Franchise Tax Board of California v. Hyatt (Hyatt III) is a win for state sovereignty, albeit an obscure victory. In this case the Supreme Court overturned precedent to hold 5-4 that states are immune from private lawsuits brought in courts of other states.

Since 1993 Gilbert Hyatt and the Franchise Tax Board of California (FTB) have been involved in a dispute over Hyatt's 1991 and 1992 tax returns. FTB claims that Hyatt owes California taxes from income he earned in California. Hyatt claims he lived in Nevada during the relevant time period. Hyatt sued FTB in Nevada claiming FTB committed a number of torts during the audit.

At the case's third trip to the Supreme Court FTB claimed that it can't be sued in Nevada’s courts. In Nevada v. Hall (1979) the Supreme Court held that a state may be sued in the courts of another state without its consent. In short, in Hyatt III FTB asked the Supreme Court to overrule Nevada v. Hall, which it did. In 2016 the Court deadlocked 4-4 on this question in a previous iteration of this case shortly after Justice Scalia died.

Hyatt argued that before the Constitution was ratified states “had the power of fully independent nations to deny immunity to fellow sovereigns,” meaning other states could be sued in a state’s courts, and that the Constitution didn’t “alter[] that balance among the still-sovereign states.” A majority of the Supreme Court disagreed.

According to Justice Thomas, writing for the majority: “The problem with Hyatt’s argument is that the Constitution affirmatively altered the relationships between the States, so that they no longer relate to each other solely as foreign sovereigns. Each State’s equal dignity and sovereignty under the Constitution implies certain constitutional ‘limitation[s] on the sovereignty of all of its sister States.’ One such limitation is the inability of one State to hale another into its courts without the latter’s consent. The Constitution does not merely allow States to afford each other immunity as a matter of comity; it embeds interstate sovereign immunity within the constitutional design.”

Though the Supreme Court has agreed to consider overturning precedent in four cases this term it is rare for the Court to do so. Justice Thomas spent a mere page explaining why a majority of the Justices were rejecting stare decisis (let the decision stand) in this case.

How big of an impact will this case have on states? Hyatt claimed that since Hall was decided in very few cases have state governments been sued in the courts of other states. But (possibly a record) 44 states joined an amicus brief asking the Court to overturn Nevada v. Hall.
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