

# DEPARTMENT OF TAXATION

## 2007 Fiscal Impact Statement

1. **Patron** William H. Fralin, Jr.

3. **Committee** House Finance

4. **Title** Retail Sales and Use Tax Exemption:  
Railroad Rolling Stock

2. **Bill Number** HB 2148

**House of Origin:**

  X   **Introduced**

      **Substitute**

      **Engrossed**

**Second House:**

      **In Committee**

      **Substitute**

      **Enrolled**

### 5. **Summary/Purpose:**

This bill would provide a Retail Sales and Use Tax exemption for railroad rolling stock when sold or leased by the manufacturer. Railroad rolling stock would be defined as "locomotives, of whatever motive power, autocars, railroad cars of every kind and description, and all other equipment determined by the Tax Commissioner to constitute railroad rolling stock."

The effective date of this bill is not specified.

6. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

7. **Budget amendment necessary:** No.

### 8. **Fiscal implications:**

#### Administrative Cost

TAX has not assigned any administrative costs to this bill because the changes required by a single bill such as this can be implemented as part of the annual changes to our systems and forms. As stand-alone legislation, TAX considers implementation of this bill as "routine," and does not require additional funding.

TAX will provide specific administrative costs on any legislation that is not "routine." Additionally, TAX will review all state tax legislation likely to be enacted prior to the passage by each house. If the aggregate number of routine bills likely to pass either house is unusually large, it is possible that additional resources will be required. If so, TAX will identify the costs at that time.

#### Revenue Impact

As sufficient data is not available to identify currently taxable sales or leases of rolling stock that would be exempted by this bill, the revenue impact of this bill is unknown.

**9. Specific agency or political subdivisions affected:**

TAX

**10. Technical amendment necessary:** No.

**11. Other comments:**

Background

Under current law, *Code of Va.* § 58.1-609.3(3) allows a retail sales and use tax exemption for tangible personal property when sold or leased to a public service corporation engaged in business as a common carrier of property or passengers by railway, for use or consumption by such common carrier directly in the rendition of its public service.” The current exemption is not applicable to the sale of railroad rolling stock that is acquired either directly by shippers or by leasing companies for lease to shippers.

Other States

Several states currently provide an exemption from the Retail Sales and Use Tax on the sale of railroad freight cars, or do not impose any sales or use tax on freight car sales. These states include Alabama, Arizona, Arkansas, California, Colorado, Delaware, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Maryland, Michigan, Missouri, Mississippi, Nebraska, New Hampshire, New Jersey, New Mexico, Ohio, Oregon, Pennsylvania, South Carolina, Tennessee, Texas, Vermont, Washington, Wisconsin, and Wyoming.

Proposal

This bill would provide an exemption from state and local sales and use tax for railroad rolling stock when sold or leased by the manufacturer regardless of whether the purchaser is a public service corporation engaged in business as a common carrier of property or passengers by railway, for use or consumption by such common carrier directly in the rendition of its public service. Railroad rolling stock would be defined as “locomotives, autocars, railroad cars of every kind and description, and all other equipment determined by the Tax Commissioner to constitute railroad rolling stock.”

Similar Legislation

**House Bill 2677** is similar to this bill, but provides that railroad rolling stock would include locomotives, boxcars, covered hopper cars, open-top hopper cars, gondola cars, flat cars, tank cars, maintenance of way equipment, and all other wheeled vehicles used on rails or railroad tracks.

cc : Secretary of Finance

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