Improving the Appeals Process
Balancing Customer Service and Efficiency

Western States Association of Tax Administrators  Boise Idaho

Mary C. Barrett, September 8, 2014
What Does Appeals Do?

Purpose:

• To provide a venue to fulfill the Department’s statutory obligation to create a system of adequate review and address taxpayer requests/appeals in the assessment or collection of taxes.

Objective:

• To timely resolve tax appeals and provide written guidance expressing the official position of the Department on Washington State Tax Laws.
Washington Appeals Processes:

WAC 458-20-100 (Rule 100) Informal:

- Director must provide “adequate” system of review of actions in assessment and collection of excise taxes – RCW 82.01.060(4).
  - Applies to correction of assessments, refund requests and review of letter rulings. (excise taxes)

WAC 458-20-1000 et seq Formal:

- Director is authorized to conduct reviews under the Administrative Procedures Act (APA). Chapter 34.05 RCW
  - Applies to actions involving business licenses, reseller permits, renewable energy certificates, spirits taxes and mobile home fees.

Administrative Law Judge (ALJ)

- Both case types conducted by ALJ’s who are attorneys trained in the interpretation of Washington tax law.
Two types of Review (con’t):

Washington Administrative Code 458-20-100 (Rule 100)

- Informal, non-adversarial and not independent. *Ex parte* communication is okay.
- Written decision is the final agency position.
- Taxpayer may appeal to the Independent Board of Tax Appeals (except letter rulings or future reporting instructions) and further to the courts.

Administrative Procedures Act (APA) cases:

- Formal, with strict procedural requirements. (*No ex parte* communication)
- ALJ is independent final decision maker for the Department.
- May be conducted as a hearing or with documents only.
- Appeal to Superior Court.
Process Improvements Using Lean

What is Lean?

• A systematic approach to eliminate waste through continuous improvement.

Lean Principles:

• Continuous improvement.
• Focus on the process, not the people.
• Maximized value to customer using minimal resources.

Lean Impact:

• Process review focuses on the customer impact.
• Process efficiency frees up staff to do other needed work.
Process Reform – Informal Proceedings

Focus Rule 100 (WAC 248-20-100)  Lean improvements

Pilot: Automatic scheduling

- Hearing date and scheduling order sent with acknowledgement.
- Result: No increase in continuance requests, records earlier, less time coordinating calendars and no process complaints.

Pilot: all electronic workflow for small claims

- Reduced paper consumption and handling, increased speed of communication of documents and results.

Case Processing Guidelines: key deliverables.

- Set hearing/no hearing, responses due/close of record & draft due.
- Result: Steady decrease in number of backlog and hold cases.

Published Performance Measures (PM’s)

- Clarifies Taxpayer’s expectations for issuance of decision by case type, cases in backlog or on hold.
- Result: increased PM’s for 2 case types who far exceeded prior measure over 2 Fiscal Years. Taxpayers receive decision quicker.
Mainstream Accelerated (MSA)

Used Lean principals to create new case type
10% of mainstream cases assigned to MSA at intake:
  • All tax types and legal issues.
  • Spectrum of dollar amounts.
  • Streamlined analysis and decision format.

RESULTS
  • All MSAs cleared timely, within 6 months.
  • Increased the total number of mainstream cases clearing within 6 months by 5%.
  • Expect increase in cases cleared within 6 months when program in effect for full year.

Quality has not been impacted:
  • Reconsideration rate lower for MSA than all Mainstream cases.
  • Tailored process frees up ALJ/Manager time to spend on more difficult cases.

With the introduction of MSA, the Department’s level of customer service is improved because taxpayers receive a decision on their tax appeal quicker, and in a more concise, readable format.

Bill Pardee, ALJ
Process Reform-APA

Focus: Brief adjudicative Proceedings (BAPs)

- A two step process.
  - Initial review conducted by Operating Division.
  - Second level appeal conducted by Administrative Law Judge as Director’s Reviewing Officer.
- Appeal of initial decision changed to record review. Live hearing an exception.
- Pilot: All electronic workflow.

RESULTS:

- Eliminated scheduling and reduced correspondence.
- Performance Measure: Time standard reduced from 45 days to 30 days (FY12). Average 20 days.
- Performance Measure: Issuance Rate increasing from 90% to 95% (FY15).
- No increase in appeal rate to trial court.
Process Reform: Publication

- Director may designate certain written decisions as precedents – RCW 82.32.410.
- Published Determination is called a Washington Tax Decision (WTD).
- Taxpayer or Department may recommend publication.
- An interdivisional group reviews and recommends publication to the Executive.
- When accepted for publication the Determination is “sanitized” so that the taxpayer cannot be identified.
- DOR is committed to increase the volume of WTD’s to further our transparency commitment.
- Performance Measure FY14: 60 WTD’s (Actual: 75)
WTD Lean

- Used Lean process to decrease time and process steps while maintaining quality.
- Changed drafting for easier sanitization.
- Anticipated a 30% reduction in time to publish, achieved 50% reduction.
- Increased publication rate by 125% over prior year.
- Goal 25% of all eligible cases by FY16.
Process Improvement: What’s Next?

• Publication: use Lean techniques to make process more efficient with goal of increasing volume and speed of issuance

• Case Processing: use Lean techniques to evaluate current case management procedures for greater efficiency while maintaining customer service.

