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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

COLIN SCHOLL, et al.,
Plaintiffs,
v.
STEVEN MNUCHIN, et al.,
Defendants.

Case No. 20-cv-05309-PJH

**ORDER GRANTING MOTION FOR
PRELIMINARY INJUNCTION AND
MOTION FOR CLASS
CERTIFICATION**

Re: Dkt. No. 8

Before the court is plaintiffs Colin Scholl and Lisa Strawn’s (“plaintiffs”) motion for preliminary injunction, motion for class certification, and motion to appoint class counsel. The matter is fully briefed and suitable for resolution without oral argument. Having read the papers filed by the parties and carefully considered their arguments and the relevant legal authority, and good cause appearing, the court rules as follows.

BACKGROUND

On August 1, 2020, plaintiffs filed a complaint (“Compl.”) in this putative class action asserting three causes of action: (1) violation of the Administrative Procedure Act (“APA”), 5 U.S.C. § 706(1); (2) violation of the APA, 5 U.S.C. §§ 702, 706(2); and (3) violation of the CARES Act, 26 U.S.C. § 6824, and the Little Tucker Act, 28 U.S.C. § 1346(a)(2). Dkt. 1. On August 4, 2020, plaintiffs filed the present motion for preliminary injunction, motion for class certification, and motion to appoint co-lead counsel. Dkt. 8.

Defendants Steven Mnuchin, Charles Rettig, the U.S. Department of the Treasury, the U.S. Internal Revenue Service (“IRS”), and the United States of America (collectively

1 “defendants”) are generally responsible for administering economic impact payments
2 (“EIP”) to eligible individuals pursuant to the Coronavirus Aid, Relief, and Economic
3 Security Act (the “CARES Act” or the “Act”), Pub. L. No. 116-136, 134 Stat. 281 (2020),
4 which was signed into law on March 27, 2020. Compl. ¶¶ 1, 6–11. Plaintiffs are
5 incarcerated and formerly incarcerated persons who did not receive payments (*id.* ¶¶ 4–
6 5) and seek to certify a nationwide class of all similarly situated persons who are or were
7 incarcerated, otherwise met the criteria to receive an EIP under the CARES Act, but did
8 not receive an EIP, (*id.* ¶ 33).

9 In the spring of 2020, the COVID-19 pandemic swept across the United States and
10 the globe causing significant disruptions to the living and working arrangements of
11 virtually everyone. As part of the response to the pandemic, many institutions and
12 businesses closed their doors in an effort to slow or stop the spread of the disease. The
13 secondary and tertiary effects of this response was both widespread and largely unknown
14 at the time. One fairly obvious impact of the pandemic was the loss of employment for
15 millions of Americans; in April 2020 alone more than 20 million Americans lost their jobs.
16 Amador v. Mnuchin, — F. Supp. 3d —, 2020 WL 4547950, at *2 (D. Md. Aug. 5, 2020).
17 In response, Congress passed the CARES Act that included many provisions totaling
18 \$2.2 trillion in relief. See id. As part of that relief package, Congress provided for a
19 mechanism to distribute stimulus payments, the EIP, directly to Americans.

20 The CARES Act, codified in part at section 6428 of the Internal Revenue Code, 26
21 U.S.C. § 6428, establishes the following mechanism for the IRS¹ to issue EIP to eligible
22 individuals. First, subsection (a) establishes a tax credit for eligible individuals in the
23 amount of \$1,200 (\$2,400 if filing a joint return), plus \$500 multiplied by the number of
24 qualifying children. 26 U.S.C. § 6428(a). This amount is credited against an eligible
25 individual’s federal income tax for the year 2020. *Id.* The amount of the credit is reduced
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28 ¹ The CARES Act directs the Secretary of the Treasury to issue the advance payments
described in section 6428, but the IRS is the agency tasked with determining who should
receive the payments.

1 “by 5 percent of so much of the taxpayer’s adjusted gross income” that exceeds
2 \$150,000 for joint filers, \$112,500 for a head of household, and \$75,000 in all other
3 cases.² § 6428(c). For purposes of the CARES Act, an eligible individual is defined as
4 “any individual” other than (1) any nonresident alien individual, (2) any individual who is
5 allowed as a dependent deduction on another taxpayer’s return, and (3) an estate or
6 trust. § 6428(d).

7 The EIP is an advance refund of the subsection (a) tax credit and subsection (f)
8 describes the mechanism for implementing the advance refund. Paragraph (1) of
9 subsection (f) provides that “each individual who was an eligible individual for such
10 individual’s first taxable year beginning in 2019 shall be treated as having made a
11 payment against the tax imposed by chapter 1 for such taxable year in an amount equal
12 to the advance refund amount for such taxable year.” § 6428(f)(1). Paragraph (5) of
13 subsection (f) permits the IRS to substitute taxable year 2018 for taxable year 2019 in
14 paragraph (f)(1) and further allows the IRS to use information for calendar year 2019
15 provided in Form SSA-1099 or Form RRB-1099 (relating to Social Security benefit
16 statements) if an individual has not filed a tax return for either 2018 or 2019. § 6428(f)(5).
17 Thus, if an eligible individual filed a tax return in 2018 or 2019 or filed one of the
18 enumerated Social Security forms, then the Act directs the IRS to treat those taxpayers
19 as eligible for an advance refund of the tax credit.

20 Paragraph (3) of subsection (f) requires the IRS to “refund or credit any
21 overpayment attributable to this section as rapidly as possible.” § 6428(f)(3).
22 Additionally, Congress provided that “[n]o refund or credit shall be made or allowed under
23 this subsection after December 31, 2020.” Id. The CARES Act also has a reconciliation
24 provision between the advance refund and the tax credit such that if a taxpayer receives
25 an advance refund of the tax credit then the amount of the credit is reduced by the
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28 ² In other words, the amount of income in excess of the statutory adjusted gross income
is multiplied by 5 percent and that number is deducted (but not below zero) from the
amount of the tax credit that would otherwise be paid to the taxpayer.

1 aggregate amount of the refund. § 6428(e). Finally, the CARES Act delegates to the
2 Secretary of the Treasury the authority to “prescribe such regulations or other guidance
3 as may be necessary to carry out the purposes of this section, including any such
4 measures as are deemed appropriate to avoid allowing multiple credits or rebates to a
5 taxpayer.” § 6428(h).

6 Three days after the President signed the CARES Act, the IRS issued a news
7 release explaining that the agency would calculate and automatically issue an EIP to
8 eligible individuals. Mtn. at 2; Declaration of Yaman Salahi (“Salahi Decl.”), Dkt. 11, Ex. 1
9 at 1.³ The IRS also established an online portal for individuals who are not typically
10 required to file federal income tax returns (e.g., an individual’s income is less than
11 \$12,200), which allows those non-filers to enter their information to see if they qualify for
12 an EIP. Mtn. at 3; Salahi Decl., Ex. 2. Individuals who use the non-filer online portal
13 have until October 15, 2020 to register in order to receive the EIP by the December 31,
14 2020 deadline imposed by the CARES Act. Mtn. at 3; Salahi Decl., Ex. 3.

15 On May 6, 2020, the IRS published responses to “Frequently Asked Questions”
16 (“FAQ”) on the IRS.gov website. Mtn. at 3; Salahi Decl., Ex. 4. Question 15⁴ asked

18 ³ Plaintiffs separately filed a request for judicial notice, seeking notice of exhibits 1
19 through 6, 16, and 39 through 43 of the Salahi Declaration. Dkt. 12. Defendants do not
20 object to the request. The court finds that exhibits 1 through 6, 16, 43, and 44 are
21 judicially noticeable as they are publicly available government publications or news
22 releases and GRANTS the request as to those exhibits. See Daniels-Hall v. Nat’l Educ.
23 Ass’n, 629 F.3d 992, 999 (9th Cir. 2010) (taking judicial notice of information made
24 publicly available by government entities). Exhibits 39 through 42 are statements by
25 members of Congress contained in the Congressional Record and related to passage of
26 the CARES Act. Federal Rule of Evidence 201 permits judicial notice of an “adjudicative
27 fact only, not a legislative fact.” As the Advisory Committee Notes stated, “[a]djudicative
28 facts are simply the facts of the particular case. Legislative facts, on the other hand, are
those which have relevance to legal reasoning and the lawmaking process, whether in
the formulation of a legal principle or ruling by a judge or court or in the enactment of a
legislative body.” “[J]udicial notice is generally not the appropriate means to establish the
legal principles governing the case.” Von Saher v. Norton Simon Museum of Art at
Pasadena, 592 F.3d 954, 960 (9th Cir. 2010) (alteration in original) (quoting Toth v.
Grand Trunk R.R., 306 F.3d 335, 349 (6th Cir. 2002)). Because exhibits 39 through 42
relate to statements made during the lawmaking process, they are legislative facts. The
court is free to consult them, but as a technical matter, DENIES the request for judicial
notice as to those exhibits.

⁴ The numbers of the FAQs have changed several times since they were first published.
Defendants state that the FAQ at issue was originally FAQ number 12 and they now refer

1 “Does someone who is incarcerated qualify for the Payment [i.e., an EIP]?” The IRS
2 responded:

3 A15. No. A Payment made to someone who is incarcerated
4 should be returned to the IRS by following the instructions
5 about repayments. A person is incarcerated if he or she is
6 described in one or more of clauses (i) through (v) of Section
7 202(x)(1)(A) of the Social Security Act (42 U.S.C. § 402
8 (x)(1)(A)(i) through (v)). For a Payment made with respect to a
joint return where only one spouse is incarcerated, you only
need to return the portion of the Payment made on account of
the incarcerated spouse. This amount will be \$1,200 unless
adjusted gross income exceeded \$150,000.

9 Salahi Decl., Ex. 4. On June 18, 2020, the IRS updated its internal procedures manual to
10 reflect the policy stated in response to the FAQ. Id., Ex. 5.

11 On June 30, 2020, the Treasury Inspector General for Tax Administration
12 (“TIGTA”) issued a report on the interim results of the 2020 filing season, including results
13 of an audit on the IRS’s issuance of the EIPs. Id., Ex. 6. The TIGTA noted that on April
14 10, 2020 the IRS issued 81.4 million payments pursuant to the CARES Act and some of
15 those payments were sent to incarcerated persons and deceased individuals. Id. at 4.⁵
16 At the time, the TIGTA notified IRS management of its concern regarding the issuance of
17 such payments to incarcerated persons. The report then stated “IRS management noted
18 that payments to these populations of individuals were allowed because the CARES Act
19 does not prohibit them from receiving a payment. However, the IRS subsequently
20 changed its position, noting that individuals who are prisoners or deceased are not
21 entitled to an EIP.” Id. at 5. The IRS provided taxpayer identification numbers of
22 incarcerated persons to the Bureau of Fiscal Service⁶ (“BFS”) and requested that BFS
23 remove those individuals from subsequent payments issued on May 1, 2020 and May 8,

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25 to the question as FAQ number 14. Opp. at 6 n.7. Because plaintiffs submit evidence
26 that the FAQ was number 15, the court uses FAQ 15 to refer to the question at issue.
While the numbers have changed, the court understands the substance of the FAQ to
remain unchanged.

27 ⁵ Pin citations to the TIGTA’s report refer to the report’s original page numbers and not
the electronically stamped ECF number on the exhibit.

28 ⁶ The BFS is an agency of the Department of the Treasury that issues payments,
including the EIPs, on behalf of the IRS. Salahi Decl., Ex. 6 at 3 n.5.

1 2020. Id. There were no payments to incarcerated persons in these later tranches.

2 TIGTA calculated that the April 10th disbursement sent 84,861 payments totaling
3 approximately \$100 million to incarcerated persons. Id. at 6, fig. 3. In response to these
4 already issued payments, the IRS issued guidance, as reflected in the FAQ, that
5 individuals who received a direct deposit payment in error should repay the advance
6 refund by submitting a personal check or money order to the IRS. Id. at 6. Individuals
7 who received a paper EIP check were instructed to return the voided check to the IRS.
8 Id. Further, plaintiffs cite news stories reporting that the IRS took proactive steps to
9 intercept and retrieve the April 10th payments such as directing state corrections
10 departments to intercept payments made to incarcerated persons and return them to the
11 IRS. Mtn. at 5; Salahi Decl., Ex. 7.

