

**Introduced by Senator Hall**February 24, 2015

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An act to amend Sections 11292 and 11293 of, and to repeal Sections 11206 and 11294 of, the Revenue and Taxation Code, relating to taxation.

## LEGISLATIVE COUNSEL'S DIGEST

SB 357, as introduced, Hall. Private railroad car tax.

The California Constitution authorizes the Legislature to classify personal property for differential taxation or for exemption by means of a statute approved by a  $\frac{2}{3}$  vote of the membership of each house. Under the Private Railroad Car Tax Law, the State Board of Equalization assesses and taxes private railroad cars operated upon railroads in this state. In making an assessment, the board is required to determine the average number of each class of private railroad cars physically present in the state in the calendar year immediately preceding the fiscal year in which the tax is imposed upon the basis of car days.

This bill would instead require the board, in making the assessment, to determine the physical presence of private railroad cars in the state in the calendar year immediately preceding the fiscal year in which the tax is imposed upon the basis of mileage.

Existing law also requires the board, in making the above assessment, to value the cars by class based on the owner's acquisition cost, less depreciation, and sets forth the manner in which depreciation is calculated for each class of cars, as specified.

This bill would instead require the board, in making the assessment, to value the cars based on the owner's acquisition cost, including additions and betterments, less depreciation, and would revise the manner in which the depreciation is calculated, as specified.

Existing law requires the board to exclude from the California factor car mileage, car days, or other data that occurs while cars are not qualified for revenue service and are in a repair facility in the state, as specified. Existing law defines the term “class of private railroad cars” for these purposes.

This bill would delete the definition of the term “class of private railroad cars” and would eliminate the requirement that the board exclude from the California factor car mileage, car days, or other data that occurs while cars are not qualified for revenue service and are in a repair facility in the state.

Vote:  $\frac{2}{3}$ . Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 11206 of the Revenue and Taxation Code  
2 is repealed.

3 ~~11206. “Class of private railroad cars” means the Association~~  
4 ~~of American Railroad’s, or successor organization’s, one letter~~  
5 ~~alpha component of its car type codes as contained in that~~  
6 ~~organization’s Exhibit D of the UMLER specification manual or~~  
7 ~~successor exhibit.~~

8 SEC. 2. Section 11292 of the Revenue and Taxation Code is  
9 amended to read:

10 11292. In making the assessment, the board shall value the  
11 cars ~~by class~~ based on the owner’s acquisition cost, *including*  
12 *additions and betterments*, less depreciation. The depreciation  
13 shall be computed for these enumerated Association of American  
14 Railroad’s, or successor organization’s, car type groups on a  
15 straight-line basis with the indicated depreciable life schedules  
16 with a maximum of 80 percent depreciation allowed. *Acquisition*  
17 *costs, which includes additions and betterments, means the*  
18 *expenditures required to be capitalized by generally accepted*  
19 *accounting principles.*

20 (a) Stack cars (alpha S): ~~22 years minus the age at acquisition.~~  
21 *years.*

22 (b) Lightweight, low profile intermodal cars (alpha Q): ~~22 years~~  
23 ~~minus the age at acquisition.~~ *years.*

24 (c) Flat cars (alpha F): ~~22 years minus the age at acquisition.~~  
25 *years.*

1 (d) Conventional intermodal cars (alpha P): ~~22 years minus the~~  
2 ~~age at acquisition. years.~~

3 (e) Vehicular flat cars (alpha V): ~~22 years minus the age at~~  
4 ~~acquisition. years.~~

5 (f) All other cars (all other alphas): ~~25 years minus the age at~~  
6 ~~acquisition. years.~~

7 ~~(g) Betterments: the remaining depreciable life of the car to~~  
8 ~~which the betterment is applied.~~

9 ~~Acquisition cost is defined as the expenditures required to be~~  
10 ~~capitalized by generally accepted accounting principles.~~

11 SEC. 3. Section 11293 of the Revenue and Taxation Code is  
12 amended to read:

13 11293. In making an assessment, the board shall determine the  
14 ~~average number physical presence of each class of private railroad~~  
15 ~~cars physically present in the this state in the calendar year~~  
16 ~~immediately preceding the fiscal year in which the tax is imposed~~  
17 ~~upon the basis of car days. mileage.~~ The board shall multiply the  
18 ~~average number ratio~~ so determined by the value of a car of that  
19 class as determined under Section 11292 and use the product for  
20 the assessment of the cars.

21 SEC. 4. Section 11294 of the Revenue and Taxation Code is  
22 repealed.

23 ~~11294. In determining the averages required in Section 11293,~~  
24 ~~the board shall exclude from the California factor car mileage, car~~  
25 ~~days or such other data which occurs while cars are not qualified~~  
26 ~~for revenue service and are in a repair facility in this state requiring~~  
27 ~~and undergoing or awaiting remodeling, overhaul, renovation,~~  
28 ~~conversion or repair which necessitates total labor in excess of 10~~  
29 ~~man-hours.~~

30 ~~Car days excluded pursuant to this section shall not exceed 90~~  
31 ~~days per car unless the claimant provides substantiation of the~~  
32 ~~necessity for the additional days in such form as prescribed by the~~  
33 ~~board.~~