SUPREME COURT OF OKLAHOMA

Warehouse Market Inc. v. State of Oklahoma ex rel. Oklahoma Tax Commission

2021 OK 6 · No. 118504 · Decided February 2, 2021

SUMMARY

The Oklahoma Supreme Court held that Warehouse Market's interpleader action was substantively a tax protest after the Muscogee (Creek) Nation Tax Commission was dismissed on sovereign-immunity grounds. Because exhaustion of administrative remedies is a jurisdictional prerequisite to judicial relief from a tax assessment, the Court reversed and remanded with instructions to dismiss the action and transfer the deposited sales-tax funds to the Oklahoma Tax Commission, subject to statutory fees.

CASE DETAILS

COURT	Supreme Court of Oklahoma
WRITING FOR THE COURT	Kauger, J.; Darby, C.J.; Edmondson, J.; Combs, J.; Gurich, J.; Rowe, J.; Kane, V.C.J.; Winchester, J.
JURISDICTION	Oklahoma
DECIDED	February 2, 2021
DOCKET	118504
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	The Oklahoma Tax Commission appealed from an Okmulgee County District Court order granting Warehouse Market summary judgment in part and denying the Commission's motion to dismiss or for summary judgment. The Oklahoma Supreme Court retained the appeal.
STANDARD OF REVIEW	The court reviewed whether the district court had subject-matter jurisdiction to entertain the action and whether the action was substantively a tax protest requiring exhaustion of administrative remedies.
PRECEDENTIAL VALUE	published
PARTIES	State of Oklahoma ex rel. Oklahoma Tax Commission v. Warehouse Market Inc.

TOPICS

tax | tax court procedure | exhaustion of remedies | tribal sovereignty | interpleader

PRACTICE AREAS

taxation | administrative law | tribal law | civil procedure | appellate procedure

QUESTIONS PRESENTED

1. Whether Warehouse Market's action, initially styled as an interpleader, was substantively a tax protest after the Muscogee (Creek) Nation Tax Commission was dismissed on sovereign-immunity grounds.
2. Whether exhaustion of administrative remedies is a jurisdictional prerequisite to judicial relief from an Oklahoma Tax Commission sales-tax assessment.
3. Whether the district court should dismiss the action and transfer the deposited state sales-tax funds to the Oklahoma Tax Commission.

HOLDINGS

1. After the Tribal Tax Commission was dismissed on sovereign-immunity grounds, Warehouse Market's action was no longer a proper interpleader and became substantively a tax protest because it challenged the OTC's authority to impose and collect sales tax.
2. A taxpayer challenging an Oklahoma Tax Commission assessment must exhaust the prescribed administrative remedies before seeking relief in the district court, and exhaustion is a jurisdictional prerequisite.
3. The district court must dismiss the action and transfer the state sales-tax funds deposited with the court clerk to the Oklahoma Tax Commission, subject to statutory poundage and other appropriate fees.

KEY QUOTATIONS

> *“We hold that because the substance of the plaintiff's action/request for relief is a tax protest, exhaustion of administrative remedies is a jurisdictional prerequisite to seeking relief in the trial court.”* (¶1)

> *“As a tax protest, administrative remedies must be exhausted before a protestant may resort to relief in the courts.”* (¶19)

> *“The Trial Court is reversed and the cause is remanded with instructions to the trial court to dismiss the cause and to order the transfer of the funds deposited with the Okmulgee County Court Clerk excluding poundage and appropriate fees, to the Oklahoma Tax Commission.”* (¶19)

FACTUAL BACKGROUND

Warehouse Market operated a grocery store under a sublease of commercial property located on federally restricted Indian land. The Muscogee (Creek) Nation required payment of a 6% tribal sales tax, while the Oklahoma Tax Commission demanded payment of Oklahoma sales tax after Warehouse Market stopped remitting state taxes. Facing potentially conflicting licensing and tax obligations, Warehouse Market deposited approximately $600,565.04 with the court and sought interpleader, injunctions, and a determination of which taxing authority was entitled to the funds.

PROCEDURAL HISTORY

Warehouse Market filed an interpleader action after the Oklahoma Tax Commission and the Muscogee (Creek) Nation Tax Commission each claimed sales-tax payments from the store. The district court dismissed the Tribal Tax Commission on sovereign-immunity grounds, determined that the OTC was not presently entitled to the funds unless the taxing-authority dispute was resolved elsewhere, and denied the OTC's dispositive motion. The Supreme Court reversed and remanded with instructions to dismiss the action and transfer the deposited funds to the OTC.

DISPOSITION

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reversed_and_remanded
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REMAND INSTRUCTIONS

The district court must dismiss the cause and order transfer of the funds deposited with the Okmulgee County Court Clerk, excluding poundage and appropriate statutory fees, to the Oklahoma Tax Commission.

CASES CITED

- Waggoner v. Johnston, 1965 OK 192, ¶8, 408 P.2d 761
- Mid-Central Towing Co. v. National Savings of Tulsa, 1959 OK 244, ¶7, 348 P.2d 327
- Protest of Chicago, R.I. & P. Ry. Co., 1931 OK 507, ¶4, 2 P.2d 129
- Jones v. Kennedy, 1926 OK 522, ¶0, 247 P. 53
- Oklahoma News Co. v. Ryan, 1924 OK 270, ¶0, 224 P. 969
- State ex rel. Oklahoma Tax Commission v. Texaco Exploration & Production Co., 2005 OK 52, ¶7, 131 P.3d 705
- Cimarron Industries, Inc. v. Oklahoma Tax Commission, 1980 OK 190, ¶6, 621 P.2d 539
- Request of Hamm Production Co., 1983 OK 92, 671 P.2d 50
- Stallings v. Oklahoma Tax Commission, 1994 OK 99, ¶10, 880 P.2d 912
- Dolese Bros. v. State ex rel. Oklahoma Tax Commission, 2003 OK 4, ¶¶3-6, 64 P.3d 1093
- Duncan Medical Services v. State ex rel. Oklahoma Tax Commission, 1994 OK 91, ¶5, 911 P.2d 247
- CompSource Mutual Co. v. State ex rel. Tax Commission, 2018 OK 54, ¶¶3-6, 435 P.3d 90
- In the Matter of Tax Protest of Scioto Insurance Co., 2012 OK 41, ¶0, 279 P.3d 782
- Blitz U.S.A., Inc. v. Oklahoma Tax Commission, 2003 OK 50, ¶¶3-5, 75 P.3d 883
- United Design Corp. v. State ex rel. Oklahoma Tax Commission, 1997 OK 43, ¶4, 942 P.2d 725
- Enterprise Management Consultants, Inc. v. State ex rel. Oklahoma Tax Commission, 1988 OK 91, ¶1, 768 P.2d 359
- Oklahoma Tax Commission v. City Vending of Muskogee, Inc., 1992 OK 110, ¶2, 835 P.2d 97
- Dow Jones & Co., Inc. v. State ex rel. Oklahoma Tax Commission, 1990 OK 6, ¶¶5-6, 787 P.2d 843
- Murray County v. Homesales, Inc., 2014 OK 52, ¶9, 330 P.3d 519

- Sowders v. Oklahoma Tax Commission, 1974 OK 122, ¶32, 527 P.2d 852
- Hamil v. Walker, 1979 OK 172, ¶4, 604 P.2d 377
- In re M.K.T., 2016 OK 4, ¶64, 368 P.3d 771
- Oklahoma Tax Commission v. Potawatomi Indian Tribe of Oklahoma, 498 U.S. 505, 512 (1991)