

# Senate File 314 - Introduced

SENATE FILE 314

BY BROWN

## A BILL FOR

- 1 An Act establishing a shortline railroad restoration tax
- 2 credit, and including effective date and retroactive
- 3 applicability provisions.
- 4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1     Section 1. NEW SECTION.   15K.1   Definitions.

2     As used in this chapter, unless the context otherwise  
3 requires:

4     1.  "*Department*" means the department of revenue.

5     2.  "*Qualifying shortline railroad restoration project*"  
6 means an expenditure for maintenance, reconstruction, or  
7 replacement of railroad infrastructure.  A "*qualifying shortline*  
8 *railroad restoration project*" also includes an expenditure for  
9 maintenance, reconstruction, or replacement expenses that may  
10 include new construction of industrial leads, switches, spurs,  
11 sidings, and extensions of existing sidings.

12    3.  "*Railroad infrastructure*" includes track, roadbed,  
13 bridges, industrial leads, and track-related structures owned  
14 or leased as of January 1, 2019.

15    4.  "*Tax credit*" means the shortline railroad restoration tax  
16 credit.

17    Sec. 2. NEW SECTION.   15K.2   Shortline railroad restoration  
18 tax credit — limitations.

19    To qualify for the tax credit, all of the following must  
20 apply:

21    1.  The taxpayer must be classified as a class II or class  
22 III railroad by the federal surface transportation board  
23 pursuant to 49 C.F.R. §1106.2.

24    2.  The taxpayer must have a qualifying shortline railroad  
25 restoration project expenditure during the tax year.

26    3.  A qualifying shortline railroad restoration project  
27 expenditure is deemed to have occurred on the date the  
28 expenditure is incurred.

29    4.  *a.* For a class III railroad, the amount of the tax  
30 credit shall not exceed the product of seven thousand dollars  
31 multiplied by the number of miles of railroad track owned or  
32 leased within the state by the taxpayer at the close of the tax  
33 year when the qualifying shortline railroad project expenditure  
34 occurred.

35    *b.* For a class II railroad, the amount of the tax credit

1 shall not exceed the product of two thousand dollars multiplied  
2 by the number of miles of railroad track owned or leased within  
3 the state by the taxpayer at the close of the tax year when the  
4 qualifying shortline railroad project expenditure occurred.

5 5. The amount of the tax credit shall equal fifty percent  
6 of the total expense of the qualifying shortline railroad  
7 restoration project expenditure paid for by the taxpayer,  
8 subject to the limitation in subsection 4.

9 Sec. 3. NEW SECTION. 15K.3 Shortline railroad restoration  
10 tax credit — certificate — transferability.

11 1. a. A tax credit is allowed against the taxes imposed in  
12 chapter 422, divisions II, III, and V, and in chapter 432, and  
13 against the moneys and credits tax imposed in section 533.329.

14 b. An individual may claim a tax credit under this  
15 subsection of a partnership, limited liability company,  
16 S corporation, estate, or trust electing to have income  
17 taxed directly to the individual. The amount claimed by the  
18 individual shall be based upon the pro rata share of the  
19 individual's earnings from the partnership, limited liability  
20 company, S corporation, estate, or trust.

21 c. Any tax credit in excess of the taxpayer's liability  
22 for the tax year is not refundable but may be credited to the  
23 tax liability for the following five years or until depleted,  
24 whichever is earlier.

25 d. A tax credit shall not be carried back to a tax year  
26 prior to the tax year in which the taxpayer first receives the  
27 tax credit.

28 2. a. To claim a tax credit under subsection 1, a taxpayer  
29 must include one or more tax credit certificates with the  
30 taxpayer's tax return. A tax credit certificate shall not be  
31 included with a return filed for a taxable year beginning prior  
32 to the tax year listed on the certificate.

33 b. The tax credit certificate shall contain the taxpayer's  
34 name, address, tax identification number, the amount of the  
35 credit, any other information required by the department,

1 and a place for the name and tax identification number of a  
2 transferee and the amount of the tax credit being transferred.

3     *c.* The tax credit certificate, unless rescinded by the  
4 department, shall be accepted by the department as payment for  
5 taxes imposed pursuant to chapter 422, divisions II, III, and  
6 V, and in chapter 432, and against the moneys and credits tax  
7 imposed in section 533.329.

8     *d.* Tax credit certificates issued under this section may be  
9 transferred to any individual or entity. Within ninety days  
10 of transfer, the transferee shall submit the transferred tax  
11 credit certificate to the department along with a statement  
12 containing the transferee's name, tax identification number,  
13 and address, the denomination that each replacement tax credit  
14 certificate is to carry, and any other information required by  
15 the department.

16     *e.* Within thirty days of receiving the transferred tax  
17 credit certificate and the transferee's statement, the  
18 department shall issue one or more replacement tax credit  
19 certificates to the transferee. Each replacement tax credit  
20 certificate must contain the information required for the  
21 original tax credit certificate and must have the same  
22 expiration date that appeared in the transferred tax credit  
23 certificate. Tax credit certificate amounts of less than the  
24 minimum amount established by rule of the department shall not  
25 be transferable.

26     *f.* A tax credit shall not be claimed by a transferee  
27 under this section until a replacement tax credit certificate  
28 identifying the transferee as the proper holder has been  
29 issued. The transferee may use the amount of the tax credit  
30 transferred against the taxes imposed in chapter 422, divisions  
31 II, III, and V, and chapter 432, and against the moneys and  
32 credits tax imposed in section 533.329, for any tax year the  
33 original transferor could have claimed the tax credit. Any  
34 consideration received for the transfer of the tax credit shall  
35 not be included as income under chapter 422, divisions II, III,

1 and V. Any consideration paid for the transfer of the tax  
2 credit shall not be deducted from income under chapter 422,  
3 divisions II, III, and V.

