

## S U M M A R Y

Most tax appeals are adjudicated by boards which are directly or closely connected with the agencies which administer the taxes and the members of most of these boards are not necessarily required to possess expertise in tax matters. These and other features of the State's tax appeals system leave it susceptible (in theory, if not in actuality) to the influences of untoward biases and incompetence. In addition, the appellate system is widely perceived to be lacking impartial and technically expert adjudicators.

As a means of eliminating weaknesses in the present structure of the appeals system and improving taxpayer confidence in the fairness of the appellate process, the Commission recommends that a new system be established for adjudicating taxpayer challenges to assigned tax liabilities.

The new system should incorporate these characteristics:

Impartiality. The appellate body should be completely independent of those agencies and officials responsible for collecting taxes or administering tax laws.

Expertise. Those hearing and deciding appeals should possess expertise in the legal and technical aspects of taxation.

Small Claims. The appellate process should include provisions for low-cost, less-formal adjudication of appeals involving relatively small disputed sums.

De Novo Hearings. The authority of the appellate body should not be limited with respect to its scope of review.

Timeliness. The appellate process should be handled more expeditiously than is currently possible in Superior Court.

Stature. The stature of the appellate body's decisions should be equal to that accorded Superior Court decisions and, so, should be appealable directly to the District Court of Appeals.

Ultimately, the structure and number of alternative appellate systems which could be designed is limited only by the imagination. Deciding upon the "best" design for a new system is largely a subjective policy matter properly assigned to the Legislature for final deliberation and action. However, four options seem most apparent to the Commission:

- A. Consolidate appeals responsibilities under the Unemployment Insurance Appeals Board.
- B. Consolidate appeals responsibilities under the Board of Equalization, but remove from the Board some or all of its tax-administering operations.
- C. Create a new administrative entity to hear tax appeals.
- D. Institute a tax court.

Additionally, the Commission offers these recommendations and suggestions:

- 1) Whatever new appellate system is established, it should not remove from the Unemployment Insurance Appeals Board the responsibility for adjudicating the payroll tax appeals the Board now handles.
- 2) An attempt should be made to secure the necessary constitutional amendment permitting property tax assessment appeals to be included within whatever new system is established.
- 3) Provided that there would be a sufficient volume of tax appeals to justify it, and provided that its costs of operation would not be unduly high, institution of a tax court would appear to be the most effective method for adjudicating tax appeals.
- 4) Should the Legislature determine that the net cost of operating a tax court is unacceptable, or if it proves impossible to include within a tax court's jurisdiction the adjudication of local property assessments, then the Commission suggests that the Legislature closely examine the possibility of consolidating appeals of state level taxes under the Unemployment Insurance Appeals Board.