



# TaxNewsFlash

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### Fourth Circuit: Railroad's challenge to South Carolina property tax returned to lower court

The U.S. Court of Appeals for the Fourth Circuit today vacated and remanded a federal district court's grant of summary judgment for the South Carolina Department of Revenue in a case concerning differences between how ad valorem taxes are determined in South Carolina for railroad property and how they are determined for most other commercial and industrial property.

The case is: *CSX Transportation, Inc. v. South Carolina Department of Revenue*, No. 16-1726 (4th Cir. March 17, 2017) Read the Fourth Circuit's [decision](#) [PDF 64 KB]

#### Summary

The *Railroad Revitalization and Regulatory Reform Act of 1976* targeted state and local taxation regimes that discriminate against railroads.

The primary focus of this appeal is the South Carolina Real Property Valuation Reform Act (SCVA), which the South Carolina General Assembly enacted in 2006. The SCVA generally limits increases in appraised values of commercial and industrial real properties to 15% within a particular five-year period. The SCVA does not apply, however, to "[r]eal property valued by the unit valuation concept." Because railroad property is valued by that method, railroads do not benefit from the 15% cap. It is that difference between the way South Carolina law treats railroad property and the way it treats other commercial and industrial property that resulted in this case.

The taxpayer (a railroad) challenged the SCVA in federal district court, but that court granted summary judgment for the state tax department. The taxpayer appealed, asserting that the district court erred in concluding that the taxpayer had failed to challenge the imposition of a tax within the meaning of the federal railroad law.

The Fourth Circuit today vacated and remanded the case back to the federal district court, noting that Congress had designed the law to prohibit taxes that discriminate against railroads. As the appeals court concluded, the taxpayer “alleges that if it is not allowed to benefit from the SCVA cap, its 2014 property tax will be just such a tax. If [the taxpayer] is correct, it should prevail. If not, it should lose.”

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