

Senate File 630 - Introduced

SENATE FILE 630

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SF 314)

A BILL FOR

1 An Act establishing a shortline railroad restoration tax
2 credit, and including applicability provisions.

3 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 5. "*Transferee*" means any of the following:

18 a. A class II or class III railroad.

19 b. A person or entity who transports property using the rail
20 facilities of a class II or class III railroad in this state.

21 c. A person or entity who furnishes railroad-related
22 property or services to a class II or class III railroad in
23 this state.

24 Sec. 2. NEW SECTION. 15K.2 Shortline railroad restoration
25 tax credit — limitations.

26 To qualify for the tax credit, all of the following must
27 apply:

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

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

33 3. A qualifying shortline railroad restoration project
34 expenditure is deemed to have occurred on the date the
35 expenditure is incurred.

1 4. *a.* For a class III railroad, the amount of the tax
2 credit shall not exceed the product of seven thousand dollars
3 multiplied by the number of miles of railroad track owned or
4 leased within the state by the taxpayer at the close of the tax
5 year when the qualifying shortline railroad project expenditure
6 occurred.

7 *b.* For a class II railroad, the amount of the tax credit
8 shall not exceed the product of two thousand dollars multiplied
9 by the number of miles of railroad track owned or leased within
10 the state by the taxpayer at the close of the tax year when the
11 qualifying shortline railroad project expenditure occurred.

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

16 Sec. 3. NEW SECTION. **15K.3 Shortline railroad restoration**
17 **tax credit — certificate — transferability.**

18 1. *a.* Except as provided in section 15K.5, a tax credit
19 is allowed against the taxes imposed in chapter 422, divisions
20 II, III, and V, and in chapter 432, and against the moneys and
21 credits tax imposed in section 533.329.

22 *b.* An individual may claim a tax credit under this
23 subsection of a partnership, limited liability company,
24 S corporation, estate, or trust electing to have income
25 taxed directly to the individual. The amount claimed by the
26 individual shall be based upon the pro rata share of the
27 individual's earnings from the partnership, limited liability
28 company, S corporation, estate, or trust.

29 *c.* Any tax credit in excess of the taxpayer's liability
30 for the tax year is not refundable but may be credited to the
31 tax liability for the following five years or until depleted,
32 whichever is earlier.

33 *d.* A tax credit shall not be carried back to a tax year
34 prior to the tax year in which the taxpayer first receives the
35 tax credit.

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

6 *b.* The tax credit certificate shall contain the taxpayer's
7 name, address, tax identification number, the amount of the
8 credit, any other information required by the department,
9 and a place for the name and tax identification number of a
10 transferee and the amount of the tax credit being transferred.

11 *c.* The tax credit certificate, unless rescinded by the
12 department, shall be accepted by the department as payment for
13 taxes imposed pursuant to chapter 422, divisions II, III, and
14 V, and in chapter 432, and against the moneys and credits tax
15 imposed in section 533.329.

16 *d.* Tax credit certificates issued under this section may be
17 transferred to any individual or entity. Within ninety days
18 of transfer, the transferee shall submit the transferred tax
19 credit certificate to the department along with a statement
20 containing the transferee's name, tax identification number,
21 and address, the denomination that each replacement tax credit
22 certificate is to carry, and any other information required by
23 the department.

24 *e.* Within thirty days of receiving the transferred tax
25 credit certificate and the transferee's statement, the
26 department shall issue one or more replacement tax credit
27 certificates to the transferee. Each replacement tax credit
28 certificate must contain the information required for the
29 original tax credit certificate and must have the same
30 expiration date that appeared in the transferred tax credit
31 certificate. Tax credit certificate amounts of less than the
32 minimum amount established by rule of the department shall not
33 be transferable.

34 *f.* A tax credit shall not be claimed by a transferee
35 under this section until a replacement tax credit certificate

1 identifying the transferee as the proper holder has been
2 issued. The transferee may use the amount of the tax credit
3 transferred against the taxes imposed in chapter 422, divisions
4 II, III, and V, and chapter 432, and against the moneys and
5 credits tax imposed in section 533.329, for any tax year the
6 original transferor could have claimed the tax credit. Any
7 consideration received for the transfer of the tax credit shall
8 not be included as income under chapter 422, divisions II, III,
9 and V. Any consideration paid for the transfer of the tax
10 credit shall not be deducted from income under chapter 422,
11 divisions II, III, and V.