12 Plaintiffs seek to certify a class of all individuals who were incarcerated across the
13 United States since March 27, 2020 and meet the eligibility requirements described in the
14 CARES Act. They also seek a preliminary injunction to enjoin defendants from enforcing
15 their policy of excluding both plaintiffs and proposed class members from receiving EIPs
16 based on their incarcerated status alone. Finally, plaintiffs also move the court to appoint
17 them as class representatives and appointing their counsel as class counsel.

18 DISCUSSION

19 A. Legal Standard

20 1. Preliminary Injunction

21 Federal Rule of Civil Procedure 65 provides federal courts with the framework to
22 issue preliminary injunctions. Fed. R. Civ. P. 65(a). Generally, the purpose of a
23 preliminary injunction is to preserve the status quo and the rights of the parties until a
24 final judgment on the merits can be rendered. See U.S. Philips Corp. v. KBC Bank N.V.,
25 590 F.3d 1091, 1094 (9th Cir. 2010) (collecting cases).

26 An injunction is a matter of equitable discretion and is “an extraordinary remedy
27 that may only be awarded upon a clear showing that the plaintiff is entitled to such relief.”
28 Winter v. Nat. Res. Def. Council, Inc., 555 U.S. 7, 22 (2008); see also Munaf v. Geren,

1 553 U.S. 674, 689–90 (2008). A preliminary injunction “should not be granted unless the
2 movant, by a clear showing, carries the burden of persuasion.” Mazurek v. Armstrong,
3 520 U.S. 968, 972 (1997) (per curiam). “A plaintiff seeking a preliminary injunction must
4 establish that [1] he is likely to succeed on the merits, that [2] he is likely to suffer
5 irreparable harm in the absence of preliminary relief, that [3] the balance of equities tips
6 in his favor, and that [4] an injunction is in the public interest.” Winter, 555 U.S. at 20.

7 Alternatively, the Ninth Circuit employs a “sliding scale” approach whereby
8 “‘serious questions going to the merits’ and a hardship balance that tips sharply toward
9 the plaintiff can support issuance of an injunction, assuming the other two elements of the
10 Winter test are also met.” All. for the Wild Rockies v. Cottrell, 632 F.3d 1127, 1132 (9th
11 Cir. 2011). “That is, ‘serious questions going to the merits’ and a balance of hardships
12 that tips sharply towards the plaintiff can support issuance of a preliminary injunction, so
13 long as the plaintiff also shows that there is a likelihood of irreparable injury and that the
14 injunction is in the public interest.” Id. at 1135; see also Ramos v. Wolf, — F.3d —, 2020
15 WL 5509753, at *10 (9th Cir. Sept. 14, 2020) (describing sliding scale alternative
16 approach).

17 If a plaintiff satisfies its burden to demonstrate that a preliminary injunction should
18 issue, “injunctive relief should be no more burdensome to the defendant than necessary
19 to provide complete relief to the plaintiffs.” Califano v. Yamasaki, 442 U.S. 682, 702
20 (1979).

21 **2. Class Certification**

22 To maintain a class action, a proposed class must satisfy Rule 23(a)’s numerosity,
23 commonality, typicality, and adequacy of representation requirements. Fed. R. Civ.
24 P. 23(a). If all four prerequisites of Rule 23(a) are satisfied, the court then determines
25 whether to certify the class under one of the three subsections of Rule 23(b), which
26 requires plaintiffs to show either: (1) a risk of substantial prejudice from separate actions,
27 (2) that declaratory or injunctive relief benefitting the class as a whole would be
28 appropriate, or (3) that common questions of law or fact common to the class

1 predominate and that a class action is superior to other methods available for
2 adjudicating the controversy at issue. Fed. R. Civ. P. 23(b)(1)–(3).

3 The party seeking class certification bears the burden of proof in demonstrating
4 that it has satisfied all four Rule 23(a) requirements and that their action falls within one
5 of the three types of actions permitted under Rule 23(b). Zinser v. Accufix Research
6 Inst., Inc., 253 F.3d 1180, 1186 (9th Cir. 2001). “Before certifying a class, the trial court
7 must conduct a rigorous analysis to determine whether the party seeking certification has
8 met the prerequisites of Rule 23.” Mazza v. Am. Honda Motor Co. Inc., 666 F.3d 581,
9 588 (9th Cir. 2012). To the extent there are “any factual disputes necessary to
10 determine” a Rule 23 criterion, a district court is required to resolve them. Ellis v. Costco
11 Wholesale, 657 F.3d 970, 983 (9th Cir. 2011) (“[T]he district court was required to resolve
12 any factual disputes necessary to determine whether there was a common pattern and
13 practice that could affect the class as a whole. If there is no evidence that the entire
14 class was subject to the same allegedly discriminatory practice, there is no question
15 common to the class.”).

16 **B. Motion for Preliminary Injunction**

17 **1. Subject Matter Jurisdiction**

18 Defendants argue that plaintiffs are not likely to succeed on the merits based on a
19 trio of issues that implicates the court’s subject matter jurisdiction: standing, ripeness,
20 and sovereign immunity. Because these issues directly implicate the court’s subject
21 matter jurisdiction to hear the case, the court addresses these threshold questions at the
22 outset.

23 **a. Standing**

24 Federal courts may adjudicate only actual “Cases” and “Controversies,” U.S.
25 Const. art. III, § 2, and may not render advisory opinions as to what the law ought to be
26 or affecting a dispute that has not yet arisen. Aetna Life Ins. Co. of Hartford, Conn. v.
27 Haworth, 300 U.S. 227, 240 (1937). Article III’s “standing” requirements limit the court’s
28 subject matter jurisdiction. See Cetacean Cmty. v. Bush, 386 F.3d 1169, 1174 (9th Cir.

1 2004). The burden of establishing standing rests on the party asserting the claim.
2 Renne v. Geary, 501 U.S. 312, 316 (1991). “At this very preliminary stage,” plaintiffs
3 “may rely on the allegations in their Complaint and whatever other evidence they
4 submitted in support of their [preliminary injunction] motion to meet their burden.”
5 Washington v. Trump, 847 F.3d 1151, 1159 (9th Cir. 2017) (per curiam) (citing Lujan v.
6 Defs. of Wildlife, 504 U.S. 555, 560–61 (1992)).

7 The “irreducible constitutional minimum of standing contains three elements.”
8 Lujan, 504 U.S. at 560. “In order to establish Article III standing, a plaintiff must have (1)
9 suffered an injury in fact, (2) that is fairly traceable to the challenged conduct of the
10 defendant, and (3) that is likely to be redressed by a favorable judicial decision.”
11 California v. Trump, 963 F.3d 926, 935 (9th Cir. 2020) (citing Lujan, 504 U.S. at 560–61).
12 “To establish injury in fact, a plaintiff must show that he or she suffered ‘an invasion of a
13 legally protected interest’ that is ‘concrete and particularized’ and ‘actual or imminent, not
14 conjectural or hypothetical.’” Spokeo Inc. v. Robins, 136 S. Ct. 1540, 1548 (2016)
15 (quoting Lujan, 504 U.S. at 560).

16 Defendants argue that the CARES Act does not give plaintiffs a legally protected
17 interest in an advance refund. Opp. at 12. Rather, the CARES Act created a refundable
18 credit against an eligible individuals’ 2020 tax return. Id. According to defendants, a
19 taxpayer could only sustain an injury when he or she attempts to claim the CARES Act
20 tax credit on his or her 2020 tax returns and then only if the IRS denies the claim to the
21 tax credit. Id. In response, plaintiffs assert that the failure to pay the advance refund for
22 which they are eligible is a concrete financial injury that has already occurred. Reply at 8.

23 As an initial observation, the deprivation of a monetary benefit is precisely the sort
24 of economic injury that normally satisfies the injury in fact requirement. Sierra Club v.
25 Morton, 405 U.S. 727, 733 (1972) (“[P]alpable economic injuries have long been
26 recognized as sufficient to lay the basis for standing . . .”). Plaintiffs cite Van v. LLR,
27 Inc., for the proposition that “[t]he inability to have and use money to which a party is
28 entitled is a concrete injury.” 962 F.3d 1160, 1161 (9th Cir. 2020) (per curiam) (quoting

1 MSPA Claims 1, LLC v. Tenet Fla., Inc., 918 F.3d 1312, 1318 (11th Cir. 2019)). This
2 case is persuasive and illustrates how wrongfully withheld money constitutes an injury in
3 fact for standing purposes. The rationale behind Van's holding is applicable here:
4 "[e]very day that a sum of money is wrongfully withheld, its rightful owner loses the time
5 value of the money." Id. (quoting Habitat Educ. Ctr. v. U.S. Forest Serv., 607 F.3d 453,
6 457 (7th Cir. 2010)). Thus, plaintiffs have established a concrete injury.

7 Defendants' argument does not contest the concreteness or particularization of the
8 injury, but rather challenges its imminence, i.e., whether the injury is too speculative or
9 conjectural because plaintiffs would not be harmed until the IRS denies their request for a
10 CARES Act tax credit in the future. They cite Coon v. Wood, 160 F. Supp. 3d 246, 251
11 (D.D.C. 2016), for the proposition that the mere possibility of future tax liability is
12 insufficient to establish standing to sue in federal court. There, the plaintiff alleged that
13 defendants negligently misrepresented the potential tax consequences on a sale of real
14 property but the IRS had not imposed any tax liability and available evidence showed that
15 the plaintiff was unlikely to incur any future tax liability. Id. The court found injury in fact
16 lacking because the mere possibility of future tax liability was insufficient to confer
17 standing. Id.

18 This case is distinguishable from Coon for the simple fact that plaintiffs allege that
19 the IRS has already decided to deny EIPs to incarcerated persons. Moreover, the IRS
20 readily acknowledges that it has done so. See Declaration of Michael Desmond
21 ("Desmond Decl."), Dkt. 44-1, ¶ 7. Plaintiffs' injury is actual and imminent in the sense
22 that defendants already denied payments to them and the injury is not merely a
23 speculative fear about future harm that may or may not happen. Lujan, 504 U.S. at 560.

24 Defendants' argument that plaintiffs do not have a legally protected interest and
25 cannot sustain a cognizable injury until the IRS denies the tax credit is predicated on the
26 assumption that their interpretation of the CARES Act is, in fact, correct. In other words,
27 defendants' argument goes to the merits of plaintiffs' claims. If plaintiffs were to prevail
28 on their claims, then the CARES Act's advance refund would presumably be owed to

1 them now, not in 2021 when they file their 2020 tax returns. For that reason, plaintiffs
2 easily satisfy the imminence aspect of the injury in fact requirement.

3 The court also notes that other district courts that have considered similar
4 arguments by the federal government have determined that both standing and ripeness
5 were met by plaintiffs challenging the Act. While those cases involve constitutional
6 challenges to the CARES Act, the federal government argued that the plaintiffs did not
7 have standing and their claims were not ripe because the plaintiffs were first required to
8 file a refund claim with the IRS after first being denied a tax credit on their 2020 tax
9 returns. See Doe v. Trump, 2020 WL 5076999, at *3 (C.D. Cal. July 8, 2020) (“Accepting
10 for this analysis the substantive merits of Plaintiff’s constitutional claims, she has suffered
11 a ‘concrete and particularized’ injury because she has been treated differently from other
12 citizens similarly situated and has been denied a government benefit (in the form of an
13 immediate advance payment) that she would otherwise be eligible for.”); see also
14 Amador, 2020 WL 4547950, at *11 (finding standing where plaintiffs claimed that “they
15 have not received the impact payment to which they and their children are otherwise
16 entitled”).

17 The remaining elements of Article III standing, which defendants do not contest,
18 are easily met. The failure to disburse the EIPs to incarcerated persons is directly
19 traceable to a decision made by the IRS and an order for injunctive relief would directly
20 remedy plaintiffs’ injury. In sum, the court finds that plaintiffs meet the Article III standing
21 requirement.

22 **b. Ripeness**

23 “Ripeness is an Article III doctrine designed to ensure that courts adjudicate live
24 cases or controversies and do not ‘issue advisory opinions [or] declare rights in
25 hypothetical cases.’ A proper ripeness inquiry contains a constitutional and a prudential
26 component.” Bishop Paiute Tribe v. Inyo Cty., 863 F.3d 1144, 1153 (9th Cir. 2017)
27 (citations omitted).

