provided that: “The amendment made by this section [amending this section] shall apply in the case of proceedings commenced after the date of the enactment of this Act [July 30, 1996].”

Pub. L. 104-168, title VII, §703(b), July 30, 1996, 110 Stat. 1464, provided that: “The amendment made by this section [amending this section] shall apply in the case of proceedings commenced after the date of the enactment of this Act [July 30, 1996].”

Pub. L. 104-168, title VII, §704(b), July 30, 1996, 110 Stat. 1464, provided that: “The amendment made by this section [amending this section] shall apply in the case of proceedings commenced after the date of the enactment of this Act [July 30, 1996].”

EFFECTIVE DATE OF 1988 AMENDMENT

Amendment by section 1015(i) of Pub. L. 100-647 effective, except as otherwise provided, as if included in the provision of the Tax Reform Act of 1986, Pub. L. 99-514, to which such amendment relates, see section 1019(a) of Pub. L. 100-647, set out as a note under section 1 of this title.

Pub. L. 100-647, title VI, §6239(d), Nov. 10, 1988, 102 Stat. 3746, provided that: “The amendments made by this section [amending this section and section 504 of Title 5, Government Organization and Employees] shall apply to proceedings commencing after the date of the enactment of this Act [Nov. 10, 1988].”

EFFECTIVE DATE OF 1986 AMENDMENT

Pub. L. 99-514, title XV, §1551(h), Oct. 22, 1986, 100 Stat. 2753, provided that:

“(1) GENERAL RULE.—Except as provided in paragraph (2), the amendments made by this section [amending this section] shall apply to amounts paid after September 30, 1986, in civil actions or proceedings, commenced after December 31, 1985.

“(2) SUBSECTION (f).—The amendment made by subsection (f) [amending this section] shall take effect as if included in the amendments made by section 292 of the Tax Equity and Fiscal Responsibility Act of 1982 [see Effective Date note below].

“(3) APPLICABILITY OF AMENDMENTS TO CERTAIN PRIOR CASES.—The amendments made by this section shall apply to any case commenced after December 31, 1985, and finally disposed of before the date of the enactment of this Act [Oct. 22, 1986], except that in any such case, the 30-day period referred to in section 2412(d)(1)(B) of title 28, United States Code, or Rule 231 of the Tax Court, as the case may be, shall be deemed to commence on the date of the enactment of this Act [Oct. 22, 1986].”

EFFECTIVE DATE OF 1984 AMENDMENT

Amendment by Pub. L. 98-369 effective as if included in the provision of the Tax Equity and Fiscal Responsibility Act of 1982, Pub. L. 97-248, to which such amendment relates, see section 715 of Pub. L. 98-369, set out as a note under section 31 of this title.

EFFECTIVE DATE

Pub. L. 97-248, title II, §292(e), Sept. 3, 1982, 96 Stat. 574, as amended by Pub. L. 98-369, div. A, title I, §160, July 18, 1984, 98 Stat. 696, provided that:

“(1) IN GENERAL.—The amendments made by this section [enacting this section and amending section 6673 of this title and section 2412 of Title 28, Judiciary and Ju-

dicial Procedure] shall apply to civil actions or proceedings commenced after February 28, 1983.

“(2) PENALTY.—The amendments made by subsections (b) and (d)(2) [amending section 6673 of this title] shall apply to any action or proceeding in the United States Tax Court which—

“(A) is commenced after December 31, 1982, or

“(B) is pending in the United States Tax Court on the day which is 120 days after the date of the enactment of the Tax Reform Act of 1984 [July 18, 1984].”

§ 7431. Civil damages for unauthorized inspection or disclosure of returns and return information

(a) In general

(1) Inspection or disclosure by employee of United States

If any officer or employee of the United States knowingly, or by reason of negligence, inspects or discloses any return or return information with respect to a taxpayer in violation of any provision of section 6103, such taxpayer may bring a civil action for damages against the United States in a district court of the United States.

(2) Inspection or disclosure by a person who is not an employee of United States

If any person who is not an officer or employee of the United States knowingly, or by reason of negligence, inspects or discloses any return or return information with respect to a taxpayer in violation of any provision of section 6103 or in violation of section 6104(c), such taxpayer may bring a civil action for damages against such person in a district court of the United States.

(b) Exceptions

No liability shall arise under this section with respect to any inspection or disclosure—

- (1) which results from a good faith, but erroneous, interpretation of section 6103, or
- (2) which is requested by the taxpayer.

(c) Damages

In any action brought under subsection (a), upon a finding of liability on the part of the defendant, the defendant shall be liable to the plaintiff in an amount equal to the sum of—

- (1) the greater of—

(A) \$1,000 for each act of unauthorized inspection or disclosure of a return or return information with respect to which such defendant is found liable, or

- (B) the sum of—

(i) the actual damages sustained by the plaintiff as a result of such unauthorized inspection or disclosure, plus

(ii) in the case of a willful inspection or disclosure or an inspection or disclosure which is the result of gross negligence, punitive damages, plus

- (2) the costs of the action, plus

(3) in the case of a plaintiff which is described in section 7430(c)(4)(A)(ii), reasonable attorneys fees, except that if the defendant is the United States, reasonable attorneys fees may be awarded only if the plaintiff is the prevailing party (as determined under section 7430(c)(4)).

(d) Period for bringing action

Notwithstanding any other provision of law, an action to enforce any liability created under