Syllabus

NOTE: Where it is feasible, a syllabus (headnote) will be released, as is being done in connection with this case, at the time the opinion is issued. The syllabus constitutes no part of the opinion of the Court but has been prepared by the Reporter of Decisions for the convenience of the reader. See *United States* v. *Detroit Timber & Lumber Co.,* 200 U. S. 321, 337.

SUPREME COURT OF THE UNITED STATES

Syllabus

CSX TRANSPORTATION, INC. *v.* GEORGIA STATE BOARD OF EQUALIZATION ET AL.

CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE ELEVENTH CIRCUIT

No. 06–1287. Argued November 5, 2007—Decided December 4, 2007

Under Georgia law, most commercial and industrial property is valued locally by county boards for tax purposes, but public utilities such as petitioner railroad (CSX) are initially valued by the State. In 2002, respondent Georgia state board used a different combination of methodologies than it had in 2001 to determine that the market value of CSX's in-state real property had increased 47 percent, resulting in a significantly higher ad valorem tax levy. CSX filed suit under the Railroad Revitalization and Regulatory Reform Act of 1976 (4–R Act or Act), which bars States from, *inter alia,* "[a]ssess[ing] rail transportation property at a value that has a higher ratio to the [property's] true market value . . . than the ratio" between the assessed and true market values of other commercial and industrial property in the same taxing jurisdiction, 49 U. S. C. §11501(b)(1), and authorizes the federal district court to enjoin the tax if the railroad ratio exceeds the ratio for other property by at least five percent, §11501(c). CSX alleged that Georgia had grossly overestimated the market value of its in-state rail property while accurately valuing other commercial and industrial property in the State, so that CSX's property was taxed at a ratio of assessed-to-market value considerably more than 5 percent greater than the same ratio for the other in-state property. Ruling that Georgia had not discriminated against CSX in violation of the 4–R Act because the State had used widely accepted valuation methods to arrive at its 2002 estimate of true market value, the District Court declared that the Act does not allow a railroad to challenge a State's chosen methodology if it is rational and not motivated by discriminatory intent. The Eleventh Circuit panel affirmed, reasoning that the Act does not clearly state that

railroads may challenge valuation methodologies, and that such a clear statement was required in light of the intrusion on state taxing prerogatives.

Held: The 4–R Act allows a railroad to attempt to show that state methods for determining the value of railroad property result in a discriminatory determination of true market value. Pp. 5–12.

(a) The Act's language is clear. States may not tax railroad property at a ratio of assessed-to-true-market value higher than the ratio for other commercial and industrial property in the same jurisdiction. To apply the Act, district courts must calculate the true market value of in-state railroad property. A court cannot undertake the comparison of ratios the statute requires without that figure at hand, see *Burlington Northern R. Co.* v. *Oklahoma Tax Comm'n*, 481 U. S. 454, 461, and the determination of true market value may be affected by the State's choice of valuation methods. Georgia's argument that valuation methodologies must be distinguished from their application, and that the Act allows courts to question only the latter, is rejected. There is no distinction between method and application in the Act's language and no passage limiting district court factfinding as the State proposes. Georgia's position is untenable given the way market value is calculated. Valuation is not a matter of mathematics, but an applied science, even a craft. Most appraisers estimate market value by employing not one methodology but a combination because no one approach is entirely accurate, at least in the absence of an established market for the type of property at issue. The individual methods yield sometimes more, sometimes less reliable results depending on the peculiar features of the property evaluated. Given the extent to which the chosen methods can affect the determination of value, preventing courts from scrutinizing state valuation methodologies would render §11501 a largely empty command, forcing district courts to accept as "true" the market value estimate of the State, one of the parties to the litigation. States, in turn, would be free to employ appraisal techniques that routinely overestimate the market worth of railroad assets. By then levying taxes based on those overestimates, States could implement the very discriminatory taxation Congress sought to eradicate. Courts would be powerless to stop them, and the Act would ultimately guarantee railroads nothing more than mathematically accurate discriminatory taxation.

The State's warning that allowing railroads to introduce their own valuation estimates based on different methodologies will inevitably lead to a futile clash of experts, which courts will have no reasonable way to settle, is not compelling, given that Congress was not similarly troubled. Rather, Congress directed courts to find true market value, however elusive, making that value the objective benchmark

for courts' evaluation. Property valuation, though admittedly complex, is at bottom just "an issue of fact about possible market prices," *Suitum* v. *Tahoe Regional Planning Agency*, 520 U. S. 725, 741, an issue district courts are used to addressing. In light of the statute's directive making true market value a factual question to be determined by the district court, what Georgia really seeks is to limit the types of evidence courts may consider as part of their factual inquiry. Had Congress intended to impose such a limit, it could easily have included language insulating the State's chosen methodologies from judicial scrutiny. It did not. Pp. 5–9.

(b) The State argues that any interpretation of the Act allowing courts to question state valuation methods ignores the background principles of federalism against which the statute was enacted. Even if important state policy questions are intertwined with the selection of a valuation methodology, however, Congress clearly permitted courts to question such methodologies when it banned discriminatory assessment ratios and made true market value a question to be litigated in federal court. *Department of Revenue of Ore.* v. *ACF Industries, Inc.*, 510 U. S. 332, 343–344, distinguished. The Court also disagrees with Georgia's claim that the Court's interpretation will destroy the States' discretion to choose their own valuation methodologies. A State may use whatever method it likes, so long as the result is not discriminatory in violation of the Act. Pp. 9–12.

472 F. 3d 1281, reversed.

ROBERTS, C. J., delivered the opinion for a unanimous Court.