



Supreme Court of Appeals State of West Virginia

News

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Court releases tax audit

The Supreme Court of Appeals remains committed to transparency and accountability and to regaining the trust of West Virginia taxpayers. Recently, requests have been made for documents relating to a federal employment tax audit of the Court conducted by the Internal Revenue Service in recent months. We believe that these documents are confidential and exempt from disclosure to the public under the Freedom of Information Act (W.Va. Code § 29B-1-4(2) and (5)). First, they contain personal tax information regarding individual employees of the Court and those employees are entitled to their privacy. Moreover, under federal and state laws, the tax return documents are confidential. However, in the interest of transparency, the Court makes this statement and discloses documents relating to the IRS audit. It should be emphasized that none of the employees listed in the Proposed Notice of Adjustment documents committed any wrongdoing and **none of the employees listed are Justices.**

The federal employment tax audit of tax year 2015 conducted by the IRS beginning in April 2017 was a routine compliance audit of a broad range of issues

including payroll processes and procedures, travel reimbursements and related policies, payments to independent contractors, educational reimbursements and classification of employees. The Court cooperated fully with the audit over the course of several months.

Eventually, the IRS identified eight categories of federal tax payment adjustments that the Court needed to make. Seven of those categories related to workers classified as independent contractors who should have been treated as employees for tax purposes. The eighth category related to per diem payments that should have been treated as taxable to the employees who received them.

The Court is disclosing the eight Proposed Notice of Adjustment documents that the IRS issued in the audit process. In the interest of protecting the privacy of our employees, individual taxpayer information is redacted, consistent with the instructions from the IRS to the Court. As noted above, the Court and the IRS reached a resolution on these eight items and the Court paid the IRS \$227,541, which was calculated based on tax withholding the Court should have made. The resolution closed the audit and resolved all federal tax matters considered in the audit for tax years 2014, 2015, 2016, 2017 and 2018 through March 31. The Court is disclosing the resolution document.

The Court welcomed the opportunity to meet its obligations under federal tax law and regrets the errors made. We are fully committed to compliance with our federal tax obligations in the future.

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