28 “For a case to be ripe, it must present issues that are definite and concrete, not

1 hypothetical or abstract. Constitutional ripeness is often treated under the rubric of
 2 standing because ripeness coincides squarely with standing’s injury in fact prong.” Id.
 3 (internal quotation marks and citations omitted); Thomas v. Anchorage Equal Rights
 4 Comm’n, 220 F.3d 1134, 1138–39 (9th Cir. 2000) (en banc) (“Sorting out where standing
 5 ends and ripeness begins is not an easy task. . . . [I]n ‘measuring whether the litigant has
 6 asserted an injury that is real and concrete rather than speculative and hypothetical, the
 7 ripeness inquiry merges almost completely with standing.’”). Allegations that a “threat” to
 8 a “concrete interest is actual and imminent” are sufficient to allege “an injury in fact that
 9 meets the requirements of constitutional ripeness.” Bishop Paiute Tribe, 863 F.3d at
 10 1154. Therefore, if plaintiffs satisfy the Article III standing requirements under Lujan v.
 11 Defenders of Wildlife, addressed above, the action here is ripe. In this case, the analysis
 12 for both requirements is the same. See, e.g., Thomas, 220 F.3d at 1139 (“Whether the
 13 question is viewed as one of standing or ripeness, the Constitution mandates that prior to
 14 our exercise of jurisdiction there exist a constitutional ‘case or controversy,’ that the
 15 issues presented are ‘definite and concrete, not hypothetical or abstract.’ . . . We need
 16 not delve into the nuances of the distinction between the injury in fact prong of standing
 17 and the constitutional component of ripeness: in this case, the analysis is the same.”).

18 “In evaluating the prudential aspects of ripeness, our analysis is guided by two
 19 overarching considerations: ‘the fitness of the issues for judicial decision and the
 20 hardship to the parties of withholding court consideration.’” Thomas, 220 F.3d at 1141.
 21 When the question presented “is ‘a purely legal one’” that “constitutes ‘final agency
 22 action’ within the meaning of § 10 of the APA,” that suggests the issue is fit for judicial
 23 decision. Nat’l Park Hosp. Ass’n v. Dep’t of Interior, 538 U.S. 803, 812 (2003). However,
 24 an issue may not be ripe for review if “further factual development would ‘significantly
 25 advance our ability to deal with the legal issues presented.’” Id.

26 Defendants argue that plaintiffs’ claims are not ripe because the CARES Act
 27 creates a tax credit for taxable year 2020 and, although many tax credits have been sent
 28 out as advance refund payments, the ultimate amount of the tax credit will not be

1 determined until plaintiffs file their 2020 tax returns. Opp. at 10. According to
2 defendants, Congress contemplated that the ultimate amount or even eligibility for the tax
3 credit would not be determined until these tax returns are filed. Id. Next, defendants
4 argue that because Congress permits EIPs to be issued as late as December 31, 2020, it
5 is premature to find the advance payments are wrongfully withheld until that dates
6 passes. Id. Finally, they contend that the FAQ addressing incarcerated persons is not a
7 formal administrative decision, it has not undergone formal or informal rulemaking, and
8 does not address many aspects of plaintiffs' claims. Id. at 11.

9 With respect to constitutional ripeness, plaintiffs advance the same argument as
10 standing, that they are currently being denied payment of the advance refund. Reply at
11 8. With regard to prudential ripeness, plaintiffs state they are not challenging the FAQ;
12 rather they are challenging the IRS's policy of withholding EIP benefits from incarcerated
13 persons. Id. at 9.

14 Because the court has determined that plaintiffs have standing, their claims are
15 constitutionally ripe for adjudication. See Thomas, 220 F.3d at 1139; Doe, 2020 WL
16 5076999, at *4 ("The statute is in effect, and Plaintiff has been denied a benefit based on
17 a statutory classification that she alleges to be unconstitutional. The Government's
18 ripeness argument is essentially no different from its standing argument and does not bar
19 Plaintiff's lawsuit."). The remaining ripeness issue is whether plaintiffs' APA claims are
20 prudentially ripe for review.

21 **i. Fitness of Issues for Judicial Decision**

22 When considering whether issues are fit for review, the question should be a
23 "purely legal one" and the agency action in question should constitute a "'final agency
24 action' within the meaning of § 10 of the APA." Nat'l Park Hosp. Ass'n, 538 U.S. at 812
25 (quoting 5 U.S.C. § 704; and Abbott Labs. v. Gardner, 387 U.S. 136, 149 (1967),
26 abrogated on other grounds as recognized in Califano, 430 U.S. at 105). In some cases,
27 even when the question is purely legal and concerning a final agency action, further
28 factual development might be warranted to "significantly advance [the court's] ability to

1 deal with the legal issues presented.” Id. (quoting Duke Power Co. v. Carolina Env’t
2 Study Grp., Inc., 438 U.S. 59, 82 (1978)).

3 Here, plaintiffs’ challenge is a purely legal one. Their APA claims depend on
4 whether the Treasury Secretary and the IRS are properly interpreting and implementing
5 the CARES Act. See Abbott Labs., 387 U.S. at 149 (noting that “whether the statute was
6 properly construed by the Commissioner” to be a purely legal challenge).

7 Next, section 10 of the APA, 5 U.S.C. § 704, provides for judicial review for a “final
8 agency action for which there is no other adequate remedy in a court.” The definition of
9 “agency action,” by cross reference of section 701 of the APA, is located at title 5 U.S.C.
10 § 551, which defines “agency action” as “the whole or a part of an agency rule, order,
11 license, sanction, relief, or the equivalent or denial thereof, or failure to act.” 5 U.S.C.
12 § 551(13). In turn, relief is defined in part as “the whole or part of an agency grant of
13 money, assistance, license, authority, exemption, exception, privilege, or remedy” 5
14 U.S.C. § 551(11)(A). Plaintiffs here are not challenging a rule or regulation promulgated
15 by the IRS but rather the agency’s decision to exclude incarcerated persons from those
16 eligible individuals receiving an advance refund pursuant to the CARES Act. Since the
17 advance refund is a grant of money, the denial of the advance refund is an agency
18 action.

19 The remaining issue is whether the IRS’s action is final such that it is reviewable or
20 whether it is “preliminary, procedural, or intermediate” and not directly reviewable. 5
21 U.S.C. § 704. There are two conditions for an agency action to be final under the APA:
22 “First, the action must mark the consummation of the agency’s decision-making
23 process—it must not be of a merely tentative or interlocutory nature. And second, the
24 action must be one by which rights or obligations have been determined, or from which
25 legal consequences will flow.” U.S. Army Corps of Eng’rs v. Hawkes Co., 136 S. Ct.
26 1807, 1813 (2016) (quoting Bennett v. Spear, 520 U.S. 154, 177–78 (1997)); Or. Nat.
27 Desert Ass’n v. U.S. Forest Serv., 465 F.3d 977, 982 (9th Cir. 2006) (“[T]he core question
28 is whether the agency has completed its decisionmaking process, and whether the result

1 of that process is one that will directly affect the parties.” (alteration in original) (citation
2 omitted)).

3 Here, several facts indicate that the IRS’s decision to withhold or deny EIPs to
4 incarcerated persons is final. After initially disbursing EIPs to incarcerated persons, the
5 IRS reversed its decision and, as described in its FAQs, unequivocally took the position
6 that someone who is incarcerated does not qualify for the EIP and should return any prior
7 payments. Salahi Decl., Ex. 4. Significantly, defendants submitted a declaration stating
8 that the FAQ addressed the question of whether incarcerated persons may receive an
9 advance payment under the CARES Act. Desmond Decl. ¶ 8. Further, the declaration
10 confirms that the IRS decided that individuals deemed to be incarcerated as of April 30,
11 2020 would not receive advance refund payments. Id. ¶ 7. This statement indicates that
12 the IRS’s decision regarding the advance refund is final.

13 Next, plaintiffs submit evidence that the IRS changed its internal manual to define
14 eligible individuals as any individual other than incarcerated individuals, deceased
15 individuals, a filer of Form 1040-NR, 1040-PR, or 1040SS and the three categories
16 outlined in subsection (d) of section 6428. Salahi Decl., Ex. 5 at 2. This further supports
17 the conclusion that the IRS considers the issue of advance refund payments to
18 incarcerated persons to be settled.

19 Butressing this conclusion is the timing of the CARES Act. The IRS has
20 established a deadline of October 15, 2020 for non-filers to use the non-filer tool to create
21 a 2019 tax return in order to be eligible for an EIP by the end of the year. Salahi Decl.,
22 Ex. 3 at 1. Congress requires the IRS to disburse all advance refunds by December 31,
23 2020. § 6428(f)(3)(A). These impending deadlines indicate that no further change to
24 IRS’s decision is forthcoming and the decisionmaking process is complete.

25 With regard to whether the agency action is one by which rights or obligations
26 have been determined, the IRS’s decision has clearly determined a right. In this case,
27 the IRS has determined that incarcerated persons are not eligible to receive an advance
28 refund. Plaintiffs, as incarcerated or formerly incarcerated persons, were demonstrably

1 affected by this decision, alleging they are otherwise eligible to receive the EIP but did
2 not receive the payment. More broadly, the impact of the IRS’s decision is evidenced by
3 the fact that the IRS initially issued EIPs to incarcerated persons and then, because of its
4 decision, intercepted payments or ordered recipients to return payments. Compl. ¶¶ 16–
5 17; Salahi Decl., Ex. 6 at 5.

6 For the foregoing reasons, the court finds that the IRS’s decision to withhold
7 advance refunds to incarcerated persons is a final agency action, that no further factual
8 development is needed, and, therefore, the issue is fit for judicial review.

9 **ii. Hardship to the Parties**

10 The second factor examines “the hardship to the parties of withholding court
11 consideration.” Nat’l Park Hosp. Ass’n, 538 U.S. at 808. Generally, a showing of
12 hardship requires demonstrating that the regulation in question creates “adverse effects
13 of a strictly legal kind.” Id. at 809 (quoting Ohio Forestry Ass’n, Inc. v. Sierra Club, 523
14 U.S. 726, 733 (1998)). Such adverse effects do not arise if the regulation in question
15 “do[es] not command anyone to do anything or to refrain from doing anything; [it] do[es]
16 not grant, withhold, or modify any formal legal license, power, or authority; [it] do[es] not
17 subject anyone to any civil or criminal liability; [and it] create[s] no legal rights or
18 obligations.” Id. (alterations in original) (quoting Ohio Forestry Ass’n, 523 U.S. at 733).

19 Similar to the inquiry whether legal rights or obligations have been determined by
20 the IRS, the agency’s decision imposes potential adverse effects of a strictly legal kind.
21 As discussed, the IRS’s decision withholds payment of the advance refund to all
22 incarcerated persons. Plaintiffs contend that they have a legal interest in the advance
23 refund and defendants dispute that point. Whether the CARES Act creates a legal
24 interest in the advance refund goes to the merits of plaintiffs’ claim, but if plaintiffs are
25 likely to succeed on their claims, then they would have established a legal interest in the
26 advance refund.

27 Finally, defendants suggest that because the CARES Act sunsets payment of the
28 advance refunds for December 31, 2020, plaintiffs’ claims are not ripe until that date

1 passes. Opp. at 10. As discussed, the decision to deny the EIP has already occurred
2 and Van, 962 F.3d at 1161, holds that delayed payment is a concrete injury. Moreover,
3 crediting defendants' argument would put plaintiffs in an untenable position. If they wait
4 until after December 31, 2020 to challenge the IRS's withholding of the advanced refund,
5 then the advance refunds will not be available to them and it is not clear that the court
6 could order any relief under the APA when Congress unambiguously mandated an end
7 date to the advance refunds. Under defendants' ripeness theory, plaintiffs would have to
8 either pursue a claim pursuant to the Little Tucker Act or claim the tax credit on their 2020
9 tax returns—either option entails months or years of legal and practical barriers—and
10 defeats the entire theory of plaintiffs' case, that they are presently being harmed by the
11 decision not to issue advance refunds to them.

12 In light of the foregoing, the court finds the hardship of withholding judicial review
13 prong met and, therefore, plaintiffs have established that their APA claims are
14 prudentially ripe for review.

