

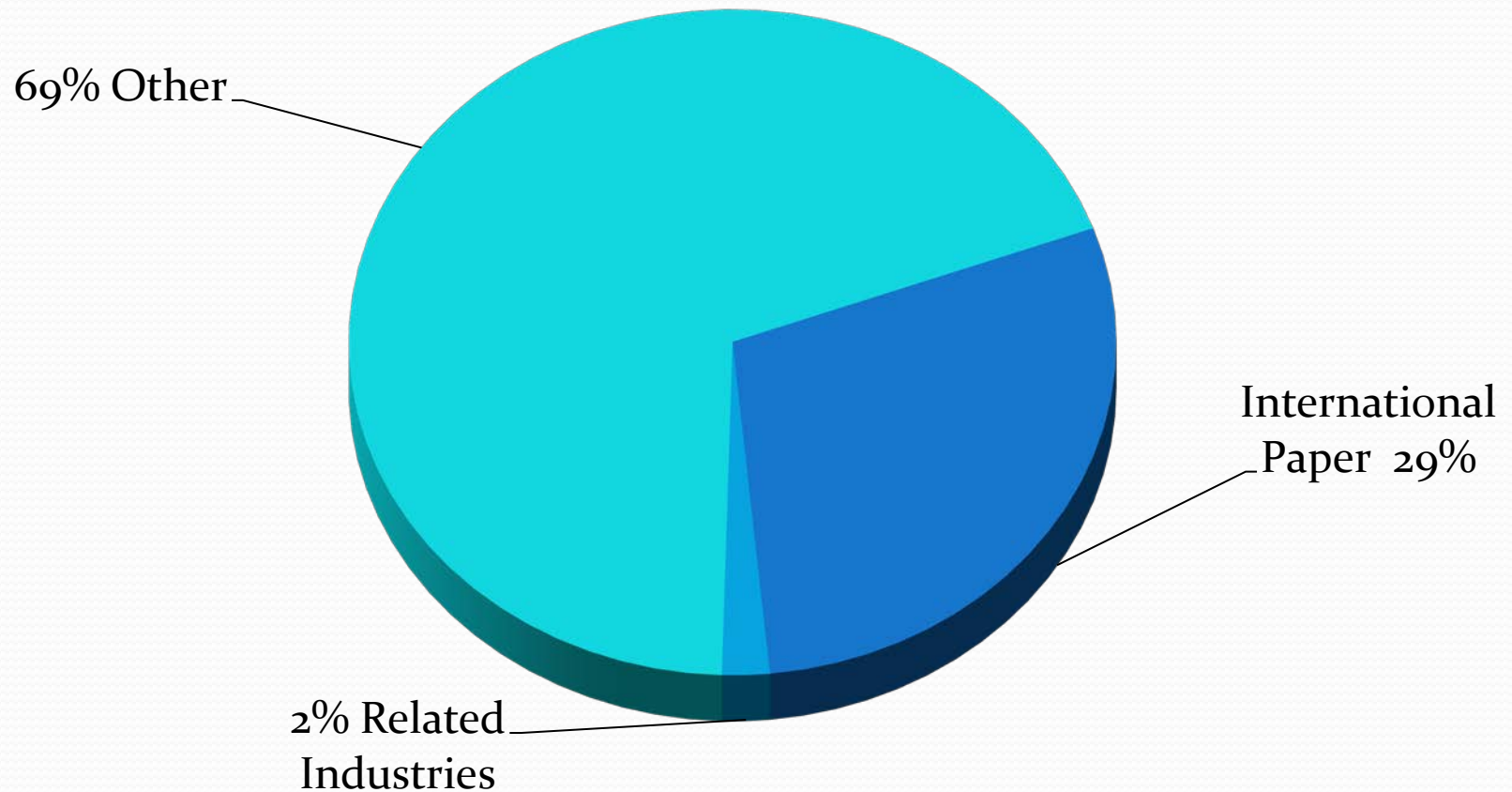
Idle Equipment Tax Ruling

VALTA

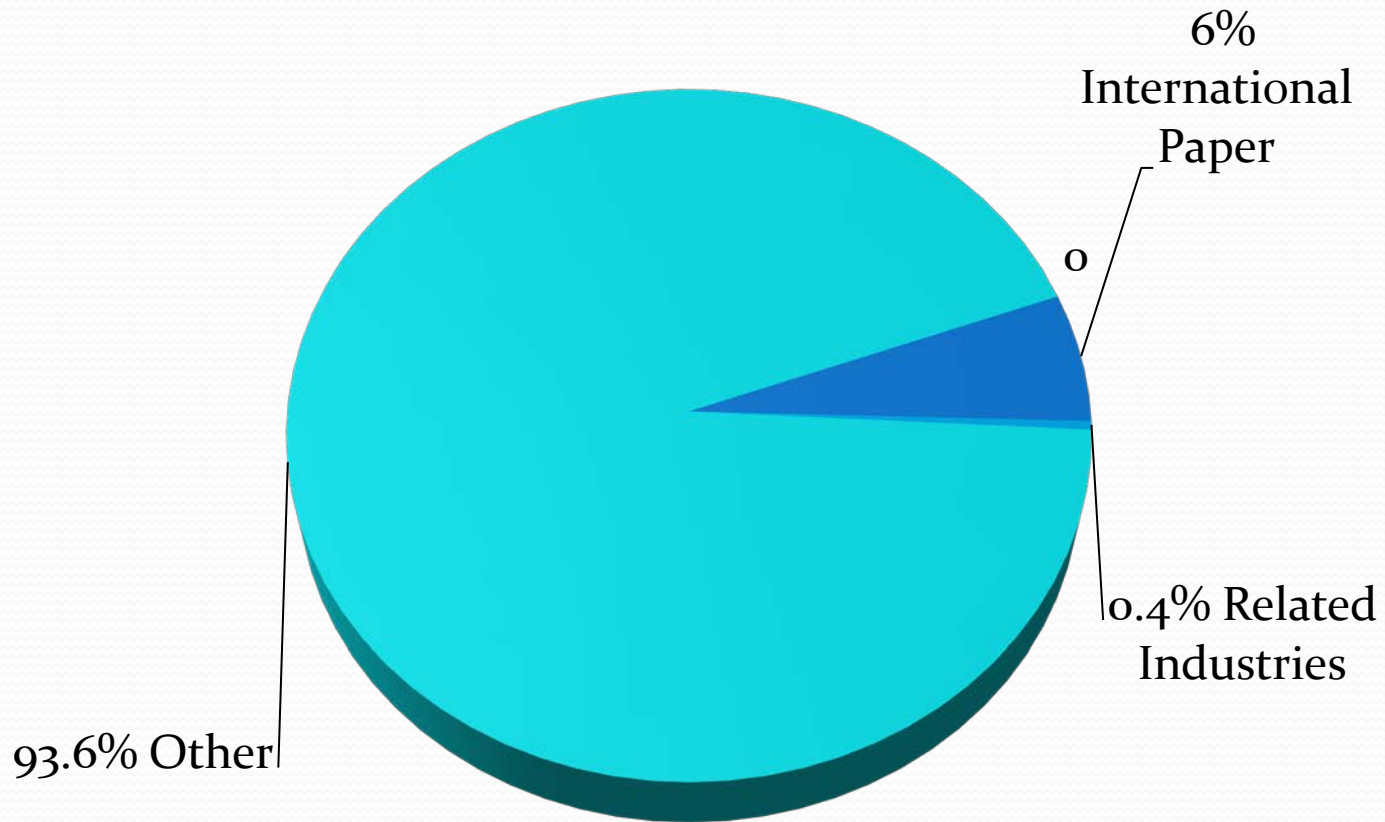
Virginia Association of Local Tax Auditors



Personal Property Revenue



Total FY10 Revenue Sources



International Paper

- \$5.7 Million – Machinery & Tools
- 29% of Personal Property Revenue
- 6% of County Revenue

Idle Equipment

- § 58.1-3507 D – idle equipment exempt
- International Paper declared the M & T idle
- § 58.1-3507 E – idle equipment taxable when returned to service.

International Paper Sells M & T

- Repurposing of facilities
- The Recycling Facility is leased to ST Tissue
- IP sells certain M & T to ST Tissue
 - De-inking Machines \$55 million
 - Paper Machines (2) \$69 million
- ST purchases assets for \$2.5 million

ST Tissue



International Paper



Assessment Liability Issue

- Who is assessable for taxes on the idle M & T?

A. International Paper

B. ST Tissue

Tax Ruling PD 13-21

- Who is assessable for taxes on the idle M & T?

~~A. International Paper~~

B. ST Tissue

“Return to Service” Question

- What is the definition of “returned to service”?
 - A. When the M & T is started up and tested for production.
 - B. When the production actually begins.

Tax Ruling PD 14-55

- What is the definition of “returned to service”?

~~A. When the M & T is started up and tested for production.~~

B. When the production actually begins.

“Original Cost” Question

- What is the cost basis for taxation?
 - A. \$124 million (International Paper’s Cost)
 - B. \$2.5 million (ST Tissue’s Cost)

Tax Ruling PD 14-21

- What is the cost basis for taxation?
 - A. \$124 million (International Paper's Cost)
 - ~~B. \$2.5 million (ST Tissue's Cost)~~

“County Recycle Credit” Issue

- County adopted recycle credit under § 58.1-3661
- Credit applied to Real Estate tax bill
- FY10 Credit = \$250,000

“County Recycle Credit” Question

- Is there a recycle credit and if so, who receives the credit?

A. Yes, International Paper

B. Yes, ST Tissue

C. No credit allowed

Tax Ruling PD 14-55

- Is there a recycle credit and who receives the credit?

~~A. Yes, International Paper~~

~~B. Yes, ST Tissue~~

C. No credit allowed

Summary

- ST Tissue will be assessed for idle equipment placed in service in 2013 .
- “Returned to service” means when production began.
- The basis will be International Paper’s original cost.
- There will be no recycle credit issued.

Questions?

