COURT OF APPEALS OF WASHINGTON, DIVISION ONE

Betts Patterson & Mines, PS v. State of Washington, Department of Revenue

Betts Patterson · No. 86756-3-I · Decided February 2, 2026

SUMMARY

The Washington Court of Appeals, Division One, affirmed the Board of Tax Appeals' determination that an insurance-defense law firm's receipts should be apportioned to the jurisdictions where the related litigation occurred. The court held that the insurance companies received the benefit of the litigation services where the attorneys litigated and obtained results, rather than at the insurers' legal-department billing addresses. The court also concluded that the firm's evidence was insufficient to show that the Department of Revenue's attribution method was commercially unreasonable. The court separately granted the Department's motion to publish the opinion.

CASE DETAILS

COURT	Court of Appeals of Washington, Division One
WRITING FOR THE COURT	Mann, J.
JURISDICTION	Washington Court of Appeals, Division One
DECIDED	February 2, 2026
DOCKET	86756-3-I
DISPOSITION	affirmed
PROCEDURAL POSTURE	Appeal from King County Superior Court's affirmance of the Board of Tax Appeals' summary judgment decision concerning the apportionment of law-firm receipts for Washington business and occupation tax purposes.
STANDARD OF REVIEW	Under the Administrative Procedure Act, the court may grant relief if the Board erroneously interpreted or applied the law. Because the Board's decision was on summary judgment, the court reviews the agency's interpretation or application of law de novo, views the facts in the light most favorable to the nonmoving party, and applies the summary judgment standard. The party asserting invalidity bears the burden of demonstrating the invalidity of agency action.
PRECEDENTIAL VALUE	published and precedential

PARTIES	Betts Patterson & Mines, PS v. State of Washington, Department of Revenue

TOPICS

state and local tax · tax · administrative procedure act · tax refunds · statutory interpretation

PRACTICE AREAS

state and local taxation · administrative law · appellate procedure · statutory interpretation

QUESTIONS PRESENTED

1. Where is the benefit of insurance defense litigation services received for purposes of apportioning a law firm's gross income under Washington's B&O tax?
2. Did the Board err by rejecting the firm's billing-address method as a reasonable method of proportionally attributing receipts?
3. Did the firm's evidence create a genuine issue of material fact regarding whether tracking the jurisdiction of litigation was commercially reasonable?

HOLDINGS

1. For purposes of Washington B&O tax apportionment, an insurance company's benefit from a law firm's insurance defense litigation services is received in the jurisdiction where the litigation is filed, conducted, or resolved, rather than at the insurance company's legal-department or billing address.
2. The Board properly rejected BPM's use of insurance-company legal-department billing addresses because those addresses did not fairly represent where the firm's litigation services benefited its customers.
3. BPM's managing shareholder's general assertions that tracking the location of litigation would be time-consuming and resource-intensive were insufficient to create a genuine issue of material fact or demonstrate that the Department's attribution method was commercially unreasonable.

KEY QUOTATIONS

> *"The "helpful or useful" effect of BPM's insurance litigation is having Washington attorneys handle the insurance companies' Washington-based litigation."* (at 5)

> *"The focus must remain on the customer and where the customer benefits from the service."* (at 6)

> *"This is insufficient to overcome summary judgment."* (at 9)

FACTUAL BACKGROUND

Betts Patterson & Mines is a regional law firm with offices in Washington and Oregon that provides insurance coverage advice and insurance defense litigation services to insurance companies. After Washington changed its service-income apportionment method to focus on where the customer received the benefit of services, the firm sought a refund based on attributing receipts to its clients' billing addresses, which it asserted represented the locations of the clients' claims administration and legal departments. The Department concluded that this method was unreasonable and allowed only a partial refund, while the Board determined that the benefit of the firm's insurance defense litigation services was received where the litigation was filed, conducted, or resolved.

PROCEDURAL HISTORY

Betts Patterson & Mines sought a $651,374 refund after recalculating its Washington B&O tax for June 1, 2010, through June 30, 2014, using its insurance-company clients' billing addresses to apportion receipts. The Department of Revenue allowed only a partial refund, and the Department's Administrative Review and Hearings Division denied further relief. The Board of Tax Appeals granted the Department summary judgment, King County Superior Court affirmed, and the Court of Appeals affirmed.

DISPOSITION

affirmed

CASES CITED

- Echo Glob. Logistics, Inc. v. Dep’t of Revenue, 22 Wn. App. 2d 942, 945, 514 P.3d 704 (2022)
- Steven Klein, Inc. v. Dep’t of Revenue, 183 Wn.2d 889, 895-96, 357 P.3d 59 (2015)
- Dynamic Res., Inc. v. Dep’t of Revenue, 21 Wn. App. 2d 814, 819, 508 P.3d 680 (2022)
- Smith v. State, 64 Wn.2d 323, 334, 391 P.2d 718 (1964)
- ARUP Labr’ys, Inc. v. State, 12 Wn. App. 2d 269, 271, 282, 457 P.3d 492 (2020)
- LendingTree, LLC v. Department of Revenue, 12 Wn. App. 2d 887, 888-94, 460 P.3d 640 (2020)
- Valderrama v. City of Sammamish, 33 Wn. App. 2d 318, 325, 561 P.3d 288 (2024), review denied, 4 Wn.3d 1023 (2025)