15 **c. Sovereign Immunity**

16 "Absent a waiver, sovereign immunity shields the Federal Government and its
17 agencies from suit." FDIC v. Meyer, 510 U.S. 471, 475 (1994). This immunity also
18 extends to federal officers sued in their official capacity. See Dugan v. Rank, 372 U.S.
19 609, 620 (1963); Aminoil U.S.A., Inc. v. Cal. State Water Res. Control Bd., 674 F.2d
20 1227, 1233 (9th Cir.1982). A "waiver of sovereign immunity must be unequivocally
21 expressed in statutory text," and be "clearly evident from the language of the statute."
22 FAA v. Cooper, 566 U.S. 284, 290 (2012) (internal quotation marks omitted).

23 "[T]he Administrative Procedure Act provides a broad waiver of sovereign
24 immunity so long as certain conditions are met." S. Delta Water Agency v. United States,
25 767 F.2d 531, 535 (9th Cir. 1985). Section 702 of the APA waives sovereign immunity;
26 however, the Ninth Circuit has held that claims brought pursuant to the APA must also
27 satisfy § 704's provisions. Navajo Nation v. Dep't of the Interior, 876 F.3d 1144, 1170
28 (9th Cir. 2017). Because plaintiffs in this case bring two claims under the APA, and move

1 for a preliminary injunction based only on those APA claims, they must meet the
2 requirements of § 704 in order for the court to determine that Congress waived sovereign
3 immunity.

4 Defendants broadly argue that the IRS’s answer to the FAQ is not a final agency
5 action for which there is no adequate alternative. Opp. at 14. As discussed with regard
6 to prudential ripeness, the court finds that the IRS’s decision not to disburse EIPs to
7 incarcerated persons constitutes a final agency action. Thus, the only remaining inquiry
8 is whether there are any adequate alternatives to APA review in court. See Hawkes, 136
9 S. Ct. at 1815 (“Even if final, an agency action is reviewable under the APA only if there
10 are no adequate alternatives to APA review in court.”).

11 Defendants contend that plaintiffs have such an adequate alternative, which is to
12 bring a refund claim pursuant to 26 U.S.C. § 7422. Opp. at 15 (citing United States v.
13 Clintwood Elkhorn Mining Co., 553 U.S. 1, 4–5 (2008)). Plaintiffs assert that section
14 7422 is not an adequate alternative because they are not seeking to recover tax imposed
15 or collected by the IRS. Reply at 10. They further contend that section 7422 does not
16 permit prospective injunctive and declaratory relief, which they seek in this case. Id. at
17 11. Finally, plaintiffs argue that even if section 7422 applies, then it is not an adequate
18 alternative because it would entail years of delay to file a tax return, file administrative
19 claims, exhaust those claims, and then file in court. Id.

20 Title 26 U.S.C. § 7422(a) states that:

21 [n]o suit . . . shall be maintained in any court for the recovery of
22 any internal revenue tax alleged to have been erroneously or
23 illegally assessed or collected, or of any penalty claimed to
24 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 . . . has been duly filed with [the IRS].

25 Beginning with the text of the statute, plaintiffs’ APA claims do not clearly fall within the
26 ambit of § 7422(a). Plaintiffs are not alleging that a tax was erroneously or illegally
27 assessed or collected, a penalty was collected without authority, or any sum is alleged to
28 be excessive. Instead, they contend that Congress requires the IRS to disburse the Act’s

1 advance refund without excluding incarcerated persons and the IRS is not faithfully
2 adhering to the statutory command. E.g., Compl. ¶¶ 18, 20.

3 Next, the nature of plaintiffs’ relief falls outside the relief permitted by § 7422.
4 They seek a preliminary injunction requiring defendants to enjoin the decision to exclude
5 incarcerated persons from those eligible to receive an EIP, amongst other injunctive and
6 declaratory relief. Mtn. at viii; Compl. ¶¶ 43, 48–49. Both the Fourth and D.C. Circuits
7 have concluded that because § 7422(a) references “recovery of any internal revenue
8 tax”, the statute does not explicitly allow for the type of prospective equitable relief
9 requested by plaintiffs. King v. Burwell, 759 F.3d 358, 366 (4th Cir. 2014), aff’d, 576 U.S.
10 473 (2015); Cohen v. United States, 650 F.3d 717, 732 (D.C. Cir. 2011) (en banc)
11 (“§ 7422(a) would not provide Appellants the equitable relief they seek. Section 7422(a)
12 provides “for the recovery of any internal revenue tax.” It does not, at least explicitly,
13 allow for prospective relief.” (citation omitted)).

14 Defendants cite no case in which a court has determined sovereign immunity not
15 to be waived on the grounds that the parties were first required to pursue a tax refund
16 action under 26 U.S.C. § 7422(a). See King, 759 F.3d at 366 (noting defendants “fail[ed]
17 to point to a single case in which a court has refused to entertain a similar suit on the
18 grounds that the parties were required to first pursue a tax-refund action under 26 U.S.C.
19 § 7422(a) or 28 U.S.C. § 1346”). The court also finds persuasive the district court’s
20 opinion in Amador v. Mnuchin, 2020 WL 4547950, at *6–10, which exhaustively
21 describes the same sovereign immunity analysis and concludes that § 7422(a) is not an
22 adequate alternative to the APA.

23 Finally, there is a disconnect between the motivating purpose of the CARES Act
24 on the one hand and the adequate alternative proposed by defendants on the other. The
25 CARES Act instructs the Treasury Secretary to distribute economic stimulus to eligible
26 individuals “as rapidly as possible.” 26 U.S.C. § 6428(f)(3)(A). While the IRS has
27 indicated that it will permit eligible individuals who were incarcerated for a portion of 2020
28 to eventually receive the CARES Act tax credit, (Desmond Decl. ¶ 8), they make no such

1 declaration with regard to individuals incarcerated for the entirety of 2020. This means
2 that such an incarcerated person would have to wait until he or she files a 2020 tax
3 return, then wait for the IRS to deny their claim, then exhaust all administrative claim
4 requirements before the claimant can file a suit in federal court pursuant to § 7422. See
5 26 U.S.C. § 6531(a)(1). As summarized by the Amador court, “[f]orcing plaintiffs to
6 exhaust their administrative remedies would be an “arduous, expensive, and long”
7 process” 2020 WL 4547950, at *9 (quoting Hawkes, 136 S. Ct. at 1815–16).

8 In sum, the alternative form of relief suggested by defendants is not an adequate
9 alternative for APA review. Plaintiffs do not have an adequate alternative relief and they
10 meet the requirements of sections 702 and 704 of the APA such that Congress has
11 waived sovereign immunity in this case. The court need not reach defendants’ argument
12 concerning the Little Tucker Act, (Opp. at 12–14), because plaintiffs do not rely on that
13 act as waiving sovereign immunity for their motion for preliminary injunction.

14 **2. Likelihood of Success on the Merits**

15 **a. Section 706(2)—Contrary to Law**

16 As an initial matter, it is necessary to determine what deference, if any, is owed to
17 the IRS’s interpretation of the CARES Act. Defendants advance no argument regarding
18 deference and, in their reply brief, plaintiffs contend that defendants’ interpretation is
19 nothing more than a “litigation position” to which the court owes no deference. Reply at
20 5.

21 Whether an agency’s interpretation of a statute is owed any deference varies with
22 the circumstances surrounding the agency’s interpretation. “[C]ourts have looked to the
23 degree of the agency’s care, its consistency, formality, and relative expertness, and to
24 the persuasiveness of the agency’s position.” United States v. Mead Corp., 533 U.S.
25 218, 228 (2001) (footnotes omitted) (citing Skidmore v. Swift & Co., 323 U.S. 134, 139–
26 40 (1944)). The CARES Act contains an express authorization to engage in the
27 rulemaking process; section 6428(h) permits the Treasury Secretary to prescribe such
28 regulations or other guidance necessary to carry out the purpose of the CARES Act. The

1 rulemaking authorization indicates that deference might be required by Chevron, U.S.A.
2 v. Natural Resources Defense Council, Inc., 467 U.S. 837 (1984). See Encino
3 Motorcars, LLC v. Navarro, 136 S. Ct. 2117, 2125 (2016) (“A premise of Chevron is that
4 when Congress grants an agency the authority to administer a statute by issuing
5 regulations with the force of law, it presumes the agency will use that authority to resolve
6 ambiguities in the statutory scheme.” (citations omitted)).

7 Despite this authorization, defendants readily admit that the IRS has not issued a
8 regulation and did not follow any notice-and-comment procedure in issuing its guidance
9 (i.e., the FAQ response on incarcerated persons) concerning the CARES Act. Opp. at
10 11. The lack of notice-and-comment rulemaking indicates that Chevron deference is not
11 appropriate here. As Mead teaches, “[a]n agency’s interpretation of ‘a particular statutory
12 provision’ thus qualifies for Chevron deference only ‘when it appears that Congress
13 delegated authority to the agency generally to make rules carrying the force of law, and
14 that the agency interpretation claiming deference was promulgated in the exercise of that
15 authority.’” City of Arlington, Tex. v. F.C.C., 569 U.S. 290, 320 (2013) (Roberts, C.J.,
16 dissenting) (emphasis added) (quoting Mead, 533 U.S. at 226–27); see also United
17 States v. Trident Seafoods Corp., 60 F.3d 556, 559 (9th Cir.1995) (“No deference is
18 owed when an agency has not formulated an official interpretation of its regulation, but is
19 merely advancing a litigation position.”).

20 The court thus approaches two interpretive questions without any deference to the
21 IRS’s position. First, whether the CARES Act mandates the IRS to issue advance
22 refunds or whether it has discretion to withhold the advance refund and force otherwise
23 eligible individuals to file for the CARES Act payment as a tax credit. Second, whether
24 incarcerated persons are eligible individuals for purposes of the CARES Act.

25 Starting with the plain language of the statute, subsection (f)(1), which governs the
26 advance refunds, states “each individual who was an eligible individual for such
27 individual’s first taxable year beginning in 2019 shall be treated as having made a
28 payment against the tax imposed by chapter 1 for such taxable year in an amount equal

1 to the advance refund amount for such taxable year.” § 6428(f)(1). As explained by a
 2 recent opinion, subparagraph (f)(1) “creat[es] a legal fiction that qualified individuals
 3 ‘overpaid’ on previously filed taxes.” R.V. v. Mnuchin, 2020 WL 3402300, at *7 (D. Md.
 4 June 19, 2020). The Second Circuit arrived at the same conclusion with respect to an
 5 earlier version of § 6428 that disbursed advance refunds in response to the 2008
 6 financial crisis.⁷ See Sarmiento v. United States, 678 F.3d 147, 156 (2d Cir. 2012). The
 7 court explained that the term “shall be treated” was “best interpreted as establishing the
 8 legal fiction that eligible taxpayers overpaid their 2007 taxes in an amount equal to the
 9 ‘advance refund’ of their [Economic Stimulus Act] stimulus credit, and not merely as a
 10 ‘mechanism for making an advance payment or refund and credit for the 2008 tax year.’”
 11 Id. (citation omitted).

12 Subsection (f)(2) then defines the amount of the advance refund as “the amount
 13 that would have been allowed as a credit under this section for such taxable year if this
 14 section (other than subsection (e) and this subsection) had applied to such taxable year.”
 15 § 6428(f)(2). The phrase “the amount that would have been allowed as a credit under
 16 this section” references the credit defined in subsection (a), i.e., \$1,200 per taxpayer
 17 (\$2,400 if filing jointly) and \$500 per dependent child. § 6428(a).

18 Subsection (f)(3) describes payment of the advance refund: “The Secretary shall,
 19 subject to the provisions of this title, refund or credit any overpayment attributable to this
 20 section as rapidly as possible.” § 6428(f)(3) (emphasis added). The use of the word
 21 “shall” indicates a mandatory command from Congress to the Treasury Department and
 22 the IRS to issue the advance refund and to do so rapidly. See Serv. Emps. Int’l Union v.
 23 United States, 598 F.3d 1110, 1113 (9th Cir. 2010) (“The word ‘shall’ is ordinarily [t]he
 24

25 _____
 26 ⁷ Congress has implemented two previous stimulus payments using similar language as
 27 the CARES Act. First, Congress enacted the Economic Growth and Tax Relief
 28 Reconciliation Act of 2001, Pub. L. No. 107–16, 115 Stat. 42, which “provided eligible
 taxpayers a tax credit ‘for 2001,’ the year the statute was enacted, by means of an
 “advance refund” of constructively overpaid taxes.” Sarmiento, 678 F.3d at 156. Second,
 Congress enacted the Economic Stimulus Act of 2008, Pub. L No. 110-185, 122 Stat.
 613, in response to the 2008 financial crisis.

