



SF 314 – Shortline Railroad Restoration Tax Credit (LSB1937XS)
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Fiscal Note Version – New (Same as Fiscal Note for HF 655)

Description

Senate File 314 creates a new Shortline Railroad Restoration Tax Credit. The credit is available to Class II and Class III railroads (as classified by the Federal Surface Transportation Board) that incur qualified costs for maintenance, reconstruction, or replacement of railroad infrastructure, including bridges.

The calculation for the credit is 50.0% of qualifying expenditures. The total annual credits for a railroad may not be more than \$2,000 for Class II railroads or \$7,000 for Class III railroads multiplied by the number of miles of railroad track owned or leased within the State. Expenditures funded by grants from a different agency, State or federal, are excluded from qualifying costs.

The credit is nonrefundable but is transferable to another taxpayer. The credit is retroactive to January 1, 2019.

Assumptions

- There are 12 Class III and two Class II railroads operating in Iowa. Total Class III mileage equals 1,360, and total Class II mileage equals 1,262.
- Department of Revenue rules will specify that qualifying expenditures must be related to track miles located in Iowa.
- The average annual per-mile track maintenance cost is assumed to be \$60,000, and the amount expended by each qualified railroad is assumed to equal at least \$14,000 per mile in each calendar year.
- Based on the above three assumptions, the annual tax credit amount earned by the 14 eligible railroads is \$12.0 million.
- The statewide average local option income surtax for schools rate is 2.9%.
- The tax credit redemption pattern is assumed to be similar to other transferable tax credits. The assumed redemption pattern is:
 - Year 1 = 40.0%
 - Year 2 = 40.0%
 - Year 3 = 15.0%
 - Expiring unredeemed = 5.0%

Fiscal Impact

The net General Fund revenue reduction associated with the creation of a new Shortline Railroad Restoration Tax Credit is projected to be:

- FY 2020 = \$4.8 million
- FY 2021 = \$9.6 million
- FY 2022 and after = \$11.4 million

As a nonrefundable tax credit available to individual income tax payers, the new credit will reduce annual local option income surtax for schools revenue by a projected \$60,000 per year, beginning FY 2022.

The Department of Revenue estimates that the new tax credit will require \$30,000 in annual administrative expenditures. In addition, one-time costs associated with adding the new credit to the Department's tax credit tracking system will total \$240,000.

Sources

Department of Transportation Iowa State Rail Plan
Department of Transportation Iowa Rail Trends
U.S. Department of Transportation
Department of Revenue

/s/ Holly M. Lyons

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The fiscal note for this Bill was prepared pursuant to Joint Rule 17 and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
