SUPREME COURT OF PENNSYLVANIA

BFC Hardwoods, Inc. v. Board of Assessment Appeals of Crawford County

565 Pa. 65 (2001) (Pa. 2001) · Decided May 22, 2001

SUMMARY

The Supreme Court of Pennsylvania considered whether specialized dry kilns used to dry lumber qualify as machinery or equipment excluded from local real estate taxation under the Fourth to Eighth Class County Assessment Law. The court held that BFC Hardwoods' dry kilns constituted machinery contained in an industrial establishment and were therefore excluded from real estate taxation. The court reversed the Commonwealth Court and remanded for further proceedings.

CASE DETAILS

COURT	Supreme Court of Pennsylvania
WRITING FOR THE COURT	Saylor, Justice; Flaherty, C.J.; Zappala, J.; Cappy, J.; Castille, J.; Saylor, J.
JURISDICTION	Pennsylvania
DECIDED	May 22, 2001
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	BFC appealed a real estate tax assessment to the Crawford County Board of Assessment Appeals, then to the court of common pleas, the Commonwealth Court, and finally the Supreme Court of Pennsylvania.
STANDARD OF REVIEW	The Supreme Court examined the statutory interpretation issue and whether the record supported the common pleas court's factual findings; it stated that there was ample evidence supporting the finding that BFC's facility was an industrial establishment.
PRECEDENTIAL VALUE	Published precedential opinion of the Supreme Court of Pennsylvania.
PARTIES	BFC Hardwoods, Inc. v. Board of Assessment Appeals of Crawford County

TOPICS

property tax · real estate · statutory interpretation · municipal law

PRACTICE AREAS

property taxation | real estate taxation | Pennsylvania local government law | statutory interpretation

QUESTIONS PRESENTED

1. Whether BFC's dry kilns constituted machinery, tools, appliances, or other equipment contained in an industrial establishment under Section 201(a) of the Fourth to Eighth Class County Assessment Law.
2. Whether the dry kilns were excluded from local real estate taxation under 72 P.S. § 5453.201(a), including whether their structural components were integral parts of machinery or equipment rather than taxable real estate.
3. Whether Commonwealth v. Babcock Lumber Co. controlled the tax treatment of the dry kilns.

HOLDINGS

1. BFC's lumber-drying facility constituted an industrial establishment for purposes of the machinery-and-equipment exclusion in Section 201(a) of the Fourth to Eighth Class County Assessment Law.
2. The entirety of BFC's dry kilns, including their specialized physical structures, chambers, and associated components, constituted machinery or equipment excluded from real estate taxation under Section 201(a).
3. Commonwealth v. Babcock Lumber Co. did not control the case because it interpreted a narrower exemption under the Capital Stock Tax Act, whereas this case involved the broader machinery-and-equipment exclusion for local real estate taxation.

KEY QUOTATIONS

> *"Accordingly, we hold that BFC's dry kilns constitute machinery contained in its industrial establishment for purposes of Section 201(a) of the Law, and thus are excluded from real estate taxation under its provisions."* (766-767)

> *"improvements, whether fast or loose, which are used directly in manufacturing the products that the establishment is intended to produce and are necessary and integral parts of the manufacturing process and are used solely for effectuating that purpose, are excluded from real estate assessment and taxation."* (766)

FACTUAL BACKGROUND

BFC Hardwoods operated a commercial lumber-drying business using five specialized dry kilns in Crawford County. The kilns consisted of large insulated structures with heating, ventilation, airflow-control, computer-monitoring, flooring, sealing, and moisture-control systems, and were designed primarily for drying pre-cut green lumber. The drying process substantially reduced moisture in the lumber and made it suitable for commercial uses that the wood otherwise could not support. The kilns could be disassembled and relocated, and the evidence indicated that practical and economical use for other purposes, including storage, was highly limited.

PROCEDURAL HISTORY

The Board upheld the County's assessment of the dry-kiln structures. The court of common pleas conducted a hearing and viewed the facilities, then affirmed the assessment. The Commonwealth Court affirmed in a memorandum opinion by adopting the common pleas court's reasoning. The Supreme Court reversed and remanded.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

The case was remanded for further proceedings consistent with the opinion, including exclusion of the dry kilns from the real estate assessment under Section 201(a).

CASES CITED

- In re Borough of Aliquippa (Jones & Laughlin Tax Assessment Case), 405 Pa. 421, 175 A.2d 856 (1961)
- United States Steel Corp. v. Board of Assessment and Revision of Taxes, 422 Pa. 463, 223 A.2d 92 (1966)
- Gulf Oil Corp. v. City of Philadelphia, 357 Pa. 101, 53 A.2d 250 (1947)
- North Side Laundry Co. v. Board of Property Assessment, Appeals and Review, 366 Pa. 636, 79 A.2d 419 (1951)
- United Laundries, Inc. v. Board of Property Assessment, Appeals and Review, 359 Pa. 195, 58 A.2d 833 (1948)
- Messenger Publishing Co. v. Board of Property Assessment, Appeals and Review, 183 Pa. Super. 407, 132 A.2d 768 (1957)
- City of Pittsburgh v. WIIC-TV Corp., 14 Pa. Cmwlth. 18, 321 A.2d 387 (1974)
- Commonwealth v. Babcock Lumber Co., 1 Pa. Cmwlth. 45, 272 A.2d 522 (1971)
- Baker v. Commonwealth, 135 Pa. Cmwlth. 597, 581 A.2d 1019 (1990)
- Gordon Lubricating Co. v. Board of Property Assessment, Appeals and Review, 204 Pa. Super. 441, 205 A.2d 704 (1964), aff'd, 418 Pa. 625, 211 A.2d 284 (1965)
- Appeal of Penn-Lehigh Corp., 191 Pa. Super. 649, 159 A.2d 56 (1960)
- Voorhis v. Freeman, 2 Watts & S. 116 (Pa. 1841)
- Loeb Estate, 400 Pa. 368, 162 A.2d 207 (1960)
- City of Philadelphia v. Tax Review Board ex rel. Ace Dump Truck Service, 158 Pa. Cmwlth. 402, 631 A.2d 1072 (1993)
- Golden Triangle Broadcasting, Inc. v. City of Pittsburgh, 31 Pa. Cmwlth. 547, 377 A.2d 839 (1977), aff'd, 483 Pa. 525, 397 A.2d 1147 (1979)