

# Judicial Impact Fiscal Note

<b>Bill Number:</b> 5449 SB	<b>Title:</b> Appeals court tax division	<b>Agency:</b> 055-Admin Office of the Courts
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

Account	FY 2016	FY 2017	2015-17	2017-19	2019-21
General Fund-State 001-1				424,100	424,100
Counties					
Cities					
<b>Total \$</b>				424,100	424,100

### Estimated Expenditures from:

STATE	FY 2016	FY 2017	2015-17	2017-19	2019-21
State FTE Staff Years		7.5	3.8	15.0	15.0
Account					
General Fund-State 001-1		626,842	626,842	3,593,334	3,593,334
State Subtotal \$		626,842	626,842	3,593,334	3,593,334
COUNTY	FY 2016	FY 2017	2015-17	2017-19	2019-21
County FTE Staff Years					
Account					
Local - Counties					
Counties Subtotal \$					
CITY	FY 2016	FY 2017	2015-17	2017-19	2019-21
City FTE Staff Years					
Account					
Local - Cities					
Cities Subtotal \$					
Local Subtotal \$					
<b>Total Estimated Expenditures \$</b>		626,842	626,842	3,593,334	3,593,334

The revenue and expenditure estimates on this page represent the most likely fiscal impact. Responsibility for expenditures may be subject to the provisions of RCW 43.135.060.

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.

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Request # 5449 SB-1

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact on the Courts

This bill would create a new tax appeal division of the court of appeals.

Sections with potential court of appeals impact:

Section 102 would amend RCW 2.06.020 to create a new division in the court of appeals for tax appeals. The new tax appeal division would have statewide jurisdiction.

Section 102(4) would require the appeal division to have three new judges, one for each of the existing court of appeals divisions. The tax appeal division would be able to hold hearings in any location in the state. The county clerk or board of county commissioners would provide the rooms for the hearings.

Section 103 is a new section and would require the new tax appeal division to have two departments, the main department and the commissioner department.

The main department would consist of the three judges who may individually hear and decide tax appeals except for en banc proceedings that must be heard by a three judge panel. The judges would hear appeals that involve complex issues, issues of substantial public importance, or issues that require expertise beyond a commissioner's proficiency.

The commissioner department would hear all appeals that are not initially heard by the main department. The judges of the main department would appoint qualified individuals to sit as commissioners at locations within the state.

Section 103(2)(a) would require the judges of the main department to appoint one or more individuals to sit as commissioners at locations within the state.

Section 105 (3) would require the final decisions of the main department of the tax appeal division to be given in writing and would be published as opinions of the court. The decisions of the main department in proceedings before a single judge would be subject to discretionary review by the supreme court in the same manner as the decisions of other divisions of the court of appeals. The parties to an en banc decision would have a right of appeal to the supreme court.

Section 105 (5) would require the final decisions of the commissioner department to be rendered in writing, and to be made readily available for online research but they would not be published as opinions of the tax appeal division and would not be cited or relied upon as precedent. Reviews of decisions by the commissioner department would be by petition to the main department.

Section 109 would require all proceedings before the tax appeal division to be original, independent proceedings and to be tried without a jury and de novo. Except as provided in RCW 84.40.0301, in all appeals to the tax appeal division, the decision appealed from is presumed correct, and the appellant has the burden of proving otherwise by a preponderance of the evidence. The tax appeal division would be given such procedural powers and authority as necessary to the full exercise of its jurisdiction, including the power to issue compulsory process as provided by court rule. The tax appeal division would have jurisdiction to hear all tax appeals currently heard by the Board of Tax Appeals.

Section 111 would require an appeal to the tax appeal division to be initiated by the filing of a notice of appeal as provided by court rule. The notice of appeal would be filed with the tax appeal division within ninety days after receipt of the tax determination being appealed.

Upon filing a notice of appeal to the main department of the tax appeal division, the appellant would pay a fee in the amount of \$250. Upon filing a notice of appeal to the commissioner of the tax appeal division, the appellant would pay a fee in the amount of \$50.00.

Section 225 would require the state board of tax appeals to be transferred to the tax division of the court of appeals. All funds, credits, or other assets held by the state board of tax appeals would be assigned to the tax division of the court of appeals.

Any appropriations made to the state board of tax appeals would be transferred and credited to the tax division of the court of appeals.

All employees of the state board of tax appeals are transferred to the jurisdiction of the tax division of the court of appeals to perform their usual duties.

All rules and all pending business before the state board of tax appeals would be continued and acted upon by the tax division of the court of appeals. All existing contracts and obligations would remain in full force and would be performed by the tax division of the court of appeals.

Section 301 would require the transfer of the state board of tax appeals to the tax division of the court of appeals to occur on July 1, 2017.

## **II. B - Cash Receipts Impact**

Section 111(2) would require a person to pay a fee in the amount of \$250 upon filing a notice of appeal to the main department of the tax appeal division.

Section 111(3) would require a person to pay a fee in the amount of \$50.00 upon filing a notice of appeal to the commissioner of the tax appeal division.