4 3. The amount of the tax credit shall be determined by the  
5 department as provided in section 15K.4.

6 Sec. 4. NEW SECTION. 15K.4 Tax credit — application —  
7 award.

8 1. The department shall develop a system for the  
9 application, review, and authorization of tax credits awarded  
10 pursuant to this chapter and shall control the issuance of all  
11 tax credit certificates.

12 2. Upon review of the information required to be submitted  
13 by a taxpayer, which shall include documentation of qualifying  
14 shortline railroad restoration projects eligible expenditures,  
15 the number of track miles in this state, and status as a class  
16 II or class III railroad, the department shall issue the tax  
17 credit certificate stating the amount of the tax credit that  
18 may be claimed.

19 3. Qualifying shortline railroad restoration project  
20 expenditures funded by grants from an agency of the federal  
21 government, from another state agency, or from a political  
22 subdivision of the state shall not be eligible to generate a  
23 tax credit award pursuant to this chapter.

24 4. The department shall adopt rules pursuant to chapter 17A  
25 to administer this chapter.

26 Sec. 5. NEW SECTION. 422.12N Shortline railroad restoration  
27 tax credit.

28 The taxes imposed under this division, less the credits  
29 allowed under section 422.12, shall be reduced by a shortline  
30 railroad restoration tax credit as allowed under section 15K.3.

31 Sec. 6. Section 422.33, Code 2019, is amended by adding the  
32 following new subsection:

33 NEW SUBSECTION. 31. The taxes imposed under this division  
34 shall be reduced by a shortline railroad restoration tax credit  
35 as allowed under section 15K.3.

1     Sec. 7. Section 422.60, Code 2019, is amended by adding the  
2 following new subsection:

3     NEW SUBSECTION.   14.   The taxes imposed under this division  
4 shall be reduced by a shortline railroad restoration tax credit  
5 as allowed under section 15K.3.

6     Sec. 8. NEW SECTION. 432.12N Shortline railroad restoration  
7 tax credit.

8       The taxes imposed under this chapter shall be reduced by  
9 a shortline railroad restoration tax credit as allowed under  
10 section 15K.3.

11      Sec. 9. Section 533.329, subsection 2, Code 2019, is amended  
12 by adding the following new paragraph:

13     NEW PARAGRAPH.   1.   The moneys and credits tax imposed  
14 under this section shall be reduced by a shortline railroad  
15 restoration tax credit allowed under section 15K.3.

16       Sec. 10. EFFECTIVE DATE. This Act, being deemed of  
17 immediate importance, takes effect upon enactment.

18       Sec. 11. RETROACTIVE APPLICABILITY. This Act applies  
19 retroactively to January 1, 2019, for tax years beginning on  
20 or after that date.

21	EXPLANATION
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22           The inclusion of this explanation does not constitute agreement with  
23           the explanation's substance by the members of the general assembly.

24 This bill establishes a shortline railroad restoration tax  
25 credit to be administered by the department of revenue for  
26 qualifying shortline railroad restoration projects.

27 The bill defines "qualifying shortline railroad restoration  
28 project" to mean expenditures for maintenance, reconstruction,  
29 or replacement of shortline railroad infrastructure.

30       The bill defines "railroad infrastructure" to include  
31 track, roadbed, bridges, industrial leads, and track-related  
32 structures owned or leased as of January 1, 2019.

33       The bill allows a tax credit against the taxes imposed  
34 in Code chapter 422, divisions II (personal income tax), III  
35 (corporations), and V (franchise), and in Code chapter 432

1 (insurance companies tax), and against the moneys and credits  
2 tax imposed in Code section 533.329 (credit union taxation).

3 To qualify for the tax credit under the bill, the taxpayer  
4 must be classified as a class II or class III railroad by the  
5 federal surface transportation board, and have a qualifying  
6 shortline railroad restoration project expenditure during the  
7 tax year.

8 For a class III railroad, the amount of the tax credit shall  
9 not exceed the product of \$7,000 multiplied by the number of  
10 miles of railroad track owned or leased within this state by  
11 the taxpayer at the close of the tax year when the qualifying  
12 shortline railroad restoration project expenditure occurred.  
13 For a class II railroad, the amount of the tax credit shall  
14 not exceed the product of \$2,000 multiplied by the number of  
15 miles of railroad track owned or leased within the state by  
16 the taxpayer at the close of the tax year when the qualifying  
17 railroad project expenditure occurred. The amount of the tax  
18 credit shall equal 50 percent of the total expense of the  
19 qualifying shortline railroad restoration project. The bill  
20 specifies that a qualifying shortline railroad restoration  
21 project expenditure is deemed to have occurred on the date the  
22 expenditure is incurred.

23 The tax credit is not refundable, but any credit not used  
24 by the taxpayer may be carried forward for up to five years.  
25 However, a tax credit shall not be carried back to a tax year  
26 prior to the tax year in which the taxpayer first receives the  
27 tax credit.

28 The bill allows the tax credit to be transferred to any  
29 individual or entity.

30 The department of revenue is required to develop a system  
31 for the application, review, and authorization of tax credits  
32 awarded pursuant to this bill and shall control the issuance  
33 of all tax credit certificates.

34 The bill takes effect upon enactment and applies  
35 retroactively to January 1, 2019, to tax years beginning on or

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1 after that date.