Bond Case Briefs

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TAX - DISTRICT OF COLUMBIA

Booz Allen Hamilton Inc. v. Office of Tax and Revenue

District of Columbia Court of Appeals - February 8, 2024 - A.3d - 2024 WL 481050

Taxpayer petitioned for review of an order of the District of Columbia Office of Administrative Hearings (OAH) upholding Office of Tax and Revenue's (OTR) denial of refund requests claiming qualified high-technology company (QHTC) franchise-tax benefits.

The Court of Appeals held that:

- Statute's plain language unambiguously applied to remove QHTC franchise-tax benefits from business entities located in ballpark area;
- Taxpayer was "located" in ballpark area for purposes of ballpark-area exclusion;
- Taxpayer was not entitled to equitable apportionment so as to be required to pay only the portion of franchise tax attributable to activities within ballpark area; and
- Taxpayer failed to administratively exhaust claims that position was taken in good faith and that therefore no penalties were warranted.

Plain language of ballpark-area exclusion in Ballpark Omnibus Financing and Revenue Act, providing that a business entity located in area of new stadium is not a qualified high-technology company (QHTC), unambiguously applied to remove QHTC franchise-tax benefits from business entities located in ballpark area; unambiguous text of ballpark-area exclusion was strong evidence that District of Columbia Council intended to do precisely what that language said, and there was no basis for drawing any inference from Council's failure to specifically discuss scope of exclusion, absent any specific information, beyond the text of provision itself, as to why Council enacted ballpark-area exclusion.

Office of Tax and Revenue (OTR) correctly determined that because taxpayer leased an office in ballpark area at which a substantial number of employees for taxpayer worked taxpayer was "located" in ballpark area for purposes of ballpark-area exclusion in Ballpark Omnibus Financing and Revenue Act, providing that a business entity located in area of new stadium is not a qualified high-technology company (QHTC) entitled to franchise-tax benefits; taxpayer had repeatedly referred to its office in ballpark area as one of its "locations," OTR's position was consistent with a natural and common meaning of "located," taxpayer's inability to settle on a clear and consistent alternative interpretation weighed significantly against taxpayer's position, legislative history did not shed any significant light on proper interpretation of term "located" for purposes of exclusion, and it was unclear to Court of Appeals whether a narrower or broader reading of term "located" would have been better as a matter of tax policy.

Taxpayer was not unfairly surprised by an unforeseeable interpretation of ballpark-area exclusion in Ballpark Omnibus Financing and Revenue Act, providing that a business entity located in area of new stadium is not a qualified high-technology company (QHTC) entitled to franchise-tax benefits, and thus taxpayer was not entitled to equitable apportionment so as to be required to pay only the portion of franchise tax attributable to its activities within ballpark area, assuming that Court of Appeals had authority in exceptional and extraordinary circumstances to provide equitable

apportionment; arguments in support of equitable apportionment were at bottom policy arguments, rather than the kind of extraordinary and exceptional circumstances that might provide a basis for disregarding statute's text.

Taxpayer was required to administratively exhaust claim that no penalties were warranted because taxpayer took position in good faith that taxpayer was not "located" within ballpark area thereby rendering inapplicable ballpark area exclusion in Ballpark Omnibus Financing and Revenue Act, providing that a business entity located in area of new stadium is not a qualified high-technology company (QHTC) entitled to franchise-tax benefits; order on review by Court of Appeals had denied taxpayer's requests for refunds but did not address any issue of penalties.