

CHAPTER 3H

PRIVATE RAILROAD CAR TAX

HIGHLIGHTS

- Purpose The tax is in lieu of all other property taxes on private railroad cars.
- Tax Base Fair market value of the car, assessed annually, adjusted for the amount of time during the year the car is in the state.
- Tax Rate Prior year's statewide average property tax rate on other properties. The 2003-04 rate was 1.088%
- Revenue

2003-04	\$6.6 million*
2004-05 (estimate)	\$6.6 million*
- Administration Board of Equalization (BOE)

*Source: BOE

1. TAX OVERVIEW

Private railroad cars are railroad cars that are owned by companies who haul their own products, lease the cars to other shippers, or contract to carry the freight of other companies. They are not owned by the railroad companies.

The **private railroad car tax** is a property tax on privately owned railroad car fleets operating within the state. The tax is directly levied and retained by the state and is in lieu of all local ad valorem property taxes on private railroad cars. The cars are assessed and taxed by the state since it is impractical for individual counties to subject railroad cars, which can be moved frequently, to the local property tax.

The tax is based on the period of time each car is in the state and its fair market value.

Cars owned by the railroads are not subject to the private railroad car tax because they are subject to the general property tax and are included in the overall value of the railroads.

2. TAX RATE

The tax rate applied to private railroad cars is the prior year's statewide average property tax rate. The fiscal year (FY) 2003-04 rate, applicable to 2005 assessments, is 1.088%. The BOE annually determines the private railroad car tax rate.

3. REVENUE

Although private railroad car tax is assessed and taxed by the state in lieu of local ad valorem property tax, federal law requires parity in the tax assessed against private railcars to that assessed against other business property. This federal law, the "4-R" Act, discussed more completely in Chapter 4, specifically provides that railroad cars cannot be taxed differently than other commercial and industrial property. After numerous legal challenges to the tax rate imposed in light of the required tax parity, BOE taxes private railcars using a statewide assessment ratio representing the property percentage of market value. In FY 2003-04, this ratio is 74.87% of fair market value.

The private railroad car tax is a state General Fund revenue source. In FY 2003-04 the tax generated \$6.6 million. Revenues are estimated at \$6.6 million in FY 2004-05.

4. ADMINISTRATION

The BOE makes annual assessments of private cars, and levies and collects the tax.

5. CODE

Revenue and Taxation Code Sections 11201-11702