Using the Board of Tax Appeals fiscal year 2013 number of formal appeals and informal appeals, and assuming that formal appeals would be filed with the main division of the division of tax appeals and the informal appeals would be filed with the commissioner department, the following calculations are used to estimate potential revenue for Section 111 :

221 formal tax appeals in fiscal year 2013 x \$250 = \$55,250 per year  
3136 informal tax appeals in fiscal year 2013 x \$50 = 156,800 per year

It is assumed the filing fees would be collected by the court of appeals and deposited in the state general fund.

Section 301 would require the transfer of the state board of tax appeals to the tax division of the court of appeals to occur on July 1, 2017. Therefore, the court of appeals would begin receiving notice of appeal filing fees in fiscal year 2018.

## **II. C - Expenditures**

COURT OF APPEALS - 048:

Section 102(4) would require the appeal division to have three new judges, one for each of the existing court of appeals divisions.

Current court of appeals judge salary is \$164,238 per year and estimated benefits are \$38,130 for a total of \$202,368 per year in salaries and benefits for 3 new judges.

Each judge would require a judicial administrative assistant and two law clerks.

Current court of appeals judicial administrative assistant annual salary is \$53,148 and estimated benefits are \$17,323 for a total of \$211,413 in salaries and benefits per year for 3 new judicial administrative assistants.

Current court of appeals law clerk annual salary is \$48,168 and estimated benefits are \$16,484 for a total of \$387,912 in salaries and benefits per year for 6 new law clerks.

Judge chambers space would need to be added in each court of appeals division facilities at a cost of \$15 per sq. ft.. It is estimated that approximately 800 sq. ft. is required for the judge, judicial assistant and law clerks. The estimated cost per division is 800 sq. ft. x \$15 = \$12,000. The total estimated new facility cost in for the three divisions would be \$36,000 per year.

Section 224 would allow the new judges for the tax division to take any action necessary to enable the judges to properly exercise the duties, functions, and powers given the tax division of the court of appeals as of February 1, 2017. Therefore, it is assumed the salary expenditures for the 3 new judges would begin in fiscal year 2017 even though the new tax division of the court of appeals would be effective July 1, 2017.

Section 103(2)(a) would require the judges of the main department to appoint one or more individuals to sit as commissioners at locations within the state.

Current court of appeals commissioner salary is \$120,984 per year and estimated benefits are \$28,761 for a total of \$149,745 per year for one commissioner. Assuming there would be at least 3 commissioners appointed, one for each court of appeals division, the total salaries and benefits would be \$449,235 per year for 3 new commissioners.

This bill would result in a total of 15 new Court of Appeals FTE.

Average on-going goods and services, travel, etc. per FTE is \$2000. 15 FTE x \$2000 = \$30,000

Average one time set up costs (computer, chair, etc.) per FTE is \$5000. 15 FTE x \$5000 = \$75,000

ADMINISTRATIVE OFFICE OF THE COURTS (AOC) - 055:

This bill would require modifications to the Judicial Information System (JIS) to add the new division of tax appeals to the system.

These changes are estimated to take 1416 hours of AOC staff time which equates to a one-time cost of \$ 75,000.

## Part III: Expenditure Detail

### III. A - Expenditure By Object or Purpose (State)

<i>State</i>	FY 2016	FY 2017	2015-17	2017-19	2019-21
FTE Staff Years		7.5	3.8	15.0	15.0
Salaries and Wages		404,194	404,194	2,720,736	2,720,736
Employee Benefits		114,648	114,648	740,598	740,598
Professional Service Contracts					
Goods and Other Services		33,000	33,000	132,000	132,000
Travel					
Capital Outlays		75,000	75,000		
Inter Agency/Fund Transfers					
Grants, Benefits & Client Services					
Debt Service					
Interagency Reimbursements					
Intra-Agency Reimbursements					
<b>Total \$</b>		626,842	626,842	3,593,334	3,593,334

### III. B - Expenditure By Object or Purpose (County)

<i>County</i>	FY 2016	FY 2017	2015-17	2017-19	2019-21
FTE Staff Years					
Salaries and Benefits					
Capital					
Other					
<b>Total \$</b>					

### III. C - Expenditure By Object or Purpose (City)

<i>City</i>	FY 2016	FY 2017	2015-17	2017-19	2019-21
FTE Staff Years					
Salaries and Benefits					
Capital					
Other					
<b>Total \$</b>					

**III. D - FTE Detail**

<b>Job Classification</b>	<b>Salary</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>2015-17</b>	<b>2017-19</b>	<b>2019-21</b>
Court of Appeals Commissioner	120,984		1.5	0.8	3.0	3.0
Court of Appeals Judge	164,238		1.5	0.8	3.0	3.0
Judicial Administrative Assistant	53,148		1.5	0.8	3.0	3.0
Law Clerk	48,168		3.0	1.5	6.0	6.0
<b>Total FTE's</b>	<b>386,538</b>		<b>7.5</b>	<b>3.8</b>	<b>15.0</b>	<b>15.0</b>

**Part IV: Capital Budget Impact**