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County of Isle of Wight v. International Paper Company

Supreme Court of Virginia - December 29, 2022 - S.E.2d - 2022 WL 17982130

Corporate taxpayer, which had successfully obtained tax refund judgment for prior tax years, filed application for correction of new county machinery and tools tax assessment, claiming assessment was non-uniform, invalid, and illegal.

The Isle of Wight Circuit Court granted county's motion to strike at conclusion of taxpayer's evidence during bench trial. Taxpayer appealed. The Supreme Court affirmed in part, reversed in part, and remanded. On remand, the Circuit Court found tax scheme unconstitutional and ordered full refund. County appealed.

The Supreme Court held that:

- Higher tax rate in conjunction with tax relief program resulted in unconstitutional non-uniform taxation;
- Invalidating tax relief program while preserving higher tax rate was not appropriate remedy; and
- Constitutional provision requiring all property to be taxed did not render judgment invalid.

County's higher machinery and tools tax rate in conjunction with county's machinery and tools tax relief program were integrated and interwoven in manner resulting in unconstitutional non-uniform taxation; rate was increased for one year for purpose of closing budget gap caused by issuance of refunds for machinery and tools tax paid in prior tax years, tax relief program was available during same one year period to ensure no taxpayer experienced net machinery and tools tax increase that was greater than amount of machinery and tools tax refund taxpayer had received for prior tax years, and interaction of tax rate and relief program resulted in disparate tax rates for taxpayers.

Invalidating county's machinery and tools tax relief program while preserving county's higher machinery and tools tax rate was not appropriate remedy for unconstitutional non-uniform taxation; higher tax rate and relief program were enacted together to serve complementary purpose and operated in tandem with one another, and manifest intent of county board of supervisors was not simply to enact higher tax rate for purpose of closing budget gap caused by issuance of refunds for machinery and tools tax paid in prior tax years, but to impose higher rate of taxation which would then be mitigated through relief program.

County procedurally defaulted any argument that proper remedy for unconstitutional non-uniform taxation resulting from interaction of county's higher machinery and tools tax rate and machinery and tools tax relief program was that taxpayer should pay tax rate that applied prior to increase in tax rate, even though county invoked such possibly remedy at oral argument if trial court did not sever relief program from tax rate, where county did not advance such argument at trial, county did not articulate any good cause to consider defaulted argument, and county did not invoke ends of justice as reason to consider defaulted argument.

Constitutional provision requiring all property to be taxed did not render invalid circuit court

judgment that resulted in taxpayer paying no machinery and tools tax for one year as remedy for unconstitutional non-uniform taxation due to interaction of county's higher machinery and tools tax rate and machinery and tools tax relief program; requirement that all property should be taxed presupposed lawful regime of taxation, and county had at its disposal alternative arguments for recovery of some machinery and tools tax if relief program was not severed from higher tax rate, but county did not advance such alternative arguments at trial.

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