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

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

16 1. The department shall develop a system for the
17 application, review, and authorization of tax credits awarded
18 pursuant to this chapter and shall control the issuance of all
19 tax credit certificates.

20 2. Upon review of the information required to be submitted
21 by a taxpayer, which shall include documentation of qualifying
22 shortline railroad restoration projects eligible expenditures,
23 the number of track miles in this state, and status as a class
24 II or class III railroad, the department shall issue the tax
25 credit certificate stating the amount of the tax credit that
26 may be claimed.

27 3. Qualifying shortline railroad restoration project
28 expenditures funded by grants from an agency of the federal
29 government, from another state agency, or from a political
30 subdivision of the state shall not be eligible to generate a
31 tax credit award pursuant to this chapter.

32 4. The department shall adopt rules pursuant to chapter 17A
33 to administer this chapter.

34 Sec. 5. NEW SECTION. 15K.5 Contingent applicability.

35 A tax credit shall not be claimed pursuant to this chapter

1 until such time as the general assembly specifies the
2 cumulative value of tax credits that may be claimed annually
3 by taxpayers.

4 Sec. 6. NEW SECTION. 422.12N Shortline railroad restoration
5 tax credit.

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

9 Sec. 7. Section 422.33, Code 2019, is amended by adding the
10 following new subsection:

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

14 Sec. 8. Section 422.60, Code 2019, is amended by adding the
15 following new subsection:

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

19 Sec. 9. NEW SECTION. 432.12N Shortline railroad restoration
20 tax credit.

21 The taxes imposed under this chapter shall be reduced by
22 a shortline railroad restoration tax credit as allowed under
23 section 15K.3.

24 Sec. 10. Section 533.329, subsection 2, Code 2019, is
25 amended by adding the following new paragraph:

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

29

EXPLANATION

30 The inclusion of this explanation does not constitute agreement with
31 the explanation's substance by the members of the general assembly.

32 This bill establishes a shortline railroad restoration tax
33 credit to be administered by the department of revenue for
34 qualifying shortline railroad restoration projects.

35 The bill defines "qualifying shortline railroad restoration

1 project" to mean expenditures for maintenance, reconstruction,
2 or replacement of shortline railroad infrastructure.

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

6 The bill allows a tax credit against the taxes imposed
7 in Code chapter 422, divisions II (personal income tax), III
8 (corporations), and V (franchise), and in Code chapter 432
9 (insurance companies tax), and against the moneys and credits
10 tax imposed in Code section 533.329 (credit union taxation).

11 To qualify for the tax credit under the bill, the taxpayer
12 must be classified as a class II or class III railroad by the
13 federal surface transportation board, and have a qualifying
14 shortline railroad restoration project expenditure during the
15 tax year.

16 For a class III railroad, the amount of the tax credit shall
17 not exceed the product of \$7,000 multiplied by the number of
18 miles of railroad track owned or leased within this state by
19 the taxpayer at the close of the tax year when the qualifying
20 shortline railroad restoration project expenditure occurred.

21 For a class II railroad, the amount of the tax credit shall
22 not exceed the product of \$2,000 multiplied by the number of
23 miles of railroad track owned or leased within the state by
24 the taxpayer at the close of the tax year when the qualifying
25 railroad project expenditure occurred. The amount of the tax
26 credit shall equal 50 percent of the total expense of the
27 qualifying shortline railroad restoration project. The bill
28 specifies that a qualifying shortline railroad restoration
29 project expenditure is deemed to have occurred on the date the
30 expenditure is incurred.

31 The tax credit is not refundable, but any credit not used
32 by the taxpayer may be carried forward for up to five years.
33 However, a tax credit shall not be carried back to a tax year
34 prior to the tax year in which the taxpayer first receives the
35 tax credit.

1 The bill allows the tax credit to be transferred to any of
2 the following: a class II and class III railroad; a person or
3 entity who transports property using the rail facilities of a
4 class II or class III railroad in this state; or a person or
5 entity who furnishes railroad-related property or services to a
6 class II or class III railroad in this state.

7 The department of revenue is required to develop a system
8 for the application, review, and authorization of tax credits
9 awarded pursuant to this bill and shall control the issuance
10 of all tax credit certificates.

11 A tax credit shall not be claimed pursuant to the bill until
12 such time as the general assembly specifies the cumulative
13 value of tax credits that may be claimed annually by taxpayers.