SUPREME COURT OF OREGON

Julian v. Department of Revenue

339 Or. 232 (2005) · No. SC S51618 (Control); SC S51619 · Decided September 1, 2005

SUMMARY

The Oregon Supreme Court reversed the Oregon Tax Court and held that the Oregon Food Bank qualified as a motor private carrier under 49 USC sections 13102(13) and 14503. Because the food bank transferred food it owned to participating agencies for a per-pound charge, the transfer constituted a sale, exempting the taxpayer's multistate compensation from Oregon income tax under the federal Amtrak Act.

CASE DETAILS

COURT	Supreme Court of Oregon
WRITING FOR THE COURT	De Muniz, J.
JURISDICTION	Oregon
DECIDED	September 1, 2005
DOCKET	SC S51618 (Control); SC S51619
DISPOSITION	reversed
PROCEDURAL POSTURE	Taxpayers appealed the Oregon Tax Court's grant of summary judgment to the Department of Revenue and denial of taxpayers' cross-motion for summary judgment in an Oregon income-tax exemption dispute.
STANDARD OF REVIEW	Review of an Oregon Tax Court judgment is limited to questions of law, including errors of law and questions concerning lack of substantial evidence in the record, under ORS 305.445.
PRECEDENTIAL VALUE	Published opinion; binding precedent of the Supreme Court of Oregon.
PARTIES	Rene C. Julian, Cindy S. Julian, John J. Holliday, Carol J. Holliday v. Department of Revenue, State of Oregon

TOPICS

income tax · statutory interpretation · appellate procedure · tax

PRACTICE AREAS

State and local taxation | Federal tax exemptions | Appellate procedure | Statutory interpretation

QUESTIONS PRESENTED

1. Whether Oregon Food Bank qualified as a motor private carrier under 49 U.S.C. § 13102(13) when it transported and transferred donated food to members of its food-distribution network.
2. Whether the taxpayers' compensation was exempt from Oregon income taxation under 49 U.S.C. § 14503(a)(1), the Amtrak Act, because Julian regularly performed assigned duties in two or more states for a motor private carrier.

HOLDINGS

1. Because Oregon Food Bank owned the food while transporting it and transferred title to participating agencies in exchange for 14 cents per pound, the transfer was a sale under 49 U.S.C. § 13102(13)(C).
2. Oregon Food Bank qualified as a motor private carrier under 49 U.S.C. § 13102(13), and Julian's compensation was exempt from Oregon income tax under 49 U.S.C. § 14503(a)(1).
3. Federal law governs the construction and application of the federal tax statutes, and federal exemptions that preempt state taxation must be read narrowly unless Congress clearly expressed the exemption.

KEY QUOTATIONS

> *"That transfer qualifies as the passing of title from buyer to seller for a price; in other words, it is a sale."*

> *"We therefore conclude that the transfer of food in question is a sale under 49 USC section 13102(13)(C). As a result, OFB qualifies as a motor private carrier under 49 USC section 14503(a)(1), and taxpayer is exempt from Oregon income tax under 49 USC section 14503."*

FACTUAL BACKGROUND

During 1998 and 1999, Rene Julian was a Washington resident employed as an interstate truck driver by Oregon Food Bank, a nonprofit organization that collected donated food and distributed it to nonprofit agencies in Oregon and southwest Washington. Oregon Food Bank owned the food while transporting it and transferred it to participating agencies for a delivery charge of 14 cents per pound; the agencies agreed not to sell, trade, or barter the food. Julian regularly drove across state lines, and the taxpayers claimed an exemption from Oregon income tax under the Amtrak Act.

PROCEDURAL HISTORY

The Department issued notices of deficiency and tax assessment for taxpayers' 1998 and 1999 Oregon income taxes after rejecting their claimed exemption under the Amtrak Act. The parties filed cross-motions for summary judgment in the Oregon Tax Court, which ruled that Oregon Food Bank was not a motor private carrier and granted judgment to the Department. The Oregon Supreme Court consolidated the appeals and reversed.

DISPOSITION

reversed

CASES CITED

- Shaw v. PACC Health Plan, Inc., 322 Or. 392, 400, 908 P.2d 308 (1995)
- California Equalization Board v. Sierra Summit, Inc., 490 U.S. 844, 851-52 (1989)
- Rogers v. Commissioner of Internal Revenue, 103 F.2d 790, 792 (9th Cir. 1939)
- Iowa v. McFarland, 110 U.S. 471, 478 (1884)
- Guardian Indus. v. Commissioner, 97 T.C. 308, 318 (1991)
- Julian v. Department of Revenue, 17 Or. Tax 384 (2004)

INSTRUCTIONS FOR AN AI ASSISTANT