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CSX Transportation, Inc. v. South Carolina Department of Revenue

United States District Court, D. South Carolina, Columbia Division - January 7, 2019 - F.Supp.3d - 2019 WL 117313

Railroad brought action against South Carolina Department of Revenue alleging that South Carolina's property tax scheme discriminated against railroads in violation of Railroad Revitalization and Regulatory Reform Act (4-R Act) by excluding railroad property from benefit of 15% cap to increases in appraised values under South Carolina Valuation Act, and seeking injunctive and declaratory relief.

Following bench trial, the United States District Court entered judgment in favor of Department. Railroad appealed. The Court of Appeals vacated and remanded.

On remand, the District Court held that:

- Appropriate comparison class to railroad consisted of the other commercial and industrial real property taxpayers within South Carolina, and
- State provided sufficient justification for Valuation Act's failure to extend cap to railroad.

Provision of South Carolina Valuation Act imposing 15 percent cap on increase in fair market value of real property attributable to a periodic countywide appraisal and equalization program constituted a limitation on increases on ad valorem property taxes in South Carolina and not an exemption from tax, and thus provision was subject to Railroad Revitalization and Regulatory Reform Act (4-R Act) prohibition on any tax that resulted in discriminatory treatment of a railroad; whether or not railroad would be allowed to benefit from 15 percent cap would affect railroad's property tax.

Appropriate comparison class to railroad consisted of the other commercial and industrial real property taxpayers within South Carolina, in railroad's action against South Carolina alleging violation of Railroad Revitalization and Regulatory Reform Act (4-R Act) through South Carolina Valuation Act's exclusion of properties valued by the unit valuation method from a general cap on permissible increases in appraised values of commercial and industrial real properties.

State provided sufficient justification for South Carolina Valuation Act's failure to extend general 15 percent cap on permissible increases in appraised values of commercial and industrial real properties to railroad, and thus failure to extend cap to railroad did not violate Railroad Revitalization and Regulatory Reform Act (4-R Act) prohibition on discriminatory tax treatment of railroad; a 20 percent equalization factor applied to railroads but not to commercial and industrial taxpayers, state law provided various tax exemptions for benefit of railroads, and because sale of commercial and industrial property triggered assessment that set fair market value on property without regard to 15 percent cap, lost value was recouped in whole or in part for tax base at time of sale.

