

**REPORT OF THE
JOINT SUBCOMMITTEE STUDYING**

The Rolling Stock Tax

**TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA**



Senate Document No. 12

**COMMONWEALTH OF VIRGINIA
RICHMOND
1985**

MEMBERS OF THE JOINT SUBCOMMITTEE

Senator Elmon T. Gray, Chairman
Delegate Lewis W. Parker, Jr., Vice Chairman
Senator Dudley J. Emick, Jr.
Senator Edward E. Willey
Delegate Claude W. Anderson
Delegate C. Richard Cranwell
Delegate S. Wallace Stieffen
Honorable George L. Gordon

STAFF

Legal and Research

John A. Garka, Economist

W. Rand Cook, Attorney

Administrative and Clerical

Office of Clerk, Senate of Virginia

I. EXECUTIVE SUMMARY

The joint subcommittee was formed as a result of Senate Joint Resolution No. 75 passed during the 1983 Session of the General Assembly. The resolution directed the joint subcommittee to study, the rolling stock tax on railroads, freight car companies, and certain motor vehicle carriers which is imposed in lieu of local property taxes. In addition, the joint subcommittee was directed to examine the local property tax on trucks which is imposed on those trucks which are not subject to the rolling stock tax.

The rolling stock tax of railroads, freight car companies and certificated motor vehicle carriers (certificated by SCC to operate a fixed route in Virginia) are subject to a state administered rolling stock tax in lieu of the local tangible personal property tax. The current rolling stock tax rate is \$1.00/\$100 of assessed value and has remained unchanged since 1926. However, the vast majority of all trucks are not certificated by the SCC and are, therefore, subject to the local tangible personal property tax which is substantially higher than the rolling stock tax – the statewide average local personal property tax rate is approaching \$4.00/\$100 of assessed value.

The joint subcommittee has observed the inconsistency in the distribution of revenues generated from the rolling stock tax. Local tangible personal property taxes are collected by each locality based on the situs of the property. Rolling stock tax revenue is not all returned to the locality. The rolling stock tax on railroads and freight car companies is collected by the Commonwealth and retained in the general fund. The rolling stock tax on motor vehicle carriers is collected by the Commonwealth and returned to each locality based on the miles traveled in each locality by the motor vehicle carriers. The joint subcommittee notes that in all other southern states the rolling stock tax generated from railroads and freight car companies is returned to the localities since it is in lieu of the local personal property tax. The joint subcommittee believes that the rolling stock tax, although administered and collected by the Commonwealth, should be returned to localities as are all other real and personal property taxes. The joint subcommittee recommends legislation be adopted to return this revenue to localities effective January 1, 1987, so that it does not impact the current biennium. In tax year 1984 the rolling stock tax on railroads generated approximately \$5.2 million while the tax on freight car companies generated approximately \$300,000.

The joint subcommittee has also examined the equity in the taxation of the rolling stock on railroads and trucking firms as compared to the way the vast majority of trucks are taxed locally under the tangible personal property tax. The effective local tangible personal property tax imposed on trucks is substantially and significantly higher than the effective tax rate of the state rolling stock tax imposed on trucks. This is based on the staff's analysis of the local tax rates and depreciation schedules for 23 localities, as well as two separate surveys conducted by the subcommittee's staff, one of which examined the estimated rolling stock tax which would have been paid by trucking firms if they had been subject to the rolling stock tax. The survey showed a rolling stock rate of \$2.15 would be necessary to generate the same amount of revenue as the local tangible personal property tax. (Please see statistical data contained in Appendix A.)

The joint subcommittee has also studied the administration of the local personal property tax and has observed an extremely wide variety of depreciation schedules and approaches used to assess large trucks. The joint subcommittee notes an extremely large variation in nominal tax rates as well as effective tax rates. Under current law, the tangible personal property tax on trucks is based on the premise that you can easily determine where a particular truck is normally garaged, stored or parked. The subcommittee, however, has noticed that for vehicles as mobile as trucks the tangible personal property tax is difficult to administer because situs is not always easily determined. Some argue that because trucks are so mobile they may actually escape taxation. It has also been observed that some local Commissioners of the Revenue have not been as vigilant as others in attempting to tax all vehicles which are sited in their locality.

Although the joint subcommittee has made significant progress in the past two years in trying to bring equity into this area, the subcommittee believes it needs one additional year to formulate a final alternative. Therefore, the joint subcommittee is recommending that it may be allowed one more year to complete its final recommendations. In the interim, as a step toward equity, the joint subcommittee is recommending that the current \$1 rolling stock tax rate be

increased to \$1.25 in order to bring the rolling stock tax a step closer to local effective tax rates.

During the next year, the joint subcommittee will finalize its recommendations and will monitor a cabinet level study of the regulation and taxation of the transportation industry including the railroad, trucking, airline and barge line sectors.

The joint subcommittee has also examined the impact of the legislation enacted during the 1983 Session which transferred the responsibility for the valuation and assessment of railroad property, including rolling stock, from the State Corporation Commission to the Virginia Department of Taxation. The Department changed from the SCC's original cost minus depreciation method to a unit valuation approach which values the entire company as a unit and then allocates back to Virginia its share of the total unit value. This change in the methodology has affected a number of localities. The joint subcommittee notes that the City of Alexandria has borne the brunt of the negative impact by receiving approximately \$900,000 less in property taxes from railroads in 1984 than it did in 1983.

