

FINAL BILL REPORT

SHB 2789

C 22 L 10
Synopsis as Enacted

Brief Description: Authorizing issuance of subpoenas for purposes of agency investigations of underground economic activity.

Sponsors: House Committee on Commerce & Labor (originally sponsored by Representatives Conway, Chase, Hudgins, Moeller and Simpson).

House Committee on Commerce & Labor
House Committee on Ways & Means
Senate Committee on Labor, Commerce & Consumer Protection

Background:

The Department of Labor and Industries (L&I) has authority to issue subpoenas for testimony and records in connection with any matters relating to workers' compensation. Likewise, the Employment Security Department (ESD) has authority to issue subpoenas for testimony and records in connection with any dispute related to unemployment compensation. The Department of Revenue (DOR) has similar authority with respect to taxes administered by the DOR.

In 2007 the Washington State Supreme Court (Court) held in *State v. Miles* that a search of personal banking records by the Department of Financial Institutions (DFI) without a judicially issued warrant or subpoena violated Article I, section 7, of the Washington Constitution. Article I, section 7 states that "[n]o person shall be disturbed in his private affairs . . . without authority of law." The Court invalidated the DFI's statute to the extent it authorized the DFI to issue subpoenas to third parties for otherwise private information not related to the regulated business activities.

In 2009 legislation was enacted establishing a process for the DOR to apply to a court for a subpoena for third party records. The subpoena must be served on the third party.

Summary:

Legislative findings are made that underground economy activity in the state results in lost revenue to the state and is unfair to law-abiding businesses. The Legislature further finds that the issuance of subpoenas is a highly useful tool in the investigation of underground

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economy activity. The Legislature intends to provide a process for the L&I, the ESD, and the DOR to apply for court approval of an agency investigative subpoena where the agency seeks such approval, or where court approval is required by law or Article I, section 7 of the state Constitution. The Legislature does not intend to require court approval except where otherwise required, or to create any new authority to subpoena records or any new rights for any person.

The L&I, the ESD, and the DOR, through their respective agency heads and agents, may apply for and obtain a superior court order authorizing a subpoena in advance of its issuance. The application must: state that an order is sought pursuant to the authority granted; specify the records, documents, or testimony; and declare under oath that an investigation is being conducted for a lawfully authorized purpose and that the documents or testimony are reasonably related to an investigation within the L&I, the ESD, or the DOR's authority, as appropriate. Where the application is made to the satisfaction of the court, the court must issue an order approving the subpoena. No prior notice to any person is required.

Votes on Final Passage:

House	98	0
Senate	36	10

Effective: June 10, 2010