
TAX - WASHINGTON

Sound Inpatient Physicians, Inc. v. City of Tacoma

Court of Appeals of Washington, Division 2 - April 5, 2022 - P.3d - 2022 WL 1013331

Taxpayer sought review of city hearing examiner's denial of refund for alleged overpaid business and occupation taxes. The Superior Court reversed. City appealed.

The Court of Appeals held that:

- Statute defining service income factor, as used in formula for apportionment of business and occupation taxes to city, providing in three subsections, separated by disjunctive "or," that service income is in the city if customer location is in the city and then setting out two circumstances in which service income is in the city, does not create a cascading hierarchy of apportionment methods but rather provides three alternative methods of apportioning;
- Provision of such statute stating that service income is in the city if specified location conditions are met and "the taxpayer is not taxable at the customer location," means there must be an explicitly authorized gross receipt tax at the customer location;
- City's method of apportionment was internally consistent, supporting finding that it did not violate commerce clause; and
- Apportionment was also externally consistent and thus not in violation of commerce clause.

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