NEWS ADVISORY

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FOR IMMEDIATE RELEASE
March 4, 2014

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AG STRANGE PRAISES U.S. SUPREME COURT'S DECISION IN *ALABAMA DEPARTMENT OF REVENUE V. CSX TRANSPORTATION, INC.*

(MONTGOMERY) – The U.S. Supreme Court today issued a decision in *Alabama Department of Revenue v. CSX Transportation, Inc.*, which permits Alabama to justify its tax treatment of railroads as compared to motor carriers and water carriers under the "4-R Act."

"Alabama's sales tax does not discriminate against railroads and is perfectly consistent with federal law," said Alabama Attorney General Strange. "I am pleased that the Supreme Court has given Alabama the opportunity to show that its tax scheme is fair."

CSX, like all purchasers of off-road diesel fuel and other goods, pays the state's generally applicable 4 percent sales and use tax. Motor carriers are exempt from paying that sales and use tax because they pay a roughly equivalent motor fuels tax of 19 cents per gallon. And interstate water carriers do not have to pay the sales and use tax because interstate commerce traveling by water is historically and constitutionally favored.

Although federal law prohibits taxes that "discriminate" against rail carriers, the Attorney General's Office argued that Alabama should be allowed to justify treating railroads differently. The 11th Circuit Court of Appeals ruled against Alabama, and the Supreme Court reversed. The Supreme Court held that the lower courts should have allowed Alabama to justify its tax scheme by reference to public policy and comparable taxes.

Attorney General Strange commended Solicitor General Andrew Brasher and Assistant Solicitor General Megan Kirkpatrick for their work on this case.

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