



COMMONWEALTH OF VIRGINIA

Department of Taxation
Richmond, Virginia

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Subject: Sales & Use
Railroads
 Subject: _____
 Subject: _____

MEMORANDUM

TO: William J. West, Supervisor
 Technical Services Section

DATE: June 6, 1985

RE: Status of Conrail Under the Sales and Use Tax

This will refer to Al Ulmer's February 21, 1985, field agent's report addressed to Ron Holt in which the status of Conrail under the sales and use tax was requested.

Federal law at 45 U.S.C. 727(c) provides that "[t]he (Consolidated Rail) Corporation shall be exempt from liability for any State tax, except for tax imposed by any political subdivision of a State, until the property of the Corporation is transferred by the Secretary under Subchapter IV of this Chapter" (the sale of the Federal Government's stock in Conrail). Accordingly, Conrail is exempt from the State sales and use tax until such time as its stock held by the Federal Government is sold. At that time, Conrail will enjoy the same exemption as any other railway common carrier does for State and local sales and use tax purposes. However, I believe that the wording of the federal law would require the payment of the local 1 percent sales and use tax by Conrail on all purchases other than those used directly in the rendition of its public service prior to the sale of its stock by the Federal Government.

Al Ulmer's field agent's report is attached so that you may handle this as he requested.

Danny M. Payne
 Danny M. Payne, Director
 Tax Policy Division

APPROVED: *W. H. Forst*
 W. H. Forst
 Tax Commissioner

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 Attachment