

Excise Tax Advisory

Excise Tax Advisories are interpretive statements authorized by RCW 34.05.230.

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Railroad Switching of Interstate Carriers

Is the switching of cars in a railroad freight yard exempt from public utility tax because the cars switched are engaged in interstate commerce? Further, is the use of switching equipment exempt from use tax?

Assume, Switching Company is engaged in the business of switching freight cars under an agreement with four trunk line railroad carriers. A fixed charge is made for each car switched. Switching Company is classified as a common carrier by the Washington Utilities and Transportation Commission.

The public utility tax is imposed on all public service businesses referred to in RCW 82.16.020. The taxpayer's activity of switching of cars is a public service business. As such, it is subject to the public utility tax.

RCW 82.12.030(4) exempts from the use tax "the use of any . . . locomotive, railroad car . . . used primarily in conducting interstate or foreign commerce by transporting therein or therewith property and persons for hire . . ." The use of switching equipment is a purely local function -- the providing of a local facility for others engaged in interstate commerce. The switching equipment is not used primarily in conducting interstate or foreign commerce. Further, Switching Company is not engaged in the business of carrying persons or property for hire. Therefore, Switching Company does not qualify for the RCW 82.12.030(4) exemption from use tax.

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