

Centrally Assessed Railroads and Public Service Entities

Overview

Railroads and public service entities such as pipelines, utilities, and telecommunication companies are subject to central assessment by the Property Tax Administrator. The taxable value is determined as of January 1 each year.

Railroads are required to annually file the Nebraska Railroad Tax Report, Form 41, with the Property Tax Administrator. Public service entities are required to annually file the Nebraska Public Service Entity Report for Fluid Pipelines, Gas Pipelines, Utilities, or Telecommunications, Form 43, with the Property Tax Administrator.

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This guidance document may change with updated information or added examples. The Department recommends you do not print this document. Instead, sign up for the subscription service at revenue.nebraska.gov to get updates on your topics of interest.

Terms

Allocation. Allocation is the process of assigning a portion of the centrally assessed company's unit value to the state.

Centrally Assessed Property. Centrally assessed property means owned or leased operating property of railroad companies and public service entities valued by the State. The Property Tax Administrator is statutorily responsible for determining a taxable valuation each year for centrally assessed property.

Distribution of Value. Distribution of value is the process of assigning a portion of the company's allocated taxable value to the counties and taxing subdivisions in the state.

Non-Operating Property. Non-operating property means property that is owned or leased and does not contribute to the operations or primary purpose of a centrally assessed company (for example, property owned by a telephone company that contributes to their telemarketing business).

Operating Property. Operating property means property that is owned or leased and contributes to the operation or purpose of a centrally assessed company (examples include: railroad transportation; two-way telephone communications; pipeline transmission of natural gas and petroleum products; etc).

Public Service Entity. A public service entity is any person or company organized for-profit and engaged in the business of waterworks, electric power, gasworks, natural gas, telecommunications, pipelines used for the transmission of oil, heat, steam, or any substance to be used for lighting, heating, or power, and pipelines used for transmission of articles by pneumatic or other power and all other similar or like entities.

Railroad Company. A railroad company means any person, association, company, or corporation owning, controlling, or operating a railroad in this state, or owning, controlling, or operating any station, depot, track, terminal, or bridge in this state for railroad purposes as owner, lessee, or otherwise.

Unit Value. Unit value means the valuation of an operating company as an integrated group of assets functioning as one economic unit without reference to the independent value of the component parts.

Filing Requirements

On or before April 15 of each year, each railroad company and public service entity must file a complete report with the Property Tax Administrator on prescribed forms. Upon written request, and for good cause shown, the Property Tax Administrator may allow up to a 15-day extension of time to file the required reports.

The Property Tax Administrator may assess a penalty of \$100 per day, up to \$10,000, for failure or refusal to file the required information. Upon written request and for good cause shown, the Tax Commissioner may waive the penalty in whole or in part. If a company disagrees with the penalty assessed, an appeal may be filed with the Tax Commissioner.

On or before January 1 of each year, all companies subject to central assessment must report to the county assessor the situs (location) of all non-operating property.

Sale of Centrally Assessed Property

Any sale of operating property of a railroad or public service entity must be reported by the purchaser to the Property Tax Administrator within 30 days from the date of the sale. The information that must be reported includes, but is not limited to: the seller, date of the sale, any change in name, purchase price, and in the case of a railroad, the miles of main and sidetrack located in each taxing subdivision.

Valuation of Centrally Assessed Property

The Property Tax Administrator uses many sources of information to develop centrally assessed values including, but not limited to: required annual property tax returns which include income statements and balance sheets; corporate annual reports to stockholders; reports required by federal regulatory agencies such as the Surface Transportation Board (STB), the Federal Energy Regulatory Commission (FERC); the Federal Communications Commission (FCC); financial publications such as Value Line Investment Services, Standard and Poor's; the Wall Street Journal; and a variety of industry specific publications.

All information reported by the centrally assessed companies that is not available from other public sources is confidential and available to taxing officials only.

The appraisal process for centrally assessed property is much the same as that performed by the local county assessor using cost, income, and market approaches to value. Centrally assessed property is appraised or valued as a unit. A unit value is based on all the assets working together as a business or entity, as opposed to valuation of individual assets. The correlated unit value is allocated to Nebraska based on elements such as investment (property), revenues (income), and volume of business (use). The portion of the allocated unit value attributable to tangible personal property is removed and replaced with an allocated net book tangible personal property amount determined according to Nebraska's method for depreciated net book personal property.

On or before July 1, each railroad company is sent a draft appraisal of its allocated taxable value as determined by the Property Tax Administrator. On or before July 25, each public service entity is sent a draft of its allocated taxable value as determined by the Property Tax Administrator.