1 language of command.” (internal quotation marks and citations omitted)); see also R.V.,
 2 2020 WL 3402300, at *7 (“The Act therefore requires the government to pay the fictional
 3 overpayment, and be quick about it.”). The language does not confer discretion on the
 4 Secretary to decline to issue advance refunds.⁸

5 The statutory structure confirms that Congress intended the IRS to issue
 6 payments as quickly as possible. As is self-evident from the language, the advance
 7 refund provision contained in subsection (f) was intended to be issued “as rapidly as
 8 possible.” § 6428(f)(3)(A). The tax credit described in subsection (a) is simply a “legal
 9 fiction,” Sarmiento, 678 F.3d at 156, used to issue the advance refund as soon as
 10 possible. See also Doe v. Trump, 2020 WL 5492994, at *4 (C.D. Cal. Sept. 2, 2020)
 11 (“Congress did not want the IRS to wait until individuals submitted their 2020 tax returns
 12 to determine if those individuals were eligible for the Advance Credit. Rather, Congress
 13 authorized the IRS to immediately determine eligibility based on prior tax returns.”).
 14 Additionally, as plaintiffs point out, subsection (e)(1) provides that the amount of the tax
 15 credit will be reduced by the amount of any advance refund, but not below zero. Thus, if
 16 a taxpayer’s status changes between the time of the advance refund and the tax credit,
 17 the taxpayer will not be penalized. Thus, the advance refund is meant to come first, to be
 18 reconciled later on a taxpayer’s 2020 returns. Thus, the structure indicates that
 19 Congress intended for the advance refund to be paid first and then reconciled later on a
 20 taxpayer’s 2020 returns.

21 Defendants contend that the CARES Act does not mandate that plaintiffs receive
 22 an advance refund of a CARES Act credit. Opp. at 12. They cite no authority for this

23

24 ⁸ Even if the court were to read subsection (h), which permits the Secretary to establish
 25 regulations or other guidance, as permitting discretion in carrying out the advance
 26 refunds, the statutory text is clear. Where a statute grants an agency discretion, “that
 27 discretion may only be exercised within the bounds of the statutory definition itself.”
 28 Safer Chemicals, Healthy Families v. U.S. Env’tl. Prot. Agency, 943 F.3d 397, 425 (9th
 Cir. 2019) (citing Massachusetts v. EPA, 549 U.S. 497, 533 (2007)). “Where Congress
 has explicitly provided a definition for a term, and that definition is clear, an agency must
 follow it.” Id. Moreover, as noted, defendants have not advanced any argument
 concerning discretion.

1 proposition and do not attempt to explain how the Secretary can ignore the requirement
2 to distribute the refund as rapidly as possible. See Util. Air Regulatory Grp. v. E.P.A.,
3 573 U.S. 302, 327 (2014) (“The power of executing the laws necessarily includes both
4 authority and responsibility to resolve some questions left open by Congress that arise
5 during the law’s administration. But it does not include a power to revise clear statutory
6 terms that turn out not to work in practice.”). In sum, the language of the statute
7 unambiguously mandates disbursement of the advance refund and requires the
8 Secretary to do so expeditiously.

9 The second inquiry is whether incarcerated persons are eligible individuals. On
10 this question, the statute is brief and to the point. Section 6428(d) states:

11 For purposes of this section, the term “eligible individual”
12 means any individual other than (1) any nonresident alien
13 individual, (2) any individual with respect to whom a deduction
14 under section 151 is allowable to another taxpayer for a taxable
year beginning in the calendar year in which the individual’s
taxable year begins, and (3) an estate or trust.

15 § 6428(d). There is no indication that Congress left the definition of “eligible individual”
16 open-ended or otherwise up to the Secretary’s discretion to change. See Jimenez v.
17 Quarterman, 555 U.S. 113, 118 (2009) (“It is well established that, when the statutory
18 language is plain, we must enforce it according to its terms.”).

19 There is also no indication that Congress intended to exclude incarcerated
20 persons in the same way that the definition of “eligible individual” excludes certain
21 categories of persons or entities. As both parties acknowledge, (Mtn. at 11; Opp. at 18
22 n.13), in 2008 Congress passed a stimulus bill that was also codified at title 26 U.S.C.
23 § 6428 in response to the 2008 financial crisis. See Pub. L. No. 110-185, 122 Stat. 613
24 (2008). That version of the statute also defined “eligible individual” by excluding the
25 exact same three categories of individuals. § 6428(e)(3) (2012). Unlike the current
26 version of the statute, the 2008 stimulus required a recipient of the payment have a
27 minimum qualifying income of \$3,000 or a net tax liability greater than zero. § 6428(b)(2).
28 In turn, qualifying income was defined in reference to the term “earned income” which

1 was then defined in reference to 26 U.S.C. § 32(c)(2). § 6428(e)(4). At the end of all
2 those cross-references, the definition of “earned income” provided that “no amount
3 received for services provided by an individual while the individual is an inmate at a penal
4 institution shall be taken into account. § 32(c)(2)(B)(iv). The fact that Congress
5 previously devised a method to indirectly exclude incarcerated persons from the 2008
6 stimulus but included no such provision here indicates that Congress did not intend to
7 exclude incarcerated persons from the definition of “eligible individual.”

8 The court also finds persuasive the fact that the IRS has asserted three different
9 interpretations of the term “eligible individual” since the enactment of the Act, barely six
10 months ago. Initially, the IRS disbursed nearly 85,000 EIPs to incarcerated persons and,
11 when the TIGTA questioned IRS management about this decision, the IRS “noted that
12 payments to these populations were allowed because the CARES Act does not prohibit
13 them from receiving a payment.” Salahi Decl., Ex. 6 at 5. Then, as reflected in the FAQ,
14 (*id.*, Ex. 4 at 2–3), the IRS’s internal procedure manual, (*id.*, Ex. 5 at 2), and the TIGTA
15 report, (*id.*, Ex. 6 at 5), the IRS decided that incarcerated individuals are not eligible.
16 Now, the IRS takes the position in this litigation that, subject to generally applicable
17 administrative and judicial rules, the IRS plans to allow otherwise eligible individuals who
18 were only incarcerated for a portion of tax year 2020 to claim a CARES Act tax credit.
19 Desmond Decl. ¶ 8. The shifting interpretation demonstrates that the IRS “went well
20 beyond the ‘bounds of its statutory authority.’” Utility Air Reg. Grp., 573 U.S. at 326
21 (quoting Arlington, 569 U.S. at 297).

22 In sum, the court finds that plaintiffs are likely to succeed on the merits of their
23 APA contrary to law claim. The statute mandates distribution of the advance refund to
24 eligible individuals. Incarcerated persons who otherwise qualify for an advance refund
25 are not excluded as an “eligible individual.” The IRS’s decision to exclude incarcerated
26 persons from advance refund payments is likely contrary to law.

27 **b. Section 706(2)—Arbitrary & Capricious**

28 “[A]rbitrary and capricious’ review under the APA focuses on the reasonableness

1 of an agency’s decision-making processes.” CHW W. Bay v. Thompson, 246 F.3d 1218,
 2 1223 (9th Cir. 2001) (citations omitted). Agency action is invalid if the agency fails to give
 3 adequate reasons for its decisions, fails to examine the relevant data, or offers no
 4 “rational connection between the facts found and the choice made.” Motor Vehicle Mfrs.
 5 Ass’n of U.S., Inc. v. State Farm Mut. Auto. Ins. Co., 463 U.S. 29, 43 (1983); see also
 6 Encino Motorcars, 136 S. Ct. at 2125. “Chevron deference is not warranted where the
 7 regulation is ‘procedurally defective’—that is, where the agency errs by failing to follow
 8 the correct procedures in issuing the regulation.” Encino Motorcars, 136 S. Ct. at 2125
 9 (quoting Mead, 533 U.S. at 227). A rule is arbitrary and capricious if the agency has
 10 “entirely failed to consider an important aspect of the problem, offered an explanation for
 11 its decision that runs counter to the evidence before the agency, or is so implausible that
 12 it could not be ascribed to a difference in view or the product of agency expertise.” State
 13 Farm, 463 U.S. at 43.

14 Agencies are required to “reflect upon the information contained in the record and
 15 grapple with contrary evidence.” Fred Meyer Stores, Inc. v. NLRB, 865 F.3d 630, 638
 16 (D.C. Cir. 2017) (citing Haw. Dredging Constr. Co. v. NLRB, 857 F.3d 877, 881–82 (D.C.
 17 Cir. 2017)). Where “the agency has failed to ‘examine the relevant data’ or failed to
 18 ‘articulate a rational explanation for its actions,’” its decision is arbitrary and capricious.
 19 Genuine Parts Co. v. EPA, 890 F.3d 304, 311–12 (D.C. Cir. 2018) (quoting Carus Chem.
 20 Co. v. EPA, 395 F.3d 434, 441 (D.C. Cir. 2005)). And where an agency is uncertain
 21 about the effects of agency action, it may not rely on “‘substantial uncertainty’ as a
 22 justification for its actions.” Greater Yellowstone Coal., Inc. v. Servheen, 665 F.3d 1015,
 23 1028 (9th Cir. 2011) (quoting State Farm, 463 U.S. at 52). Instead, it must “rationally
 24 explain why the uncertainty” supports the chosen approach. Id. (“Otherwise, we might as
 25 well be deferring to a coin flip.”). “[A]n internally inconsistent analysis is arbitrary and
 26 capricious.” Nat’l Parks Conservation Ass’n v. E.P.A., 788 F.3d 1134, 1141 (9th Cir.
 27 2015) (citing Gen. Chem. Corp. v. United States, 817 F.2d 844, 857 (D.C. Cir. 1987) (per
 28 curiam)).

1 But “[t]he scope of review under the ‘arbitrary and capricious’ standard is narrow
2 and a court is not to substitute its judgment for that of the agency.” State Farm, 463 U.S.
3 at 43; San Luis & Delta-Mendota Water Auth. v. Jewell, 747 F.3d 581, 601 (9th Cir. 2014)
4 (“Although our inquiry must be thorough, the standard of review is highly deferential; the
5 agency’s decision is ‘entitled to a presumption of regularity,’ and we may not substitute
6 our judgment for that of the agency.” (quoting Citizens to Preserve Overton Park, Inc. v.
7 Volpe, 401 U.S. 402, 415–16 (1971), abrogated in part on other grounds as recognized in
8 Califano v. Sanders, 430 U.S. 99, 105 (1977))).

9 Here, the IRS has put forward virtually no public explanation concerning its
10 decision to withhold payments to incarcerated persons. On May 6, 2020, the IRS posted
11 the following explanation on its website:

12 Q15. Does someone who is incarcerated qualify for the
13 Payment?

14 A15. No. A Payment made to someone who is incarcerated
15 should be returned to the IRS by following the instructions
16 about repayments. A person is incarcerated if he or she is
17 described in one or more of clauses (i) through (v) of Section
18 202(x)(1)(A) of the Social Security Act (42 U.S.C.
§ 402(x)(1)(A)(i) through (v)). For a Payment made with
respect to a joint return where only one spouse is incarcerated,
you only need to return the portion of the Payment made on
account of the incarcerated spouse. This amount will be \$1,200
unless adjusted gross income exceeded \$150,000.

19 Compl. ¶ 15. This answer described who is an incarcerated person and how an
20 incarcerated person should return an EIP. It does not describe why or how the IRS
21 arrived at its decision to deny payments to incarcerated persons. Similarly, defendants
22 appear to have amended their internal procedure manual to add “an incarcerated
23 individual” to the list of excluded individuals who are not eligible for a payment even after
24 having made such payments at the outset of the EIP disbursement. Salahi Decl., Ex. 5.

25 Defendants have not directed the court to any other evidence indicating that the
26 Treasury Department or IRS gave any reason for its decision, much less an adequate
27
28

1 one.⁹ While the court is cognizant of the burdens imposed by society’s response to the
2 COVID-19 pandemic layered onto the challenge of administering a massive stimulus
3 program in a short amount of time, a basic tenet of the APA (and government generally)
4 is to explain the basis for an agency’s decision that affects legal rights and
5 responsibilities. The fact that defendants offer virtually no defense on the merits of
6 plaintiffs’ arbitrary and capricious claim is telling. This concession is compounded by the
7 shifting interpretation of the term “eligible individual” with no corresponding public
8 explanation of why the IRS changed its interpretation or the basis for its current position.