Finally, the joint subcommittee is introducing legislation recommended by the Department of Taxation to permit local assessing officials to apportion the assessment of interstate vehicles if such vehicles are subject to an apportioned assessment in another state.

I. INTRODUCTION

The joint subcommittee was formed as a result of Senator Elmon T. Gray's Senate Joint Resolution No. 75 of the 1983 Session. The joint subcommittee was directed to study the rolling stock tax on railroads, freight car companies, and certain motor carriers which is imposed in lieu of local property taxes as well as the property tax on trucks which is imposed on those trucks not subject to the rolling stock tax.

The resolution directed an examination of the following:

1. The administration of the tax;
2. The valuation of rolling stock at both the state and local levels;
3. The proper allocation of funds derived from the rolling stock tax;
4. The collection of personal property taxes on motor carriers in lieu of the rolling stock tax;
5. The effective tax rate on rolling stock assessed by the State and localities; and
6. The proper tax rate.

The joint subcommittee elected Senator Elmon T. Gray as Chairman and Delegate Lewis W. Parker, Jr. as Vice Chairman. The joint subcommittee has worked diligently over the past two years to bring equity to the taxation of the transportation industry. In the course of its work, the joint subcommittee has found not only the problems to be as complicated as it believed but it has found other problems in the taxation of the transportation industry as well. The joint subcommittee is issuing this interim report along with a series of recommendations to bring some measure of equity to this area of taxation. The joint subcommittee will present its final report and recommendations to the 1986 Session of the General Assembly.

III. THE ROLLING STOCK TAX

The rolling stock of railroads, freight car companies and certain intrastate motor carriers of freight and passengers are subject to a state-administered rolling stock tax in lieu of local tangible personal property taxes. This tax on certain motor carriers is currently administered by the State Corporation Commission while the tax on railroads and freight car companies is administered by the Department of Taxation. An original cost minus depreciation method is used to determine the assessed valuation for all rolling stock. The tax rate on rolling stock is \$1.00.

Railroads

The Commonwealth imposes a state tax on the rolling stock of railway companies doing business in this state. Rolling stock is defined in the Code as "...all locomotives, of whatever motive power, autocars, cars of every kind and description, and all other equipment which it is reasonably proper to class as rolling stock." The tax is in lieu of a local personal property tax on rolling stock.

The Department of Taxation allocates to Virginia its proper share of a railroad's total rolling stock on the basis of each railroad's share of its total miles in Virginia after determining the original cost minus depreciation of the total rolling stock owned by the railroad. For example, if a railroad travels 10% of its total miles in Virginia then 10% of its total nationwide rolling stock is subject to Virginia's rolling stock tax. The Department of Taxation uses a separate computation for the allocation of locomotives and freight cars in computing the total assessed value of the rolling stock.

Table 1 provides the amount of rolling stock tax on railway companies collected from tax year 1978 through the current tax year. As the table shows in tax year 1984 the rolling stock tax on railroads yielded approximately \$5.2 million, a 21.2% decrease from the previous year.

The vast majority of the rolling stock tax is paid by the largest railroads in Virginia (Table 1-A). The Norfolk & Western Railway Company pays 38.2% of the total rolling stock tax, and is by far the largest taxpayer. The five largest railroads pay almost the entire tax—96.9%.

The revenue derived from this tax is retained by the Commonwealth and is deposited into the General Fund.

Freight Car Companies

The Commonwealth also imposes a complimentary state tax on the rolling stock of freight car companies. Railroads use freight car companies by leasing required rolling stock from them in lieu of purchasing the equipment. Freight car companies include "—every car company, car trust, mercantile company or corporation or individual not domiciled within this state owning any stock cars, furniture cars, fruit cars, refrigerator cars, meat cars, oil cars, tank cars, or other similar cars..." It should be noted that freight car companies domiciled in Virginia are excluded from this tax.

The Department of Taxation computes the tax by placing an average value on each type of freight car (regardless of

TABLE 1
 ROLLING STOCK TAX ON
 RAILROAD COMPANIES IN VIRGINIA,
 SECLECTED RECENT YEARS

<u>Year</u>	<u>Assessed Value</u>	<u>Tax</u>	<u>Percentage Change</u>
1984	\$ 518,451,300	\$ 5,184,513	- 21.2%
1983	657,906,850	6,579,068	+ 9.5%
1982	600,798,749	6,007,987	+ 6.7%
1981	563,248,672	5,632,487	+ 23.6%
1980	455,712,809	4,557,128	+ 18.3%
1979	385,055,438	3,850,554	- 5.2%
1978	406,024,309	4,060,243	- 8.3%

SOURCE: State Corporation Commission and the Department of Taxation

TABLE 1-A
 LARGEST TAXPAYERS UNDER
 ROLLING STOCK ON RAILWAY
 COMPANIES, 1984

<u>Railway</u>	<u>Rolling Stock Tax</u>	<u>Percentage of Total</u>	<u>Cumulative Percentage</u>
Norfolk & Western	\$ 1,980,999	38.2%	38.2%
Chesapeake & Ohio	1,252,414	24.2%	62.4%
Southern Railway	753,760	14.5%	73.9%
Seaboard System	595,065	11.5%	88.4%
R F & P	442,333	8.5%	96.9%

age) and then prorates a value to Virginia based on the number of days of the year that particular car is in actual use in Virginia. The freight car companies, as well as the railroads, furnish information regarding the freight cars used in Virginia. The actual tax is calculated by multiplying the resulting value by \$1.00 per \$100 of assessed value.