• Satisfaction Survey: Conduct Taxpayer and Representative Survey to assess satisfaction and ideas for process improvement.
Case Processing Performance Measures

**Small Claims Performance Measure**

<table>
<thead>
<tr>
<th>Total cases:</th>
<th>148</th>
<th>148</th>
<th>513</th>
<th>159</th>
<th>121</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cleared within 90 days</td>
<td>121.00%</td>
<td>90.75%</td>
<td>67%</td>
<td>96%</td>
<td>100%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Cleared</td>
<td>67%</td>
<td>96%</td>
<td>96%</td>
<td>97%</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Mainstream Original Performance Measure**

<table>
<thead>
<tr>
<th>Total cases:</th>
<th>517</th>
<th>460</th>
<th>598</th>
<th>541</th>
<th>589</th>
<th>522</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cleared within 1 year</td>
<td>94%</td>
<td>95%</td>
<td>94%</td>
<td>93%</td>
<td>90%</td>
<td>93%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Cleared</td>
<td>94%</td>
<td>95%</td>
<td>94%</td>
<td>93%</td>
<td>90%</td>
<td>93%</td>
</tr>
</tbody>
</table>

Settlement rates higher due to Amnesty Program
Case Processing Performance Measures

Mainstream Reconsideration Performance Measure

<table>
<thead>
<tr>
<th>Total cases</th>
<th>115</th>
<th>71</th>
<th>118</th>
<th>87</th>
<th>113</th>
<th>134</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clearing within 6 months</td>
<td>94%</td>
<td>92%</td>
<td>77%</td>
<td>95%</td>
<td>93%</td>
<td>96%</td>
</tr>
</tbody>
</table>

APA Performance Measure

<table>
<thead>
<tr>
<th>Total cases</th>
<th>89</th>
<th>61</th>
<th>50</th>
<th>70</th>
<th>75</th>
<th>73</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clearing within 45 days</td>
<td>100%</td>
<td>100%</td>
<td>90%</td>
<td>99%</td>
<td>96%</td>
<td>100%</td>
</tr>
</tbody>
</table>
Appeals Statistics

**Decision Results**

<table>
<thead>
<tr>
<th>Year</th>
<th>Denied</th>
<th>Granted</th>
<th>Adjusted</th>
<th>Remanded</th>
<th>Settled</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY09</td>
<td>12.0%</td>
<td>13.0%</td>
<td>28.0%</td>
<td>10.6%</td>
<td>11.0%</td>
</tr>
<tr>
<td>FY10</td>
<td>17.0%</td>
<td>6.0%</td>
<td>5.0%</td>
<td>8.2%</td>
<td>11.0%</td>
</tr>
<tr>
<td>FY11</td>
<td>13.0%</td>
<td>67.0%</td>
<td>54.0%</td>
<td>2.0%</td>
<td>5.0%</td>
</tr>
<tr>
<td>FY12</td>
<td>6.0%</td>
<td>7.0%</td>
<td>9.9%</td>
<td>2.0%</td>
<td>5.9%</td>
</tr>
<tr>
<td>FY13</td>
<td>28.0%</td>
<td>6.0%</td>
<td>51.5%</td>
<td>5.9%</td>
<td>5.0%</td>
</tr>
<tr>
<td>FY14</td>
<td>40.0%</td>
<td>5.0%</td>
<td>71.8%</td>
<td>5.9%</td>
<td>71.0%</td>
</tr>
</tbody>
</table>

*FY11 and FY12 settlement rates higher due to Amnesty Program*

**Cases on Hold**

<table>
<thead>
<tr>
<th>Year</th>
<th>Cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>109</td>
</tr>
<tr>
<td>2008</td>
<td>44</td>
</tr>
<tr>
<td>2009</td>
<td>57</td>
</tr>
<tr>
<td>2010</td>
<td>84</td>
</tr>
<tr>
<td>2011</td>
<td>58</td>
</tr>
<tr>
<td>2012</td>
<td>33</td>
</tr>
<tr>
<td>2013</td>
<td>37</td>
</tr>
<tr>
<td>2014</td>
<td>34</td>
</tr>
</tbody>
</table>

*Data pulled in January of year listed for cases on hold counts*
Appeals Received and Cleared Statistics

Number of Appeals Received

<table>
<thead>
<tr>
<th>Year</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,090</td>
<td>1,061</td>
<td>1,253</td>
<td>1,131</td>
<td>985</td>
<td>993</td>
</tr>
</tbody>
</table>

Number of Appeals Cleared

<table>
<thead>
<tr>
<th>Year</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,099</td>
<td>1,106</td>
<td>1,169</td>
<td>1,186</td>
<td>1,008</td>
<td>1,014</td>
</tr>
</tbody>
</table>
Contact Us

For information about the Washington State Appeals Division services:

• [http://dor.wa.gov/appeals](http://dor.wa.gov/appeals)

Just the statistics:

• [dor.wa.gov/Content/FileAndPayTaxes/Appeals/Appeal_Statistics.aspx](http://dor.wa.gov/Content/FileAndPayTaxes/Appeals/Appeal_Statistics.aspx)

*Presenter:

Mary C. Barrett  
Assistant Director, Appeals  
(360) 534-1343  
maryb@dor.wa.gov
Questions?