9 For the foregoing reasons, the court finds plaintiffs are likely to succeed on the
10 merits of their APA arbitrary and capricious claim. Because both claims are likely to
11 succeed on the merits, the court does not reach plaintiffs’ claim under 5 U.S.C. § 706(1)
12 that an agency action is unlawfully withheld or unreasonably delayed.

13 **3. Irreparable Harm**

14 “A plaintiff seeking preliminary relief must ‘demonstrate that irreparable injury is
15 likely in the absence of an injunction.’” California v. Azar, 911 F.3d 558, 581 (9th Cir.
16 2018) (quoting Winter, 555 U.S. at 22); Boardman v. Pac. Seafood Grp., 822 F.3d 1011,
17 1023 (9th Cir. 2016) (“A threat of irreparable harm is sufficiently immediate to warrant
18 preliminary injunctive relief if the plaintiff ‘is likely to suffer irreparable harm before a
19 decision on the merits can be rendered.’” (quoting Winter, 555 U.S. at 22))).

20 “There must be a ‘sufficient causal connection’ between the alleged irreparable
21 harm and the activity to be enjoined, and showing that ‘the requested injunction would
22 forestall’ the irreparable harm qualifies as such a connection.” Nat’l Wildlife Fed’n v. Nat’l
23 Marine Fisheries Serv., 886 F.3d 803, 819 (9th Cir. 2018) (citing Perfect 10, Inc. v.
24 Google, Inc., 653 F.3d 976, 981–82 (9th Cir. 2011)). “However, a plaintiff ‘need not
25 further show that the action sought to be enjoined is the exclusive cause of the injury.’”
26

27 _____
28 ⁹ While not dispositive, plaintiffs’ complaint quotes an IRS spokesperson who said, “I
can’t give you the legal basis. All I can tell you is this is the language the Treasury and
ourselves have been using.” Compl. ¶ 18.

1 Id. (quoting M.R. v. Dreyfus, 697 F.3d 706, 728 (9th Cir. 2012)).

2 The irreparable harm “analysis focuses on irreparability, ‘irrespective of the
3 magnitude of the injury.’” Azar, 911 F.3d at 581 (quoting Simula, Inc. v. Autoliv, Inc., 175
4 F.3d 716, 725 (9th Cir. 1999)). “[T]he temporary loss of income, ultimately to be
5 recovered, does not usually constitute irreparable injury.” Sampson v. Murray, 415 U.S.
6 61, 90 (1974). But the general rule that “[e]conomic harm is not normally considered
7 irreparable” does not apply where there is no adequate remedy to recover those
8 damages, such as in APA cases. Azar, 911 F.3d at 581 (citing 5 U.S.C. § 702).

9 Whether the temporary loss of income constitutes an irreparable injury varies
10 depending on the facts of the case. For some, the temporary loss of income is a
11 temporary inconvenience and can be easily remedied at law. Thus, in Los Angeles
12 Memorial Coliseum Commission v. National Football League, 634 F.2d 1197, 1202 (9th
13 Cir. 1980), the only alleged injury was lost revenues due to the plaintiff’s failure to acquire
14 an NFL team. The court determined that the injury was not irreparable because the lost
15 revenues would be compensable by a damage award if the plaintiff prevailed on the
16 merits. Id.; see also Kitazato v. Black Diamond Hosp. Invs., LLC, 655 F. Supp. 2d 1139,
17 1147 (D. Haw. 2009) (finding no irreparable harm where only injury was an increase in
18 management fees by plaintiff owners of Hawaii resort hotel). In Cool Fuel, Inc. v.
19 Connett, 685 F.2d 309, 313 (9th Cir. 1982), the president of the corporate taxpayer
20 admitted the taxpayer’s ability to pay the tax in question and the Ninth Circuit held that
21 the taxpayer had an adequate remedy at law.

22 For others, the temporary loss of income or benefits could seriously impair their
23 ability to procure the basic necessities of life. The Ninth Circuit in Beno v. Shalala, 30
24 F.3d 1057, 1064 n.10 (9th Cir. 1994), recognized an aspect of this noting that
25 “[n]umerous cases have held that reductions in [Aid to Families with Dependent Children]
26 benefits, even reductions of a relatively small magnitude, impose irreparable harm on
27 recipient families.” In dissent, Justice Marshall summarized the issue as follows:

28 I cannot accept the majority’s apparent holding, buried deep in

1 a footnote, that because of the Back Pay Act, a temporary loss
2 in income can never support a finding of irreparable injury, no
3 matter how severely it may affect a particular individual. Many
4 employees may lack substantial savings, and a loss of income
for more than a few weeks' time might seriously impair their
ability to provide themselves with the essentials of life—e.g.,
to buy food, meet mortgage or rent payments, or procure
medical services.

5 Sampson, 415 U.S. at 101 (Marshall, J., dissenting) (citations omitted). While Justice
6 Marshall's statement is non-binding, the Ninth Circuit has held that irreparable harm can
7 exist where a plaintiff lacks the resources to procure the basic necessities of life.

8 In Jensen v. I.R.S., 835 F.2d 196, 198 (9th Cir. 1987), the plaintiff alleged that he
9 lost an opportunity to challenge a tax deficiency in tax court because the IRS failed to
10 send him a notice of deficiency. There was evidence in the record demonstrating that the
11 plaintiff earned \$1,087 a month and the IRS seized \$664 of that income leaving him \$144
12 per month to support a family of five. Id. The Ninth Circuit¹⁰ reasoned that the levy on
13 the plaintiff's wages caused more than monetary harm; "[i]t deprived [the plaintiff] of the
14 ability to provide necessities of life for himself and family." Id.

15 In Lopez v. Heckler, 713 F.2d 1432, 1433 (9th Cir. 1983), the Ninth Circuit held
16 that there was an irreparable injury in a challenge to the policies and procedures in
17 terminating Social Security disability benefits. The court discussed at length the harm at
18 issue:

19 We also consider it crucial that, because the members of
20 plaintiffs' class are largely infirm and disabled, their resources
21 and life spans are by definition extremely limited. Deprivation
of benefits pending trial might cause economic hardship,
suffering or even death. Retroactive restoration of benefits

22
23 ¹⁰ Defendants would distinguish Jensen and other similar cases cited by plaintiffs as
24 improperly relying on the Ninth Circuit's "possibility" of irreparable harm standard that was
25 overturned by the Supreme Court in Winter v. Natural Resources Defense Council, Inc.,
26 555 U.S. at 22. Opp. at 15. The Court reiterated that the correct standard is that a
27 plaintiff seeking preliminary relief must demonstrate that irreparable injury is likely in the
28 absence of an injunction. Id. Yet, in Winter, the district court determined that the
plaintiffs had established a "near certainty" of irreparable harm. Id. Thus, Winter was
referring to the likelihood of irreparable harm occurring, not the type of harm itself. This is
evident from the spectrum of terms used to describe the likelihood of an event occurring:
possibility (insufficient), likely (sufficient), or near certainty (sufficient). As plaintiffs point
out, (Reply at 13), they cite cases not for the likelihood of harm but for whether loss of
financial aid can constitute an irreparable harm at all.

would be inadequate to remedy these hardships.

Id. at 1437.

Before applying the foregoing standards, a brief review of the financial situation of incarcerated persons is warranted. Incarcerated persons stand in a unique position of sorts. On the one hand, the state provides some basic essentials regardless of income such as housing, some food, and medical care. Because they have been sentenced, state prisons need not and do not pay incarcerated persons anywhere near the minimum wage. See U.S. Const. amend. XIII, § 1. Yet, most incarcerated persons have few means to support themselves. Most individuals are economically disadvantaged before they enter prison. Salahi Decl., Ex. 8 at 1 (citing 2015 study finding “incarcerated people had a median annual income of \$19,185 prior to their incarceration, which is 41% less than non-incarcerated people of similar ages”). Due to the COVID-19 pandemic, the economic downturn affecting Americans outside of prison also impacts those inside prison. Plaintiff Scholl explained that he normally works as a porter and also receives anywhere from \$30 to \$100 from outside publications that publish his art; however, his hours worked as a porter have decreased as has his income from outside sources. Declaration of Colin Scholl (“Scholl Decl.”), Dkt. 13, ¶ 5.

As plaintiffs and amici have demonstrated, prisons do not provide all basic necessities required by incarcerated persons, including food and hygiene. With respect to food, incarcerated people supplement their food with items from the commissary, especially since plaintiffs submit evidence that some institutions have reduced the number of calories or meals provided to inmates. Salahi Decl., Ex. 30 at 369 n.44. Food insecurity is linked to negative health impacts, (Amicus Br. at 16), such that a delay in the ability to purchase adequate food is a harm with immediate consequences. Plaintiffs also present evidence that some penal institutions require inmates to pay for their own soap and personal hygiene items. Salahi Decl., Ex. 25 at 2, Exs. 26–28. Moreover, both individual plaintiffs filed declarations stating that they spend anywhere from \$36 to \$100 a month on hygiene products. Scholl Decl. ¶ 4; Declaration of Lisa Strawn (“Strawn

1 Decl.”), Dkt. 14, ¶ 9.

2 Communication is also an issue for incarcerated persons. Prisons charge inmates
3 to use the telephone at an average rate of \$5.70 in jail for a 15-minute call and \$2.03 in
4 prison for the same time. Brief of Amici Curiae (“Amicus Br.”), Dkt. 40-1 at 8; Salahi
5 Decl., Ex. 19. At the same time, the COVID-19 pandemic has eliminated in person visits,
6 (Salahi Decl., Ex. 17), while infection in prisons dramatically increase. E.g., Strawn Decl.
7 ¶ 4 (over 2,000 people in San Quentin state prison infected). Plaintiff Scholl states that
8 contact helps him mitigate the psychological impacts of social isolation. Scholl Decl. ¶ 4.
9 Plaintiff Strawn states that without contact with friends and family, “it would have been
10 difficult and possibly impossible for us to maintain our mental and physical health in
11 prison and to focus on rehabilitation and reentry.” Strawn Decl. ¶ 9.

12 Incarcerated persons often cannot bear the entirety of costs associated with
13 acquiring basic necessities in prison—food, hygiene, and communication. The remaining
14 costs often fall on the families of the incarcerated. Amicus Br. at 9; Salahi Decl., Ex. 11;
15 Strawn Decl. ¶ 9. These families are also suffering from the economic effects of the
16 pandemic including loss of jobs or wages. Amicus Br. at 11; Salahi Decl., Ex. 16.
17 Moreover, the cost of supporting incarcerated persons does not end when they are
18 released from prison; family members are often asked to provide housing, employment,
19 and healthcare for formerly incarcerated persons. Amicus Br. at 9.

20 Individuals released from prison during 2020 who did not receive an advance
21 refund are also suffering harm. Defendants aver that the IRS currently plans to make the
22 CARES Act tax credit available to eligible individuals released from prison during 2020.
23 Desmond Decl. ¶ 7. Yet, the harms felt by recently released individuals is particularly
24 acute. They no longer have the housing and food provided by prison, have uncertain
25 employment, and often have additional financial burdens and other collateral
26 consequences associated with their time in prison. Amicus Br. at 20. Plaintiff Strawn is
27 exemplary of this category. She had one day to prepare for her release and would use
28 the EIP to pay for basic essentials such as food, clothes, and hygiene products. Strawn

1 Decl. ¶¶ 3, 7. In sum, recently released individuals face the same travails as non-
2 incarcerated eligible individuals who received an EIP but must wait until 2021 to receive a
3 tax credit from the IRS.

4 Irreparable harm does not lie where a plaintiff has an adequate remedy at law.
5 The foregoing evidence demonstrates that plaintiffs and those similarly situated are being
6 deprived basic necessities such as communication with loved ones, food, and hygiene
7 products. Because they often exist on the margins of the economy and struggle to
8 acquire basic necessities, the harm suffered by these individuals¹¹ cannot be adequately
9 remedied with later monetary relief. Indeed, defendants have made clear their position
10 that such relief could only be sought after a taxpayer files a tax return in 2021 (for the
11 year 2020), the IRS denies the tax credit, the taxpayer exhausts all administrative
12 remedies, and then the taxpayer files suit. The evidence demonstrates that plaintiffs are
13 currently suffering harm and such harm is neither speculative nor remote.