Table 2 provides the amount of rolling stock tax collected from freight car companies from tax year 1978 through the current tax year. As Table 2 shows this tax yielded approximately \$263,000 in tax year 1983. Tax collections from this source have been relatively stable over the past six years. This tax is also in lieu of local property taxes on rolling stock. All revenues derived by this tax are retained by the Commonwealth in its General Fund.

In tax year 1983, there were 194 taxpayers subject to the tax. The five largest taxpayers paid approximately 62% of the total tax collected (Table 2-A). At the same time, there are numerous small taxpayers that pay less than \$5.00. In fact, there are eleven taxpayers who had a tax liability of less than \$3.00.

Motor Vehicle Carriers

Large trucks in Virginia are subject to either a locally administered and collected tangible personal property tax, or if the carrier is a "certificated motor vehicle carrier" then the entire rolling stock of the carrier is subject to a state administered rolling stock

TABLE 2
 ROLLING STOCK TAX ON CAR
 LINE COMPANIES IN VIRGINIA,
 SELECTED RECENT YEARS

<u>Year</u>	<u>Assessed Value</u>	<u>Tax</u>	<u>Percentage Change</u>
1983	\$ 26,277,703	\$ 262,777	+ 2.5%
1982	25,643,720	256,437	+ 4.0%
1981	24,647,123	246,471	- 2.8%
1980	25,358,587	253,586	+ 6.6%
1979	23,783,403	237,834	- 5.0%
1978	25,029,470	250,295	

SOURCE: State Corporation Commission

TABLE 2-A
 LARGEST TAXPAYERS UNDER
 ROLLING STOCK ON CAR LINE
 COMPANIES, 1983.

<u>Company</u>	<u>Rolling Stock Tax</u>	<u>Percentage of Total</u>	<u>Cumulative Total</u>
Trailer Train	\$ 68,890	26.2%	26.2%
Pullman Leasing	37,118	14.1%	40.3%
Gen. American Trans.	23,395	8.9%	49.2%
North American Car	17,011	6.5%	55.7%
Shippers Car Line Div.	16,683	6.4%	62.1%

tax. A certificated motor vehicle carrier is currently defined as a common carrier of freight or passengers who possesses a certificate of public convenience and necessity from the SCC to operate at least one fixed route within the Commonwealth. It should be emphasized that under current law even if only a small portion of the carrier's total route is in the fixed intrastate operation, the entire rolling stock of the carrier taxable in Virginia is taxed under the rolling stock tax.

In the case of the rolling stock tax on a certificated motor vehicle carrier, the SCC uses an original cost minus depreciation method of determining the assessed value of the rolling stock. The portion of the carrier's total rolling stock that is taxed in Virginia is based on the percentage of miles the carrier has completed in Virginia whether it be on a fixed intrastate operation or another route divided by the carrier's total miles. In regard to trucks, the rolling stock tax applies to all trucks, tractor-trucks, trailers and semi-trailers and other rolling stock equipment.

As noted earlier, the rolling stock tax also applies to common carriers of passengers, generally bus lines and limousine services. Table 3 provides the amount of rolling stock tax collected on motor vehicle carriers from the tax year 1978 through the current tax year. As the table shows in tax year 1984 the rolling stock tax yielded approximately \$506,000 in revenue. In contrast to the previous two rolling stock taxes, these revenues are collected by the Commonwealth but are distributed back to the counties,

TABLE 3

ROLLING STOCK TAX ON MOTOR
VEHICLE CARRIERS IN VIRGINIA,
SELECTED RECENT YEARS

<u>Year</u>	<u>Assessed Value</u>	<u>Tax</u>	<u>Percentage Change</u>
1984	\$ 50,581,069	\$ 505,811	+ 12.0%
1983	45,162,483	451,625	+ 9.6%
1982	41,213,251	412,133	+ 8.5%
1981	37,986,958	379,870	- 2.4%
1980	38,917,459	389,175	+ 8.1%
1979	35,991,626	359,916	+ 17.0%
1978	30,773,299	307,733	

SOURCE: State Corporation Commission.

TABLE 3-A

LARGEST TAXPAYERS UNDER
ROLLING STOCK ON MOTOR
VEHICLE CARRIERS, 1984.

<u>Company</u>	<u>Rolling Stock Tax</u>	<u>Percentage Of Total</u>	<u>Cumulative Percentage</u>
Atlantic Grey- hound Lines	\$ 89,381	17.7%	17.7%
Overnite Trans- portation	78,923	15.6%	33.3%
Wilson Trucking	54,142	10.7%	44.0%
Great Coastal	39,987	7.9%	51.9%
Russell Transfer	38,122	7.5%	59.4%

cities and incorporated towns based on miles traveled in each locality.

In tax year 1984, 44 carriers were subject to the tax, the majority of these carriers were bus lines and airport limousine service companies (33) while 10 were trucking companies. The five largest carriers paid 59.4% of the total rolling stock tax (see Table 3-A). Of the five, four were trucking concerns.

