SUPREME COURT OF VIRGINIA

City of Virginia Beach v. International Family Entertainment, Inc., 263 Va. 501

561 S.E.2d 696 (2002) · No. Record No. 011307 · Decided April 19, 2002

SUMMARY

The Supreme Court of Virginia held that the City of Virginia Beach lacked statutory authority to impose a personal property tax on satellite transponders owned by International Family Entertainment, Inc. The transponders were permanently affixed to satellites orbiting approximately 22,300 miles above the earth and had never been physically located in Virginia Beach. The court concluded that Virginia's statutory situs rules did not authorize taxation of the transponders and rejected reliance on the common-law doctrine of mobilia sequuntur personam and Article X of the Virginia Constitution.

CASE DETAILS

COURT	Supreme Court of Virginia
WRITING FOR THE COURT	Hassell, Justice; All the Justices
JURISDICTION	Virginia
DECIDED	April 19, 2002
DOCKET	Record No. 011307
DISPOSITION	affirmed
PROCEDURAL POSTURE	The City appealed a circuit-court judgment holding that it lacked statutory authority to assess personal-property taxes on International's satellite transponders and awarding International a refund of taxes paid.
STANDARD OF REVIEW	The court reviewed the statutory authority to impose the tax and affirmed the circuit court's legal conclusion that the City lacked authority to tax the transponders.
PRECEDENTIAL VALUE	Published opinion of the Supreme Court of Virginia; precedential.
PARTIES	City of Virginia Beach v. International Family Entertainment, Inc.

TOPICS

property tax · state and local tax · tax · statutory interpretation · municipal law

PRACTICE AREAS

state and local taxation | property taxation | municipal taxation | statutory interpretation | constitutional law

QUESTIONS PRESENTED

1. Whether Virginia Beach had statutory authority under Code §§ 58.1-3507 and 58.1-3511 to impose a local personal-property tax on satellite transponders that were not physically located within the city.
2. Whether the common-law doctrine of mobilia sequuntur personam permitted Virginia Beach to tax the transponders based on the owner's domicile.
3. Whether Article X, §§ 1 and 4 of the Virginia Constitution independently authorized the City to impose the tax.

HOLDINGS

1. Virginia Beach lacked statutory authority to impose a personal-property tax on International's transponders because Code § 58.1-3511(A) requires the situs of machinery and tools to be the locality where the property is physically located on the tax day, and the transponders were never physically located in Virginia Beach.
2. The common-law doctrine of mobilia sequuntur personam did not permit Virginia Beach to tax the transponders based solely on International's domicile.
3. Article X, §§ 1 and 4 of the Virginia Constitution did not independently authorize Virginia Beach to impose the tax; specific legislative authorization was required.

KEY QUOTATIONS

> *"Applying the aforementioned principles, we hold that the City does not have the statutory authority to tax International's transponders."* (699)

> *"Code § 58.1-3511, which deals with the situs of taxation, prescribes limitations upon the City's power to tax."* (699)

> *"Accordingly, to the extent any ambiguity exists, we hold that this common law rule does not apply to the taxing scheme at issue in this case."* (700)

FACTUAL BACKGROUND

International Family Entertainment, a Delaware corporation with its offices, books, records, and tax filings located in Virginia Beach, owned three transponders permanently affixed to communications satellites in geostationary orbit approximately 22,300 miles above the earth. The transponders amplified and relayed television programming signals but had never had a physical presence in Virginia Beach or anywhere else in Virginia. Virginia Beach assessed and collected approximately $120,169.12 per year in personal-property taxes on the transponders from 1993 through 1998, while no other jurisdiction taxed or claimed the right to tax them.

PROCEDURAL HISTORY

International filed an amended petition seeking correction of personal-property assessments for tax years 1993 through 1998 and a refund of taxes paid on three satellite transponders. After responsive pleadings and an ore tenus hearing, the circuit court ruled for International and awarded a $480,676.48 refund. The City appealed to the Supreme Court of Virginia, which affirmed.

DISPOSITION

affirmed

CASES CITED

- Hampton Nissan v. City of Hampton, 251 Va. 100, 104, 466 S.E.2d 95, 97 (1996)
- Commonwealth v. P. Lorillard Co., Inc., 129 Va. 74, 81-82, 105 S.E. 683, 685 (1921)
- Shelor Motor Co. v. Miller, 261 Va. 473, 478-79, 544 S.E.2d 345, 348 (2001)
- Commonwealth v. General Electric Co., 236 Va. 54, 64, 372 S.E.2d 599, 605 (1988)
- City of Winchester v. American Woodmark Corp., 250 Va. 451, 456, 464 S.E.2d 148, 151 (1995)
- Commonwealth v. Carter, 198 Va. 141, 147, 92 S.E.2d 369, 373 (1956)
- Woodward v. City of Staunton, 161 Va. 671, 673, 171 S.E. 590, 591 (1933)
- Whiting v. Town of West Point, 89 Va. 741, 743, 17 S.E. 1, 2 (1893)
- Hogan v. County of Norfolk, 198 Va. 733, 735, 96 S.E.2d 744, 745-46 (1957)
- Southern Railway Co. v. Commonwealth, 200 Va. 431, 433, 105 S.E.2d 814, 816 (1958)
- Prince William County v. Thomason Park, 197 Va. 861, 867, 91 S.E.2d 441, 446 (1956)
- Old v. City of Norfolk, 178 Va. 378, 382, 17 S.E.2d 427, 428-29 (1941)