Railroad companies may meet informally with the Property Tax Administrator through July 12 to discuss the proposed valuation or method of allocation. Public service entities may meet informally with the Property Tax Administrator through August 5 to discuss the proposed valuation or method of allocation.

On or before July 15, the Property Tax Administrator sends each railroad company a final appraisal showing the total allocated taxable value for property tax purposes. For public service entities, the Property Tax Administrator certifies a final appraisal showing the total allocated taxable value for property tax purposes on or before August 10.

On or before August 10, the final allocated taxable value of the centrally assessed company is subject to certain adjustments for real property equalization and the compensating personal property exemption factor.

Distribution of Railroad Company and Public Service Entity Value

On or before August 10, the Property Tax Administrator determines the distributed taxable value and certifies the taxable value to the county assessors, the railroad companies, and public service entities.

The railroad company taxable value is distributed to the counties in two steps:

- ❖ Five percent of the value is distributed to all taxing subdivisions where the railroad company has investment in general office buildings or machinery and repair facilities. The intent is to attribute value to the location where there is a heavy concentration of business offices or special use structures; and
- ❖ The balance of the value is distributed based on physical track miles located in the various taxing subdivisions using a formula of 50% density and 50% main and side track. The first half of this formula attributes value to the business or rail traffic activity. Typically, a large railroad divides its system into branch lines. Density factors are assigned to each branch line based on traffic activity or how often it is used in business. Certain branch lines have more rail traffic than others and, consequently, generate more revenues for the railroad company. The second half of the formula attributes value to the physical track miles, both main line and side tracks, within each branch line.

The public service entity's taxable value is distributed to the counties based on gross investment or original cost of all operating real and tangible personal property. The public service entity is required to report its total gross investment of property in the state, county, and individual taxing subdivisions. The investment for the taxing subdivision (for example, county, school, city) is divided by the reported investment for the state to establish a ratio or percentage. This percentage is multiplied by the public service entity's Nebraska taxable value to distribute the value among the counties and the taxing subdivisions.

Appeals

If a railroad company does not agree with the valuation or method of allocation established by the Property Tax Administrator, the railroad company may file an administrative appeal in writing with the Tax Commissioner on or before August 1.

If a public service entity does not agree with the valuation or method of allocation established by the Property Tax Administrator, the public service entity may file an administrative appeal in writing with the Tax Commissioner, on or before September 10.

Any administrative appeal, from either the railroad or public service entity, must state:

- ❖ Why the railroad company or public service entity claims the valuation is unjust or inequitable;
- ❖ The amount which the railroad company or public service entity claims the assessed valuation should be;
- ❖ The difference between the Department of Revenue's appraisal and the railroad company's or public service entity's opinion of its value; and
- ❖ A request for an adjustment of the valuation by the Tax Commissioner.

The Tax Commissioner will issue a written order on the appeal. A copy of the order will be mailed to the appealing company within seven days after the date of the order. If there is a change in taxable value, the Property Tax Administrator will recertify the distribution of taxable value to the appealing company and to each county assessor in the county in which the company is located.

If the appealing company does not agree with the Tax Commissioner's order, it may file an appeal with the Tax Equalization and Review Commission within 30 days after the date of the Tax Commissioner's order.

Recertification of Value

Depending on the timing of the recertification of the centrally assessed value, the county assessor must recertify the total taxable value to the political subdivisions and correct assessments on the tax list.

Tax Statements/Payments

The county is responsible for preparing the tax statements and collection of all taxes for railroad companies and public service entities. All property taxes, both real and personal, are due on December 31 of each year. First half and second half real and personal property taxes for the prior assessment year become delinquent May 1 and September 1, if unpaid, in counties with a population of less than 100,000 (all counties excluding Douglas, Lancaster, and Sarpy Counties). In counties that have a population of more than 100,000 (Douglas, Lancaster, and Sarpy), the delinquent dates are April 1 and August 1.

Resource List:

- ❖ [Form 41, Nebraska Railroad Tax Report; PDF](#)
- ❖ [Form 43, Nebraska Public Service Entity Report for Fluid Pipelines; PDF](#)
- ❖ [Form 43, Nebraska Public Service Entity Report for Gas Pipelines; PDF](#)
- ❖ [Form 43, Nebraska Public Service Entity Report for Utilities; PDF](#)
- ❖ [Form 43, Nebraska Public Service Entity Report for Telecommunications; PDF](#)
- ❖ [Railroads Statutes: Neb. Rev. Stat. §§ 77-601 to 77-693](#)
- ❖ [Public Service Entities Statutes: Neb. Rev. Stat. §§ 77-801 to 77-804](#)
- ❖ [Nebraska Administrative Code 350, Chapter 30 – Property Valued by the State \(Centrally Assessed\), Nebraska Department of Revenue](#)

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