IV. PERSONAL PROPERTY TAX-MOTOR CARRIERS

The vast majority of all trucks, however, are not subject to the rolling stock tax but rather the local personal property taxes.

If a trucking concern does not have a certificate of necessity and convenience in Virginia but the vehicle is domiciled here the rolling stock is subject to the local personal property tax as any other personal property. The Division of Motor Vehicles provides a listing to each locality shortly after January 1 of each year of trucks registered in the locality, based on information provided at the time the vehicle is registered in Virginia. Thus, for trucks registered in Virginia localities have an excellent source of data for use in properly ascertaining trucks domiciled in their particular locality.

The locality is required to determine the assessed value based on either an original cost minus depreciation method of assessment or a recognized pricing guide. Generally, the basis of assessment is the same for personal property taxes as it is for rolling stock taxes.

The difference in the taxation of these trucks, however, is the fact that because localities use their local tangible personal property tax rate, the tax on these trucks is much higher than for the trucks subject to the state administered rolling stock tax. The state-wide average nominal personal property tax rate is approximately \$4.00 per \$100 of value in the current tax year. In fact, in tax year 1982 there were no cities under \$1.00 and only six counties below the \$1.00 nominal tax rate. Thus, the property subject to this local tax pays a significantly higher tax bill than the truck who is operating a portion of his trucks under a fixed route and has a certificate of necessity and convenience from the SCC.

V. HISTORICAL PERSPECTIVE

Rolling Stock Tax on Railroads/Freight Car Companies

In 1914, as it was until 1984, the State Corporation Commission was responsible for the assessment of the rolling stock tax on railway companies. However, in 1914 the SCC divided and apportioned the assessed value of the rolling stock of each railway company back to each county, city and town based on each county, city and town's share of the total assessment of the railroad. The locality then applied its own personal property tax rate to the rolling stock subject to this tax.

In 1915 an extraordinary session of the General Assembly was called by Governor Stuart for the purpose of tax reform. In that year, the General Assembly passed legislation which segregated this tax to the Commonwealth. At the same time, a rate of \$1.60/\$100 of assessed value was established. Governor Stuart had recommended this legislation.

The next change in the tax occurred in 1926. In his campaign for Governor as well as in his 1926 message to the General Assembly on the subject of taxation, Governor Harry F. Byrd pledged "...to reform and simplification of our tax system." Among his numerous proposals for efficiency in government as well as tax reform was his proposal on the rolling stock tax on railroads. Governor Byrd argued that in 1915 the rolling stock of railroads was segregated to the Commonwealth at the average of all local tax rates. He argued that the average rate in 1925 had increased to \$2.42/\$100 of assessed value and that the state rate, as a matter of fairness, should be increased to that level.

In 1926, the General Assembly increased the rolling stock tax rate to \$2.50/\$100 of assessed value. Since 1926, the effective tax rate has remained unchanged, although in 1972 the nominal tax rate changed from a rate of \$2.50 per \$100 of assessed value (which was at 40% of assessed value) to a tax rate of \$1.00 per \$100 at 100% of assessed value. Thus, the effective tax rate has

remained unchanged since 1926 while the nominal personal property tax rates of localities have increased.

The rolling stock tax on freight car companies was adopted in 1916 at a rate of \$1.60/\$100 of assessed value. Administration of the tax was assigned to the SCC. The rate remained unchanged until 1930 when the rate was increased to

TABLE 4
 COMPARISON OF TANGIBLE PERSONAL
 PROPERTY TAX RATES, SELECTED LOCALITIES,
 1926 AND 1982

<u>Locality</u>	<u>1926 Rate</u>	<u>1982 Rate</u>
Arlington	\$ 2.25	\$ 5.10
Appomattox	1.95	3.50
Botetourt	2.15	6.00
Buckingham	1.85	2.40
Fairfax	3.60	4.80
Henrico	1.85	3.80
Henry	3.15	9.24
Mecklenburg	2.30	3.25
Roanoke	1.60	3.50
Sussex	2.40	3.00
Charlottesville	\$ 2.42	\$ 4.39
Chesapeake	-----	4.00
Hopewell	2.00	4.40
Petersburg	2.00	3.10
Portsmouth	2.50	4.00
Richmond	1.95	3.59
Roanoke	2.25	3.75
Salem	-----	3.25

\$2.50/\$100. Since that time the tax rate and assessment procedure has paralleled that of the rolling stock on railway companies.

Rolling Stock On Motor Carriers

The rolling stock tax on motor carriers has experienced significant changes over the past 50 years in the Commonwealth. Prior to 1932, the rolling stock of trucking firms, both common and contract carriers, was subject to local taxation as tangible personal property as were the railroads before 1915. It was, however, assessed by the local commissioner of the revenue rather than the SCC in the locality of domicile. It was taxed at the local personal property tax rate.

In 1932 the General Assembly enacted legislation which subjected this rolling stock to a separate rolling stock tax on certificated motor vehicle carriers. This tax applied to both out-of-state and Virginia trucks operating over the highways of Virginia and to trucks operating both in and out of Virginia, the assessment was prorated to Virginia on a mileage basis. The tax rate was the same as that applicable to other rolling stock, that is, a nominal tax rate of \$2.50 - an effective tax rate of \$1.00. However, although this tax was collected by the State Corporation Commission it was returned to the various counties, cities and incorporated towns based on the number of miles traveled in each such locality.

