

SENATE BILL REPORT

SJR 8209

As Reported by Senate Committee On:
Law & Justice, March 22, 2017
Ways & Means, March 29, 2017

Brief Description: Authorizing a tax court.

Sponsors: Senators Brown, Hobbs, Braun, Mullet, Fain and Warnick.

Brief History:

Committee Activity: Law & Justice: 3/16/17, 3/22/17 [DP-WM, DNP].
Ways & Means: 3/28/17, 3/29/17 [DP, DNP, w/oRec].

Brief Summary of Joint Resolution

- Amends the state Constitution to authorize the establishment of a tax court.

SENATE COMMITTEE ON LAW & JUSTICE

Majority Report: Do pass and be referred to Committee on Ways & Means.
Signed by Senators Padden, Chair; O'Ban, Vice Chair; Angel, Frockt and Wilson.

Minority Report: Do not pass.
Signed by Senators Pedersen, Ranking Minority Member; Darneille.

Staff: Aldo Melchiori (786-7439)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.
Signed by Senators Braun, Chair; Brown, Vice Chair; Honeyford, Vice Chair, Capital Budget ; Bailey, Becker, Fain, Miloscia, Padden, Rivers, Schoesler, Warnick and Zeiger.

Minority Report: Do not pass.
Signed by Senators Ranker, Ranking Minority Member; Carlyle, Conway, Darneille, Hasegawa, Keiser and Pedersen.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Minority Report: That it be referred without recommendation.

Signed by Senators Rolfes, Assistant Ranking Minority Member, Operating Budget; Frockt, Assistant Ranking Minority Member, Capital Budget; Billig.

Staff: Carrie Graf (786-7708)

Background: Washington's Constitution grants the superior courts original jurisdiction over all cases involving the legality of any tax. However, it does not authorize a court to deal specifically with tax cases. The Board of Tax Appeals hears property and excise tax appeals and is located in the executive branch.

Summary of Joint Resolution: The Constitution is amended to authorize the establishment of a tax court in the judicial branch. The tax court's jurisdiction will be provided by statute. The amendment does not limit original jurisdiction granted to the superior courts to hear cases regarding the legality of taxes.

Appropriation: None.

Fiscal Note: Not requested.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The Joint Resolution takes effect if approved by the voters at the next general election.

Staff Summary of Public Testimony (Law & Justice): PRO: This is an attempt to simplify this complex area of law. We need to let these cases skip the bureaucracy and go to courts with expertise in these matters. It is important to have a body independent from the executive branch that makes these decisions. It is unfair to have an agency review its own decisions. This is an unfair process. Washington is rated near the bottom of states in relation to tax appeal administration. This will reduce the caseload in the Superior Court and the Court of Appeals. Most taxpayers just want a fair hearing before an independent body. This will eliminate unnecessary levels of appeal. It will result in more prompt decisions. Washington tried to implement this in the 1960's, but the effort was unsuccessful. Commissioners could handle the smaller cases quickly and efficiently. Pay to play can bankrupt small businesses.

OTHER: Less than 10 percent of the cases at the Department of Revenue require special expertise because of their complexity. You must determine whether 90 percent of the cases that do not require specialized expertise should be dragged into this bill. This is an expensive way to address 10 percent of the caseload. Currently, if the parties think that the case requires it, the parties can take their case straight to the Superior Court.

Persons Testifying (Law & Justice): PRO: Senator Brown, Prime Sponsor; Patrick Connor, NFIB; Eric Lohnes, AWB; Michelle DaLappe, Garvey Shubert Barer; Mike Bernard, Counsel, Microsoft; Bill Severson, Severson Law; Norm Burns, Garvey Shubert Barer.

OTHER: Kate Adams, Executive Director, Board of Tax Appeals.

Persons Signed In To Testify But Not Testifying (Law & Justice): No one.

Staff Summary of Public Testimony (Ways & Means): PRO: This bills allows for exceptionally well-reasoned opinions. These benefit individuals and small businesses by giving them a path forward to see where their planning can go. It's critical that there's a fair and efficient tax dispute resolution system. Washington has a sub-par dissolution system which we know in part by looking to Oregon's tax court, which this legislation is patterned after.

Persons Testifying (Ways & Means): PRO: Eric Lohnes, Association of Washington Business; Norm Bruns, Garvey Schubert Barer; Michael Bernard, Microsoft.

Persons Signed In To Testify But Not Testifying (Ways & Means): No one.