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S.F. No. 1155 – Short line railroad infrastructure modernization credit modifications (as proposed to be amended by the A-3 delete-everything amendment)

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As proposed to be amended, this bill modifies the short line railroad infrastructure modernization credit that was enacted in the 2023 omnibus tax bill. The credit equals 50 percent of eligible expenses, up to \$3,000 per mile, multiplied by the number of miles of railroad track for which the taxpayer made qualified railroad reconstruction or replacement expenditures in a taxable year. The credit is nonrefundable but may be carried forward for up to five years.

Section 1. Definitions. Adds definitions of “credit certificate” and “transfer credit certificate” for purposes of the new certification and transfer provisions in section 2.

Section 2. Credit certificates; written agreement required; transferability. Under current law, an eligible taxpayer may transfer a credit or portion of a credit to another taxpayer by written agreement and the issuance of a credit certificate by the commissioner of revenue. This section modifies the process by which a credit certificate is issued and the credit transfer occurs.

An eligible taxpayer would apply to the commissioner of transportation for a credit certificate, who must issue the credit certificate within 30 days of receipt of the application and provide a copy of the credit certificate to the commissioner of revenue. The credit certificate must state the number of miles of qualified railroad reconstruction or replacement expenditures and the total amount of the credit calculated according to a formula under current law. The commissioner must not issue more than one credit certificate to an eligible taxpayer in a taxable year.

This section also modifies the process by which an eligible taxpayer may transfer a credit to another taxpayer. The transfer must be made by written agreement, which must state the amount of credit

stated in the credit certificate before any remainder is claimed by the eligible taxpayer, or the entire amount of credit that is carried over in the five succeeding tax years.

The amendment requires the commissioner of revenue to issue a transfer credit certificate to a transferee, and strikes language requiring the transferee to be liable for credits claimed in excess of the allowed amount.

Sections 1 and 2 are effective retroactively to tax year 2023.