In 1942, the Fenwick Commission (report of the Commission Studying Taxes on Commercial Motor Vehicles - House Document No. 7-1942) called for the repeal of rolling stock taxes on motor vehicles and the adoption of a tax assessable and collectable by the local tax officials of the counties in which the principal headquarters of the operators of the vehicles were located (without any proration on account of mileage traveled outside of the State). In other words, to go back to the tax structure prior to 1932. The Commission argued "...these taxes be assessed and collected by the tax assessing and collecting officials of the respective localities in the same manner as is other tangible personal property..." The General Assembly, however, chose to not accept the Commission's recommendations.

In 1950, however, the General Assembly drastically reduced the coverage of the rolling stock tax by eliminating from its coverage all out-of-state trucks and Virginia trucks operating wholly interstate. Thus, in 1950 the law took its current form that the rolling stock tax applies *only* to the rolling stock of common carriers that have at least one Virginia fixed intrastate route.

VI. FINDINGS

1. The rolling stock tax on railroads and freight car companies (which is in lieu of a local tangible personal property tax) is administered by the state and all funds are retained by the state. These funds should be returned to localities. All other surveyed states distribute the funds collected from this tax to localities.

2. The effective local tax rate imposed on large trucks is substantially and significantly higher than the effective tax rate of the state rolling stock tax imposed on trucks.

3. In terms of the administration of the local personal property tax, the joint subcommittee has seen an extremely wide variety of depreciation schedules and approaches used to value large trucks. The joint subcommittee also notes the wide variation in nominal local tax rates, effective local tax rates, and in the way localities administer the tangible personal property tax on large trucks. The tangible personal property tax on trucks is based on the premise that you can easily determine where a particular truck is normally garaged, stored or parked. As the subcommittee has seen for vehicles as mobile as trucks, it is difficult to administer because situs is not always easily determined. Some, in fact, have argued that because trucks are so mobile they may actually escape taxation.

4. In terms of railroads, in all southern and neighboring states a central state agency is responsible for the valuation of all railroad property and the local tax rate is applied to the property which is subject to taxation in that locality. Virginia treats railroads identically except that rolling stock is taxed at only \$1 and then not returned to localities. In other states, however, the tax rate is that applicable to all other property in the locality.

5. In terms of trucks, the joint subcommittee has found that although all states have property taxes on railroads only one-half of the states impose a property tax on trucks. Moreover, based on a U. S. Department of Transportation study only three states have higher property taxes on trucks than Virginia. In terms of the overall state road user and personal property tax structure on a typical large diesel tractor semi-trailer combination, Virginia is ranked 8th highest in the tax load as compared to the 50 states.

6. When comparing the rolling stock tax on large trucks and the local tangible personal property tax on large trucks the subcommittee has found that the same trucks are treated differently. Certificated motor vehicle carriers are taxed under rolling stock based on their percentage of miles in Virginia while all others are taxed on the basis of where they are normally garaged, stored or parked.

VII. RECOMMENDATIONS

The joint subcommittee has spent the last two years diligently working to bring equity to the taxation of railroads and trucks. The joint subcommittee has made significant progress in trying to bring equity into this area; however, the subcommittee has not been able to formulate a final alternative. However, as a step toward equity, the joint subcommittee is submitting the following recommendations to the 1985 Session of the General Assembly.

1. EFFECTIVE JANUARY 1, 1987, RETURN THE ROLLING STOCK TAX ON RAILROADS AND FREIGHT CAR COMPANIES TO LOCALITIES. THE DISTRIBUTION FORMULA WOULD BE BASED ONE-HALF ON EACH COUNTY'S, CITY'S, AND INCORPORATED TOWN'S SHARE OF MILES OF TRACK AND THE OTHER ONE-HALF BASED ON EACH COUNTY'S, CITY'S AND INCORPORATED TOWN'S SHARE OF THE ESTIMATED VALUE OF ROADWAY AND TRACK.

The recommended effective date is based on the joint subcommittee's desire not to affect the Commonwealth's general fund in the current biennium. The distribution formula attempts to equitably distribute these revenues to localities based on each localities' share of railroad facilities which are used by the rolling stock. Please see Appendix B for the estimated distribution for 1984 for the five largest railroads.

2. INCREASE THE ROLLING STOCK TAX RATE FROM THE CURRENT \$1.00 TO \$1.25, EFFECTIVE JANUARY 1, 1987.

3. PERMIT LOCAL ASSESSING OFFICIALS TO APPORTION THE ASSESSMENT OF INTERSTATE VEHICLES IF SUCH VEHICLES ARE SUBJECT TO AN APPORTIONED ASSESSMENT IN ANOTHER STATE.

This recommendation was brought to the subcommittee by the Department of Taxation as a result of research performed by the office of the Attorney General.

4. ALLOW THE JOINT SUBCOMMITTEE ONE ADDITIONAL YEAR TO MAKE ITS FINAL RECOMMENDATIONS TO THE GENERAL ASSEMBLY.

The legislation recommended by the joint subcommittee is contained in Appendix C.

