

Benefits of the "Railroad Investment Tax Credit

The following list will demonstrate the benefits of adding to the budget a tax credit of \$3,500 per mile for Class II and Class III (Shortline) Railroads in Indiana:

- 1. In order to receive the tax credit of \$3,500 per mile of track owned or operated by an Indiana railroad, the railroad would be required to invest \$7,000 per mile;**
- 2. The total possible cost to the state of Indiana would be limited to approximately \$5 million dollars a year, given 1,420 miles of track times \$3,500. It would be unlikely that every railroad would invest the maximum each year, so the cost would likely be less than \$5 million each year;**
- 3. All Class II and Class III (Shortline) Railroads could benefit from this investment tax credit by maintaining and upgrading its infrastructure to better serve its customers;**
- 4. The benefit of the tax credit would be proportional to the size of the railroad. The bigger railroads would have more benefit by having more miles of track;**
- 5. Railroads are businesses supplying other businesses and customers, thus helping to keep and expand jobs;**
- 6. Railroads need a dependable long-term source of investment income and incentive to stay competitive in the rail transportation sector. This tax investment credit would provide the source of that income;**
- 7. Tax Credits are a common and well-designed Economic Development method used by the state of Indiana. Currently there are approximately 29 different Economic Development Tax Expenditure programs available in Indiana, of which none apply to railroads;**
- 8. Class II and Class III (Shortline) Railroads have not had an upgrade in funding for infrastructure investment in Indiana since 1980. It is time to provide more funding to remain competitive;**
- 9. Other states use the Railroad Investment Tax Credit to help railroads. Our neighboring state of Kentucky recently passed such a measure;**

Given all these reasons, we are hopeful that Indiana will give serious consideration to the proposed "Railroad Investment Tax Credit" legislation.

"Rail helps existing businesses in the state remain competitive in an ever-growing marketplace and it is one of the important services business seek when they decide where to expand, relocate or start-up a new venture. As one of the most cost-effective modes of transportation, rail is the primary choice for Indiana companies shipping coal, agricultural products, steel, scrap metal and construction materials."

From an article on terrahautelogistics.com by Andy Hendricks, President Distributors Terminal Corporation

Proposed Language for the Railroad Investment Tax Credit for the Indiana State Budget

1. Budget language is based on 26 USC. 45G. Railroad Track maintenance Credit.
2. Purpose of this Act is to stimulate the maintenance, reconstruction or replacement of antiquated railroad infrastructure through tax credits for each taxable year in an amount not to exceed 50% percent of the qualified railroad's expenditures paid or incurred for railroad maintenance, reconstruction or replacement by the eligible taxpayer during the taxable year. The credit allowed must be used against the tax imposed by the Indiana State Income Tax [Corporate and/or Individual Income Tax].
3. Qualified railroad reconstruction or replacement expenditures paid or incurred during taxable years beginning after December 31, 2018 shall be eligible for this tax credit.
4. The credit allowed under this section for any taxable year shall not exceed the product of \$3,500 multiplied by the number of miles of railroad track owned or leased by the eligible taxpayer as of the close of the taxable year.
5. The credit allowed would be freely transferable to any eligible taxpayer subject to the Indiana State Income Tax [Corporate and/or Individual Income Tax].
6. Qualified railroad reconstruction or replacement expenditures shall mean expenditures for maintenance, reconstruction or replacement of railroad infrastructure including: track, roadbed, bridges, industrial leads and track related structures owned or leased as of January 1, 2019, by a Class II or Class III railroad.
7. For the purposes of this proposal, Class II railroad and Class III railroad have the respective meanings given such terms by the United States Surface Transportation Board.
8. Any unused credit for a qualified expenditure period may be carried forward for five years.
9. The Indiana Department of Transportation Rail Division ("INDOT") [or the Indiana Department of Revenue] shall promulgate rules to permit verification of the eligibility on the taxpayer's expenditures for the purpose of claiming tax credit. The INDOT rules will provide for a request for certification of the tax credit by the eligible taxpayer consistent with the purposes of the Act and such rules will provide for a certification of the tax credit by INDOT.
10. The Indiana Department of Revenue shall promulgate rules to permit verification of the timeliness of the tax credit.