14 To summarize, the irreparable harm “analysis focuses on irreparability,
15 ‘irrespective of the magnitude of the injury.’” Azar, 911 F.3d at 581. Plaintiffs have
16 established they are likely to be irreparably injured without an injunction.

17 **4. Balance of Equities and Public Interest**

18 “A court must ‘balance the interests of all parties and weigh the damage to each’ in
19 determining the balance of the equities.” CTIA – The Wireless Ass’n v. City of Berkeley,
20 928 F.3d 832, 852 (9th Cir. 2019) (quoting Stormans, Inc. v. Selecky, 586 F.3d 1109,
21 1138 (9th Cir. 2009)). “When the government is a party, the last two factors merge.”
22 Azar, 911 F.3d at 575. Therefore, the public interest analysis is subsumed in the balance
23 of equities.

24 The potential damage to plaintiffs and putative class members is evident from the

25 _____
26 ¹¹ The parties spar over whether the harm suffered by families and friends of incarcerated
27 persons is cognizable for purposes of the irreparable harm analysis. Mtn. at 18; Opp. at
28 17. While the court does not discount the immense burden felt by these family members,
plaintiffs have sufficiently established an irreparable harm on their own and with respect
to putative class members. Therefore, the court does not reach the issue of whether it
can weigh the harm felt by family members.

1 court's discussion of irreparable harm. Briefly, the harm suffered by incarcerated persons
2 is acute and ongoing. Their interest in injunctive relief is substantial.

3 Defendants arguments concerning harms to the government are not persuasive.
4 First, defendants argue the IRS would be faced with significant logistical challenges if
5 they are required to issue an additional round of advance refund payments. Opp. at 18.
6 There is some force behind this argument as the IRS has administered a massive
7 stimulus program in a relatively short period while its employees also responded to the
8 burdens imposed by the pandemic response. A few facts mitigate the burden on the IRS.

9 First, the IRS already issued EIP payments to some incarcerated persons in April
10 2020, that they then intercepted or required to be returned. In that sense, the logistics of
11 issuing payments to incarcerated persons should be at least familiar. Second, as
12 defendants acknowledge, federal law requires the Federal Bureau of Prisons and the
13 head of any State agency charged with administration of prisons to provide the IRS with a
14 variety of information. Id. at 7–8 (citing 26 U.S.C. § 6116). Defendants further state that
15 they used this and other information to determine which individuals were not eligible for
16 the advance payments of the CARES Act tax credit. Id. at 8; Desmond Decl. ¶ 7. This
17 demonstrates that the information required to disburse EIPs to incarcerated persons is
18 already available to the IRS.

19 Next, defendants cite pending legislation that could specify that incarcerated
20 persons are not eligible for payments under the CARES Act. Opp. at 18. Defendants
21 admit that this is speculative. To add further speculation, defendants concede that there
22 are competing bills in the House and Senate, with the former not discussing incarcerated
23 persons and the latter excluding payments to incarcerated persons. This argument is
24 simply too speculative to credit; trying to predict whether legislation will pass and what it
25 will contain and then assessing the potential logistical impact on the IRS does not
26 overcome the actual harms currently being suffered by plaintiffs and does not permit the
27 IRS from modifying the clear statutory command in the CARES Act.

28 Finally, defendants cite evidence of fraud and identity theft. Defendants contend

1 that the impetus behind issuing the FAQ concerning incarcerated persons was the IRS's
2 concerns regarding fraud. Desmond Decl. ¶ 5. Defendants state that in calendar year
3 2018, the IRS found 6,799 tax returns filed under the social security numbers of prisoners
4 to be false and fraudulent. Id. ¶ 6. This sample is not an isolated case and reflects
5 progress from earlier years in reducing fraudulent tax activities. Defendants also cite
6 prior TIGTA reports and press releases discussing tax refund fraud among prisoners.
7 Opp. at 7.

8 Fraud and identity theft are legitimate concerns and constitute a valid burden on
9 the government. Moreover, the CARES Act delegates authority to the Secretary to issue
10 regulations or other guidance to carry out the Act, including any measures to avoid
11 allowing multiple credits or rebates to a taxpayer. It is a short logical leap to determine
12 that Congress delegated authority to take necessary steps to avoid allowing any credit or
13 rebate to those not permitted to receive a credit or rebate in the first instance, i.e., in
14 cases of fraud and identity theft. Yet, defendants have not logically connected the
15 identified burden (fraud) and their remedy (no payments to incarcerated persons). They
16 cite slightly less than 7,000 total cases of fraud in 2018, though they submit that the
17 number of fraud cases seems to have been greater in the past. Nearly 85,000 payments
18 were issued to incarcerated persons as part of the April 10th tranche. Salahi Decl., Ex. 6
19 at 6. Presumably there would be additional payments if the court were to certify a class
20 and issue an injunction. Given the relative low number of past fraud cases compared to
21 the higher number of incarcerated persons otherwise eligible for the EIP, the burden
22 identified by defendants does not outweigh the burden on plaintiffs.

23 Significantly, when plaintiffs establish that the government's policy violates federal
24 law, the balance of hardships and public interest tip in their favor. J.L. v. Cissna, 341 F.
25 Supp. 3d 1048, 1070 (N.D. Cal. 2018), (citing Ariz. Dream Act Coal. v. Brewer, 757 F.3d
26 1053, 1069 (9th Cir. 2014); and Valle del Sol, Inc. v. Whiting, 732 F.3d 1006, 1029 (9th
27 Cir. 2013)); see also League of Women Voters of U.S. v. Newby, 838 F.3d 1, 12 (D.C.
28 Cir. 2016) ("There is generally no public interest in the perpetuation of unlawful agency

1 action. To the contrary, there is a substantial public interest in having governmental
2 agencies abide by the federal laws that govern their existence and operations.” (internal
3 quotations and citations omitted)). Given plaintiffs’ strong likelihood of success on the
4 merits, this principle also points in favor of an injunction.

5 For the foregoing reasons, the court finds the balance of equities and the public
6 interest tips in plaintiffs’ favor and a preliminary injunction would be in the public interest.

7 **C. Motion for Class Certification**

8 Plaintiffs move to certify a class of incarcerated individuals who were incarcerated
9 at any point from March 27, 2020 to the present and who meet the requirements of the
10 CARES Act for an advance refund. Mtn. at 19. In response, defendants’ opposition does
11 not address the merits of plaintiffs’ motion for class certification and instead requests that
12 if the court does not deny the motion for preliminary injunction, that the parties be allowed
13 further briefing on this issue. Opp. at 2 n.1. Plaintiffs then filed a notice pointing out that
14 defendants’ opposition did not argue against class certification and asking the court to
15 enter an order granting the motion to certify. Dkt. 45. Defendants filed a response
16 stating that they did in fact oppose the motion and arguing that a motion for class
17 certification is premature. Dkt. 46.

18 The court notes that defendants have been on notice of plaintiffs’ motion for class
19 certification since early August. The Civil Local Rules provide that any opposition to a
20 noticed motion must be filed and served not more than 14 days after the motion was filed.
21 Civ. L.R. 7-3(a). In addition to the minimum time required by the Local Rules, the court
22 granted a two-week extension to the briefing schedule at defendants’ request and
23 stipulated to by plaintiffs. See Dkt. 29. Despite this additional time, defendants’
24 opposition does not contain any substantive argument opposing plaintiffs’ motion for
25 class certification. Simply put, the court will not countenance a practice whereby one
26 party adopts a “wait and see” approach, testing how it will prevail on the motion for
27 preliminary injunction while delaying resolution of a noticed motion for class certification.
28 Accordingly, the court proceeds to consider plaintiffs’ motion for class certification;

1 however, plaintiffs must meet the requirements of Rule 23 independent of any non-
2 opposition by defendants. See Wal-Mart Stores, Inc. v. Dukes, 564 U.S. 338, 350
3 (2011). (“A party seeking class certification must affirmatively demonstrate his
4 compliance with the Rule—that is, he must be prepared to prove that there are in fact
5 sufficiently numerous parties, common questions of law or fact, etc.” (emphasis added)).

6 Further, in their separately filed notice, defendants contend that plaintiffs’ motion
7 for class certification is premature and the practice employed in a majority of class
8 actions is to resolve class certification after an appropriate period of discovery. Dkt. 46 at
9 2. The court is mindful of the concerns raised by defendants, but in many respects, this
10 is not a typical case. The CARES Act places an unambiguous deadline on advance
11 refund payments of December 31, 2020. The IRS has also imposed an October 15, 2020
12 deadline for non-filers to use the IRS’s portal to register and file for an EIP. Permitting
13 discovery for purposes of certifying a class followed by additional briefing on a renewed
14 class certification motion will likely moot plaintiffs’ APA claims as related to the EIP.

15 The court finds persuasive the approach taken by the district court in Saravia v.
16 Sessions, 280 F. Supp. 3d 1168 (N.D. Cal. 2017). There, the plaintiffs filed a putative
17 class action challenging the federal government’s practice of holding previously arrested
18 and released noncitizen minors who were then re-arrested in custody beyond seven days
19 while removal proceedings were pending. Id. at 1177. The plaintiffs sought a preliminary
20 injunction and class certification enjoining the practice of holding minors longer than
21 seven days without providing them a hearing to contest their confinement. Id. Because
22 of the time sensitive nature of the plaintiffs’ requested relief, the court provisionally
23 certified a class for purposes of the preliminary injunction. Id. at 1201–02.

24 A similar approach is applicable here; if plaintiffs meet the requirements under
25 Rule 23, the court will provisionally certify a class for purposes of the preliminary
26 injunction.

27 ///

28 ///

1 **1. Rule 23(a)**

2 **a. Numerosity**

3 Rule 23(a)(1) requires that a proposed class be so numerous that joinder of all
 4 members is impracticable. Fed. R. Civ. P. 23(a)(1). While there is no fixed number that
 5 satisfies the numerosity requirement, courts often find that a group greater than 40
 6 members meets such requirement. Californians for Disability Rights, Inc. v. Cal. Dep’t of
 7 Transp., 249 F.R.D. 334, 346 (N.D. Cal. 2008); Hernandez v. Cnty. of Monterey, 305
 8 F.R.D. 132, 152–53 (N.D. Cal. 2015) (“A class or subclass with more than 40 members
 9 ‘raises a presumption of impracticability based on numbers alone.’” (citation omitted)). A
 10 court may make “common-sense assumptions and reasonable inferences” when
 11 analyzing numerosity. West v. Cal. Servs. Bureau, Inc., 323 F.R.D. 295, 303 (N.D. Cal.
 12 2017) (citing The Civil Rights Educ. & Enforcement Ctr. v. RLJ Lodging Trust, 2016 WL
 13 314400, at *6 (N.D. Cal. Jan. 25, 2016)).

14 Plaintiffs argue that numerosity is satisfied because joinder of over 1.4 million
 15 incarcerated persons as parties would be impractical. Mtn. at 20. The court agrees with
 16 plaintiffs because, at the very least, the IRS initially issued EIPs to nearly 85,000
 17 incarcerated persons before issuing guidance to intercept the payments, repay the EIPs,
 18 or void the payment check. Salahi Decl., Ex. 6 at 6. This factor is met.

19 **b. Commonality**

20 Rule 23(a)(2) requires questions of law or fact common to the class. Fed. R. Civ.
 21 P. 23(a)(2). Under this requirement, plaintiffs must “demonstrate that the class members
 22 have suffered the same injury,” not merely violations of “the same provision of law.”
 23 Dukes, 564 U.S. at 349–50. Given that, plaintiffs’ claims “must depend upon a common
 24 contention” such that “determination of [their] truth or falsity will resolve an issue that is
 25 central to the validity of each one of the claims in one stroke.” Id. “What matters to class
 26 certification . . . is not the raising of common questions—even in droves—but rather the
 27 capacity of a classwide proceeding to generate common answers apt to drive the
 28 resolution of the litigation.” Id.

1 To that end, the Ninth Circuit has explained that, under this requirement, “plaintiffs
2 need not show that every question in the case, or even a preponderance of questions, is
3 capable of classwide resolution. So long as there is even a single common question, a
4 would-be class can satisfy the commonality requirements of Rule 23(a)(2).” Wang v.
5 Chinese Daily News, Inc., 737 F.3d 538, 544 (9th Cir. 2013). Thus, “where the
6 circumstances of each particular class member vary but retain a common core of factual
7 or legal issues with the rest of the class, commonality exists.” Evon v. Law Offices of
8 Sidney Mickell, 688 F.3d 1015, 1029 (9th Cir. 2012).