Respectfully submitted,

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Elmon T. Gray, Chairman

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Lewis W. Parker, Jr., Vice Chairman

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Dudley J. Emick, Jr.¹

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Edward E. Willey

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Claude W. Anderson

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C. Richard Cranwell²

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S. Wallace Stieffen

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George L. Gordon

FOOTNOTES

- ¹. See dissenting opinion.
- ². Does not agree with the recommendations in the report.

COMMONWEALTH OF VIRGINIA



DUDLEY J. EMICK, JR.
22ND SENATORIAL DISTRICT
ALLEGHANY, BATH, BOTETOURT AND
TRINITY COUNTIES, WESTERN PART OF
BRANCKE COUNTY, CITIES OF CLAYTON,
MORFEE, COVINGTON AND SALEM
P. O. BOX 158
HINCARTLE, VIRGINIA 24090

COMMITTEE ASSIGNMENTS:
COURTS OF JUSTICE
FINANCE
REHABILITATION AND SOCIAL
SERVICES
TRANSPORTATION
RULES

SENATE

January 14, 1985

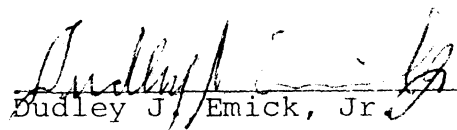
TO: John A. Garka
FROM: Dudley J. Emick, Jr.
SUBJECT: Rolling Stock Tax Recommendation

The year 1985 is not the time to raise taxes. I must strongly dissent from the majority report's recommendation of a 25% increase in the rate of the State rolling stock tax. Perhaps the only thing we can be certain of after two years of studying the rolling stock tax is that the whole area of personal property taxation in this State is confusing, misleading to the public and in need of complete reform.

Furthermore, the recommendation of the majority runs directly counter to the only study submitted to us which made a sincere effort to determine effective rather than nominal tax rates.

To raise this tax rate only exacerbates the long-standing inequity favoring interstate motor vehicle carriers over both railroads and certain domestic motor vehicle carriers. The study has revealed that most ICC certificated motor vehicle carriers escape all personal property taxation in this State even though they may travel thousands of miles per year on Virginia's highways.

I join in the majority's recommendation that the revenue from the rolling stock tax on railroads be transferred to the localities as is presently done with the much more modest revenues from the State rolling stock tax on certain trucks.


Dudley J. Emick, Jr.

DJE/cts

APPENDIX A

TABLE 2
EFFECTIVE ROLLING STOCK TAX
RATE ON MOTOR VEHICLE CARRIERS,
(Per \$100 of Original Cost)

<u>AGE</u>	<u>EFFECTIVE TAX RATE</u>
1 YEAR OLD	\$ 0.86
2 YEAR OLD	0.71
3 YEAR OLD	0.57
4 YEAR OLD	0.43
5 YEAR OLD	0.29
6 YEAR OLD	0.25
7 YEAR OLD	0.25

NOTE: Assume probable life of seven years.

TABLE 2A
EFFECTIVE ROLLING STOCK TAX RATE
ON RAILROAD ROLLING STOCK, DIESEL
(Per \$100 of Original Cost)

<u>AGE</u>	<u>EFFECTIVE TAX RATE</u>
1 YEAR OLD	\$ 0.94
2 YEARS OLD	0.88
3 YEARS OLD	0.82
4 YEARS OLD	0.76
5 YEARS OLD	0.70
6 YEARS OLD	0.64
7 YEARS OLD	0.58
8 YEARS OLD	0.52
9 YEARS OLD	0.46
10 YEARS OLD	0.40
11 YEARS OLD	0.34
12 YEARS OLD	0.28
13 YEARS OLD	0.25
14 YEARS OLD	0.25
15 YEARS OLD	0.25

TABLE 3
EFFECTIVE LOCAL TANGIBLE PERSONAL
PROPERTY TAX RATES ON LARGE
TRUCKS, SELECTED LOCALITIES, 1982.
(Per \$100 of Original Cost)

	<u>Arlington</u>	<u>Augusta</u>	<u>Chesterfield</u>	<u>Culpeper</u>	<u>Dinwiddie</u>	<u>Fairfax</u>	<u>Giles</u>
1 YEAR OLD	\$ 3.57	\$ 1.24	\$ 2.52	\$ 1.40	\$ 3.24	\$ 2.88	\$ 0.90
2 YEAR OLD	3.06	0.93	1.80	1.00	2.97	2.40	0.90
3 YEAR OLD	2.55	0.62	1.44	0.80	2.70	1.92	0.90
4 YEAR OLD	2.04	0.62	1.08	0.60	2.43	1.44	0.90
5 YEAR OLD	1.53	0.62	0.72	0.40	2.16	0.96	0.90
6 YEAR OLD	1.02	0.62	0.36	0.20	1.89	0.96	0.90
7 YEAR OLD	1.02	0.62	0.36	0.20	1.62	0.96	0.90
	<u>Hanover</u>	<u>Henrico</u>	<u>Henry</u>	<u>Roanoke Co.</u>	<u>Stafford</u>	<u>Sussex</u>	
1 YEAR OLD	\$ 2.18	\$ 2.85	\$ 0.92	\$ 2.10	\$ 2.28	\$ 1.50	
2 YEAR OLD	1.82	2.28	0.92	1.75	2.00	1.50	
3 YEAR OLD	1.46	1.90	0.92	1.40	1.71	1.50	
4 YEAR OLD	1.09	1.52	0.92	1.05	1.42	1.50	
5 YEAR OLD	0.73	1.14	0.92	0.70	1.14	1.50	
6 YEAR OLD	0.36	0.76	0.92	0.70	0.86	1.50	
7 YEAR OLD	0.36	0.76	0.92	0.70	0.86	1.50	
	<u>Charlottesville</u>	<u>Fredericksburg</u>	<u>Hopewell</u>	<u>Newport News</u>	<u>Norfolk*</u>	<u>Petersburg</u>	<u>Richmond</u>
1 YEAR OLD	\$ 3.51	\$ 3.06	\$ 2.20	\$ 3.75	\$ 3.20	\$ 1.86	\$ 2.51
2 YEAR OLD	3.07	2.72	1.76	3.50	2.88	1.55	2.15
3 YEAR OLD	2.63	2.38	1.32	3.25	2.60	1.24	1.80
4 YEAR OLD	2.20	2.04	0.88	3.00	2.32	0.93	1.44
5 YEAR OLD	1.76	1.53	0.44	2.75	2.08	0.62	1.08
6 YEAR OLD	1.32	1.02	0.44	2.50	1.88	0.62	0.72
7 YEAR OLD	1.32	0.68	0.44	2.25	1.72	0.62	0.72