* Additional details and information located at railroadsofindiana.com

Credit for qualified railroad reconstruction or replacement expenditures

(a) **General provisions.** For tax years beginning after 12/31/18 there is a credit allowed against the Indiana State Income Tax [Corporate and/or Individual Income Tax] equal to 50% of an eligible taxpayer's qualified railroad reconstruction or replacement expenditures.

(b) **Definitions.** The following words and terms, when used in this Section, shall have the following meaning, unless the context clearly indicates otherwise:

(1) **"Eligible taxpayer"** means any railroad that is classified by the United States Surface Transportation Board as a Class II or Class III railroad.

(2) **"Qualified railroad reconstruction or replacement expenditures"** means expenditures for, maintenance reconstruction or replacement of railroad infrastructure. This includes track, roadbed, bridges, industrial leads and track-related structures owned or leased by a Class II or Class III railroad as of January 1, 2019, Qualified railroad maintenance, reconstruction or replacement expenditures can also include new construction of industrial leads, switches, spurs and sidings and extensions of existing sidings by a Class II or Class III railroad.

(c) **Limitations.** The amount of the credit may not exceed the product of Three Thousand Five Hundred Dollars (\$3,500.00) and the number of miles of railroad track owned or leased within this state of Indiana by the eligible taxpayer at of the close of the taxable year.

(d) **Transferability.** The credits allowed pursuant to this Section that are not used are freely transferable by written agreement, to subsequent transferees, at any time during the five (5) years following the year of qualification.

(1) **"Eligible transferee" defined.** For purposes of this subsection, an **"eligible transferee"** shall be any taxpayer subject to the Indiana State Income Tax [Corporate and/or Individual Income Tax].

(2) **Written transfer agreement requirements.** The person originally allowed the credit and the subsequent transferee must jointly file a copy of the written transfer agreement with the Indiana Department of Revenue within thirty (30) days of the transfer. The written agreement must contain the name, address, and taxpayer identification number of the parties to the transfer, the amount of credit being transferred, the year the credit was originally allowed to the transferring person, and the tax year or years for which the credit may be claimed.

(e) **Carryover provisions.** Any credit allowed pursuant to the provisions of this Section, to the extent not used, may be carried over in order to each of the five (5) years following the year of qualification.

**Appendix C: IN Economic Development Tax Expenditures
(Projected FY 2016)**

Description	Total Funds
Aircraft parts	\$4,700,000
Alternative Fuel Vehicle Manufacturing Investment Credit	\$0
Aviation fuel	\$7,900,000
Certain aircraft	\$21,300,000
Certain racing equipment	\$5,500,000
Certified Technology Parks	\$2,400,000
Coal Gasification Technology Investment Credit	\$15,000,000
Community Revitalization Enhancement District Credit (Corporate and Individual)	\$1,500,000
Community Revitalization Enhancement Districts	\$5,000,000
Economic Development for a Growing Economy (EDGE) Credit (Corporate and Individual)	\$72,000,000
Enterprise Zone Employee Income Deduction	\$800,000
Enterprise Zone Employment Expense Credit (Corporate and Individual)	\$1,300,000
Enterprise Zone Investment Cost Credit (Corporate and Individual)	\$100,000
Enterprise Zone Loan Interest Credit	\$1,900,000
Headquarters Relocation Credit	\$0
Historic Rehabilitation Credit (Corporate and Individual)	\$200,000
Hoosier Business Investment Credit (Corporate and Individual)	\$8,400,000
Industrial Recovery Credit (Corporate and Individual)	\$600,000
Lower Rates for Smaller Riverboats	\$5,700,000
Motorsports Investment District	\$5,000,000
Natural Gas Powered Vehicles Credit	\$0
Patent Derived Income Deduction	\$0
Professional Sports Development Areas	\$26,800,000
Promotional Free Play Deduction	\$15,300,000
Research and Development Tax Credit	Data not available
Research and Development Property (Research and Development Equipment Sales Tax Exemption)	\$6,700,000
Research Expense Credit (Corporate and Individual) (Research and Development Activity Sales Tax Exemption)	\$72,300,000
Venture Capital Investment Credit (Corporate and Individual)	\$3,800,000

Economic Development Tax Credits for Rail Transportation in Indiana = \$0