9 Plaintiffs argue that common questions include whether the CARES Act authorizes
10 defendants to withhold stimulus payments from incarcerated persons based solely on
11 their status and whether defendants’ policy of refusing to issue CARES Act payments to
12 otherwise eligible incarcerated persons is contrary to law, exceeds statutory authority, or
13 is otherwise arbitrary and capricious, among several other questions. See Mtn. at 20–21.

14 Plaintiffs meet the commonality requirement. First, plaintiffs and the class are
15 asserting the same legal claim, that defendants’ decision to withhold EIPs to incarcerated
16 persons violates the APA. Second, the facts underlying the class’s claims are both
17 straightforward and the same: some percentage of incarcerated persons are owed
18 advance refunds under the mechanism established by the CARES Act, the IRS made a
19 decision applicable to all incarcerated persons to exclude them from that payment, and
20 the incarcerated persons did not receive those payments. Third, the legal injury in all
21 cases is the same, incarcerated persons did not receive the EIPs provided for by the
22 CARES Act. Fourth, class members and plaintiffs are all challenging the same IRS policy
23 that excludes them from receiving the advance refund. Fifth, plaintiffs seek the same
24 relief, an injunction enjoining defendants from enforcing their unlawful policy.

25 In light of the foregoing, plaintiffs’ common questions of law and fact easily satisfy
26 the commonality requirement.

27 **c. Typicality**

28 Rule 23(a)(3) requires that the claims of the named plaintiffs be typical of those of

1 the proposed class. Fed. R. Civ. P. 23(a)(3). “The test for typicality ‘is whether other
2 members have the same or similar injury, whether the action is based on conduct which
3 is not unique to the named plaintiffs, and whether other class members have been injured
4 by the same course of conduct.’” Sandoval v. Cty. of Sonoma, 912 F.3d 509, 518 (9th
5 Cir. 2018) (quoting Hanon v. Dataproducts Corp., 976 F.2d 497, 508 (9th Cir. 1992)).

6 Plaintiffs contend that their claims arise from the same course of events and rely
7 on the same legal arguments as other class members. Mtn. at 21. The court agrees.
8 Both plaintiffs Scholl and Strawn were incarcerated for either the entirety or a portion of
9 the class period and did not receive advance refunds despite being otherwise eligible.
10 Scholl Decl. ¶ 2; Strawn Decl. ¶ 2. As demonstrated by the IRS’s decision to claw back
11 previously issued payments to incarcerated persons and withhold payment in May 2020,
12 the conduct in question is not unique to the named plaintiffs and other class members
13 have been injured by defendants’ course of conduct.

14 **d. Adequacy**

15 Rule 23(a)(4) requires that the party representatives fairly and adequately protect
16 the interests of the class. Fed. R. Civ. P. 23(a)(4). The Ninth Circuit has set forth a two-
17 part test for this requirement: “(1) do the named plaintiffs and their counsel have any
18 conflicts of interest with other class members and (2) will the named plaintiffs and their
19 counsel prosecute the action vigorously on behalf of the class?” Staton v. Boeing Co.,
20 327 F.3d 938, 957 (9th Cir. 2003).

21 Additionally, Rule 23(g) requires that a district court appoint class counsel for any
22 class that is certified and further lists the following four factors relevant to such
23 appointment: (1) the work counsel has done in identifying or investigating potential claims
24 in the action; (2) counsel’s experience in handling class actions or other complex litigation
25 and the type of claims in the litigation; (3) counsel’s knowledge of the applicable law; and
26 (4) the resources that counsel will commit to representing the class. Fed. R. Civ. P.
27 23(g). Additionally, a court may consider the proposed counsel’s professional
28 qualifications, skill, and experience, as well as such counsel’s performance in the action

1 itself. In re Emulex Corp. 210 F.R.D. 717, 720 (C.D. Cal. 2002) (citing In re Gen. Motors
2 Corp. Pick-Up Truck Fuel Tank Prods. Liab. Litig., 55 F.3d 768, 801 (3d Cir.1995); and
3 Sullivan v. Chase Inv., 79 F.R.D. 246, 258 (N.D. Cal. 1978)).

4 Plaintiffs assert there are no conflicts between named plaintiffs and their counsel
5 and the proposed class. Mtn. at 21. They also contend that class counsel¹² has
6 significant experience prosecuting class actions. Id. at 22.

7 With regard to plaintiffs, the court finds no conflict between named plaintiffs and
8 the proposed class. They seek the same injunctive relief as class members: an order
9 enjoining defendants from enforcing an unlawful policy. Based on the filings in the case
10 to date, plaintiffs and their counsel have vigorously prosecuted this action on an
11 abbreviated timeline.

12 With regard to appointment of class counsel, the court finds plaintiffs' counsel
13 meet the requirements of Rule 23(g). Plaintiffs' counsel has diligently identified claims in
14 a short timespan: the CARES Act was enacted on March 27, 2020, the IRS changed its
15 policy regarding incarcerated persons in early May 2020, and this lawsuit was filed
16 August 1, 2020. Plaintiffs' counsel has significant knowledge and experience litigating
17 cases involving civil rights, complex litigation, or both. See Declaration of Kelly Dermody,
18 Dkt. 9, ¶¶ 5–7; Declaration of Mona Tawatao, Dkt. 10, ¶¶ 4–6.

19 Thus, plaintiffs and their counsel are adequate representatives and counsel meet
20 the requirements of Rule 23(g) for appointment as class counsel.

21 **2. Rule 23(b)(2)**

22 Having satisfied Rule 23(a), plaintiffs may maintain a class action under Rule
23 23(b)(2) if “the party opposing the class has acted or refused to act on grounds that apply
24 generally to the class, so that final injunctive relief or corresponding declaratory relief is
25 appropriate respecting the class as a whole.” Fed. R. Civ. P. 23(b)(2). “Class
26 certification under Rule 23(b)(2) is appropriate only where the primary relief sought is

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28 ¹² Proposed class counsel for the class is the law firm Lieff Cabraser Heimann &
Bernstein, LLP and the civil rights firm Equal Justice Society.

1 declaratory or injunctive.” Ellis, 657 F.3d at 986 (quoting Zinser, 253 F.3d at 1195). The
2 “predominance” and “superiority” requirements of Rule 23(b)(3) do not apply to Rule
3 23(b)(2) classes. Instead, “[i]t is sufficient if class members complain of a pattern or
4 practice that is generally applicable to the class as a whole. Even if some class members
5 have not been injured by the challenged practice, a class may nevertheless be
6 appropriate.” Walters v. Reno, 145 F.3d 1032, 1047 (9th Cir. 1998) (citations omitted).

7 Plaintiffs assert that Rule 23(b)(2) is met in this case because defendants
8 implemented a generally applicable policy of denying CARES Act payments to
9 incarcerated persons on the basis of their status. Mtn. at 22. They further argue that it is
10 immaterial that, as a consequence of the injunctive relief, incidental monetary relief could
11 flow to the class if defendants re-determine the class’s eligibility for EIPs benefits under
12 the correct legal standard. Id.

13 The court agrees with plaintiffs that defendants’ policy is generally applicable to
14 the class as a whole. The IRS has decided that all incarcerated persons are ineligible to
15 receive the advance refund payment. While the IRS currently indicates that it will permit
16 persons incarcerated for a portion of 2020 to claim the tax credit on their 2020 tax
17 returns, no such concession has been made for the advance refunds. Rather, there is a
18 uniform policy applicable to both incarcerated and formerly incarcerated persons.

19 The court is also persuaded that, even if the proposed injunction results in
20 disbursement of monetary relief, the class may still be certified under Rule 23(b)(2). As
21 the Supreme Court has noted, “[t]he key to the (b)(2) class is ‘the indivisible nature of the
22 injunctive or declaratory remedy warranted—the notion that the conduct is such that it
23 can be enjoined or declared unlawful only as to all of the class members or as to none of
24 them.’” Dukes, 564 U.S. at 360 (citation omitted). Conversely, relief under Rule 23(b)(2)
25 is not appropriate when there is “an individualized award of monetary damages.” Id. at
26 361; see also id. at 362 (“[I]ndividualized monetary claims belong in Rule 23(b)(3).”).

27 In this case, it is significant that plaintiffs request an injunction relating to a
28 generally applicable policy, but any individual determination of monetary relief is left to

1 the IRS, not the court. See Wit v. United Behavioral Health, 317 F.R.D. 106, 133 (N.D.
2 Cal. 2016) (“What is of particular significance is that even if Plaintiffs prevail on their
3 request for an injunction requiring that all claims decided under the allegedly faulty
4 Guidelines be reprocessed, the Court will not be required to address individualized claims
5 for damages.”). Because this case does not involve individual determinations regarding
6 monetary damages, the procedural protections provided to a Rule 23(b)(3) class are not
7 necessary. Dukes, 564 U.S. at 362–63 (“When a class seeks an indivisible injunction
8 benefiting all its members at once, there is no reason to undertake a case-specific inquiry
9 into whether class issues predominate or whether class action is a superior method of
10 adjudicating the dispute.”). The court views plaintiffs’ injunction as only a request to
11 enjoin enforcement of an unlawful policy. Whether a taxpayer otherwise meets the
12 requirements for the EIP is left to the IRS. For that reason, this class is properly certified
13 under Rule 23(b)(2).

14 In sum, plaintiffs have met the requirements for class certification under Rule
15 23(b)(2). The court provisionally certifies a class of:

16 All United States citizens and legal permanent residents who:

- 17 (a) are or were incarcerated (i.e., confined in a jail,
18 prison, or other penal institution or correctional
19 facility pursuant to their conviction of a criminal
20 offense) in the United States, or have been held to
21 have violated a condition of parole or probation
22 imposed under federal or state law, at any time from
23 March 27, 2020 to the present;
- 24 (b) filed a tax return in 2018 or 2019, or were exempt
25 from a filing obligation because they earned an
26 income below \$12,000 (or \$24,400 if filing jointly) in
27 the respective tax year;
- 28 (c) were not claimed as a dependent on another
person’s tax return; and
- (d) filed their taxes with a valid Social Security Number,
and, if they claimed qualifying children or filed jointly
with another person, those individuals also held a
valid Social Security Number.

Excluded from the class are estates and trusts; defendants; the
officers, directors, or employees of any defendant agency; and,

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any judicial officer presiding over this action and his/her immediate family and judicial staff.

The court further appoints Colin Scholl and Lisa Strawn as representatives of the class and appoints Kelly M. Dermody of Lief, Cabraser, Heimann & Bernstein LLP and Eva J. Paterson of the Equal Justice Society as co-lead class counsel.

CONCLUSION

For the foregoing reasons, plaintiffs’ motion for preliminary injunction and motion for class certification is GRANTED.

PRELIMINARY INJUNCTION

Defendants Steven Mnuchin, in his official capacity as the Secretary of the U.S. Department of Treasury; Charles Rettig, in his official capacity as U.S. Commissioner of Internal Revenue; the U.S. Department of the Treasury; the U.S. Internal Revenue Service; and the United States of America, are hereby enjoined from withholding benefits pursuant to 26 U.S.C. § 6428 from plaintiffs or any class member on the sole basis of their incarcerated status. Within 30 days, defendants shall reconsider advance refund payments to those who are entitled to such payment based on information available in the IRS’s records (i.e., 2018 or 2019 tax returns), but from whom benefits have thus far been withheld, intercepted, or returned on the sole basis of their incarcerated status. Within 30 days, defendants shall reconsider any claim filed through the “non-filer” online portal or otherwise that was previously denied solely on the basis of the claimant’s incarcerated status. Defendants shall take all necessary steps to effectuate these reconsiderations, including updates to the IRS website and communicating to federal and state correctional facilities. Within 45 days, defendants shall file a declaration confirming these steps have been implemented, including data regarding the number and amount of benefits that have been disbursed.

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The injunction will remain in effect until a resolution of this action on the merits.

IT IS SO ORDERED.

Dated: September 24, 2020

/s/ Phyllis J. Hamilton
PHYLLIS J. HAMILTON
United States District Judge