TABLE 3 CON'T

	<u>Roanoke</u>	<u>Salem</u>	<u>Staunton</u>
1 YEAR OLD	\$ 2.25	\$ 2.28	\$ 2.80
2 YEAR OLD	1.87	1.95	2.00
3 YEAR OLD	1.50	1.63	1.20
4 YEAR OLD	1.12	1.30	0.80
5 YEAR OLD	0.75	0.98	0.80
6 YEAR OLD	0.75	0.81	0.80
7 YEAR OLD	0.75	0.81	0.80

*Locality uses Blue Book primarily.

TABLE 4
 DEVIATION OF LOCAL EFFECTIVE TANGIBLE PERSONAL
 PROPERTY TAX RATE TO EFFECTIVE ROLLING STOCK
 TAX RATE FOR MOTOR VEHICLE CARRIERS, 1982.

	<u>Arlington</u>	<u>Augusta</u>	<u>Chesterfield</u>	<u>Culpeper</u>	<u>Dinwiddie</u>	<u>Fairfax</u>	<u>Giles</u>
1 YEAR OLD	315%	44%	193%	63%	277%	235%	5%
2 YEAR OLD	331%	31%	154%	41%	318%	238%	27%
3 YEAR OLD	347%	9%	153%	40%	374%	237%	58%
4 YEAR OLD	374%	44%	151%	40%	465%	235%	109%
5 YEAR OLD	427%	114%	148%	38%	645%	231%	210%
6 YEAR OLD	308%	148%	144%	-20%	656%	284%	260%
7 YEAR OLD	308%	148%	144%	-20%	548%	284%	260%
	<u>Hanover</u>	<u>Henrico</u>	<u>Henry</u>	<u>Roanoke</u>	<u>Stafford</u>	<u>Sussex</u>	
1 YEAR OLD	153%	231%	7%	144%	165%	74%	
2 YEAR OLD	156%	221%	30%	146%	182%	111%	
3 YEAR OLD	156%	233%	61%	146%	51%	163%	
4 YEAR OLD	153%	253%	114%	144%	230%	249%	
5 YEAR OLD	152%	293%	217%	141%	293%	417%	
6 YEAR OLD	44%	204%	268%	180%	244%	500%	
7 YEAR OLD	44%	204%	268%	180%	244%	500%	
	<u>Charlottesville</u>	<u>Fredericksburg</u>	<u>Hopewell</u>	<u>Newport News</u>	<u>Norfolk</u>	<u>Petersburg</u>	<u>Richmond</u>
1 YEAR OLD	308%	256%	156%	336%	272%	116%	192%
2 YEAR OLD	332%	283%	148%	393%	306%	118%	203%
3 YEAR OLD	361%	318%	131%	470%	356%	118%	216%
4 YEAR OLD	412%	374%	105%	598%	440%	116%	235%
5 YEAR OLD	507%	428%	52%	848%	617%	114%	272%
6 YEAR OLD	428%	308%	76%	900%	652%	148%	188%
7 YEAR OLD	428%	172%	76%	800%	588%	148%	188%

TABLE 4 CON'T

	<u>Roanoke</u>	<u>Salem</u>	<u>Staunton</u>
1 YEAR OLD	162%	165%	220%
2 YEAR OLD	163%	175%	182%
3 YEAR OLD	163%	186%	111%
4 YEAR OLD	160%	202%	80%
5 YEAR OLD	159%	238%	176%
6 YEAR OLD	200%	224%	220%
7 YEAR OLD	200%	224%	220%

TABLE 1
 ROLLING STOCK TAX ON
 RAILROAD COMPANIES IN VIRGINIA,
 SECTED RECENT YEARS

<u>Year</u>	<u>Assessed Value</u>	<u>Tax</u>	<u>Percentage Change</u>
1984	\$ 518,451,300	\$ 5,184,513	- 21.2%
1983	657,906,850	6,579,068	+ 9.5%
1982	600,798,749	6,007,987	+ 6.7%
1981	563,248,672	5,632,487	+ 23.6%
1980	455,712,809	4,557,128	+ 18.3%
1979	385,055,438	3,850,554	- 5.2%
1978	406,024,309	4,060,243	- 8.3%

