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Dawson v. Steager

Supreme Court of the United States - February 20, 2019 - S.Ct. - 2019 WL 691579 - 2019 Employee Benefits Cas. 54, 600 - 19 Cal. Daily Op. Serv. 1556

Taxpayer, who was a retired federal marshal, sought judicial review of Office of Tax Appeals' decision affirming refusal of Tax Commissioner of State of West Virginia to allow taxpayer to exempt from his taxable state income benefits received from Federal Employee Retirement System (FERS).

The Circuit Court reversed the Office of Tax Appeals. Commissioner appealed. The Supreme Court of Appeals of West Virginia reversed and remanded. Certiorari was granted.

The Supreme Court of the United States held that the West Virginia statute exempting from state taxation the pension benefits of certain state and local law enforcement officers, but not the federal pension benefits of retired federal marshal, violates the intergovernmental tax immunity doctrine, as codified in federal statute.

Although the favored class is small, the state statute expressly affords state law enforcement retirees a tax benefit that federal retirees cannot receive, there were no significant differences between federal retiree's former job responsibilities as a United States Marshal and those of tax-exempt state and local law enforcement retirees, and so state statute unlawfully discriminates against retired federal marshal "because of the source of [his] pay or compensation," as forbidden by federal.