SOURCE: State Corporation Commission and the Department of Taxation

TABLE 4 -- LOCAL TANGIBLE PERSONAL PROPERTY TAX
COLLECTIONS IN VIRGINIA, TAX YEARS 1973 - 1982

<u>Tax Year</u>	<u>Tangible Personal Property Tax Collections</u>	<u>Average Statewide TPP Rate</u>
1982	\$ 315,402,776	\$ 3.72
1981	271,128,547	3.71
1980	237,316,821	3.86
1979	215,557,562	3.92
1978	187,603,225	3.97
1977	165,350,365	4.04
1976	145,637,866	4.19
1975	121,229,847	4.01
1974	108,307,564	4.03
1973	94,853,144	4.05

TABLE 5 -- RAILROAD ROLLING STOCK TAX
COLLECTIONS IN VIRGINIA, TAX YEARS 1973 - 1984

<u>Tax Year</u>	<u>Railroad Rolling Stock Collections</u>
1984	\$ 5,184,513
1983	6,579,068
1982	6,007,987
1981	5,632,487
1980	4,557,128
1979	3,850,554
1978	4,060,243
1977	4,427,202
1976	4,382,221
1975	4,166,151
1974	3,942,975
1973	4,103,725

APPENDIX B

TABLE 1

ESTIMATED DISTRIBUTION OF \$1.25 ROLLING
STOCK TAX ON RAILROADS AND CAR LINES
IN 1984 (DISTRIBUTION = \$6,632,000)
(Distribution is based 1/2 on miles of track
and 1/2 on estimated value of roadway and track.)

<u>COUNTY</u>	<u>DISTRIBUTION</u>
Accomack	\$ 0
Albemarle	149,619
Alleghany	114,694
Amelia	24,700
Amherst	104,876
Appomattox	41,033
Arlington	31,022
Augusta	97,540
Bath	26,360
Bedford	160,678
Bland	0
Botetourt	153,947
Brunswick	78,180
Buchanan	141,345
Buckingham	29,665
Campbell	156,682
Caroline	83,549
Carroll	16,465
Charles City	9,172
Charlotte	100,758
Chesterfield	98,142
Clarke	15,289
Craig	0
Culpeper	48,157
Cumberland	7,579
Dickenson	20,103
Dinwiddie	142,236
Essex	0
Fairfax	77,551
Fauquier	77,876
Floyd	0
Fluvanna	62,883
Franklin	30,710
Frederick	0
Giles	107,811

<u>COUNTY</u>	<u>50/50 DISTRIBUTION</u>
Gloucester	0
Goochland	106,016
Grayson	1,176
Greene	0
Greensville	55,695
Halifax	81,690
Hanover	113,641
Henrico	179,745
Henry	30,448
Highland	0
Isle of Wight	40,262
James City	41,068
King George	4,754
King & Queen	0
King William	20,922
Lancaster	0
Lee	95,387
Loudoun	0
Louisa	62,966
Lunenburg	29,580
Madison	0
Mathews	0
Mecklenburg	81,005
Middlesex	0
Montgomery	128,719
Nelson	151,057
New Kent	45,632
Northampton	0
Northumberland	0
Nottoway	100,151
Orange	60,875
Page	37,113
Patrick	0
Pittsylvania	107,382
Powhatan	8,547
Prince Edward	118,039
Prince George	33,646
Prince William	70,583
Pulaski	42,209
Rappahannock	0

<u>COUNTY</u>	<u>50/50/ DISTRIBUTION</u>
Richmond	0
Roanoke	58,806
Rockbridge	81,555
Rockingham	40,860
Russell	64,425
Scott	0
Shenandoah	45,026
Smyth	21,823
Southampton	84,530
Spotsylvania	31,359
Stafford	65,899
Surry	0
Sussex	84,740
Tazewell	93,175
Warren	47,272
Washington	30,317
Westmoreland	0
Wise	54,526
Wythe	36,590
York	15,865

<u>CITY</u>	<u>50/50/ DISTRIBUTION</u>
Alexandria	144,848
Bedford	10,715
Bristol	9,278
Buena Vista	11,074
Charlottesville	27,794
Chesapeake	101,342
Clifton Forge	51,562
Colonial Heights	4,634
Covington	24,129
Danville	26,389
Emporia	8,212
Fairfax	0
Falls Church	0
Franklin	6,097
Fredericksburg	14,965
Galax	2,744
Hampton	8,098
Harrisonburg	3,330
Hopewell	26,853
Lexington	0
Lynchburg	103,730
Manassas	14,511
Manassas Park	0
Martinsville	6,664
Newport News	204,183
Norfolk	154,594
Norton	10,577
Petersburg	80,424
Poquoson	0
Portsmouth	39,050
Radford	13,068
Richmond	181,567
Roanoke	166,355
Salem	33,715
South Boston	7,664
Staunton	8,924
Suffolk	161,949
Virginia Beach	0
Waynesboro	18,102
Williamsburg	11,899
Winchester	0

NOTE: Based on the 1984 assessed values for the 5 largest railroads.
Prepared 12/18/84