

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1456

Bill Subtitle: TO CREATE THE RAILROAD MODERNIZATION ACT OF 2021; AND TO ALLOW AN INCOME TAX CREDIT FOR CERTAIN RAILROAD TRACK MAINTENANCE EXPENDITURES.

Basic Change :

Sponsors:

Reps. Wardlaw, Christiansen, Barker, Beaty Jr., Bentley, M. Berry, S. Berry, Bragg, Brown, Cloud, Cozart, Deffenbaugh, Eaves, Evans, Fielding, V. Flowers, Fortner, Gonzales, M. Gray, Haak, Hillman, Holcomb, Jean, Jett, L. Johnson, Love, Lowery, Maddox, Magie, McClure, M. McElroy, Nicks, Payton, Richmond, Rye, Scott, Slape, Tollett, Tosh, Vaught, Watson, and Womack

Sens. Rice, Beckham, L. Chesterfield, J. English, T. Garner, Gilmore, Hill, K. Ingram. M. Johnson, Rapert, B. Sample, and D. Wallace

HB1456 creates an income tax credit based upon the expenditures of an eligible railroad company for track maintenance and modernization. The tax credit may be transferred or sold by written agreement that is filed with the Department of Finance and Administration (DFA).

The credit equals 50% of the eligible taxpayer's railroad track maintenance expenditures. HB1456 defines "railroad track maintenance expenditures" as gross expenditures for maintenance, reconstruction, or replacement of railroad track, including without limitation roadbed, bridges, industrial leads and side track, and related track structures, to the extent the expenditures are on railroad track that:

- Is located in the state;
- Is owned or leased by an eligible taxpayer; and
- Existed as of the effective date of this act.

The maximum amount of the credit is \$5,000 dollars per mile of track owned or leased by the railroad. This credit is a nonrefundable credit that may be claimed up to the amount of tax due. The credit amount is limited based on the number of miles owned or leased within Arkansas and the credit may be carried forward up to five years.

The Department of Commerce is required to promulgate rules to verify the expenditures and certify the amount of the expenditures that qualify for the tax credit. DFA will have the discretion to promulgate rules to enable and certify the amount of the credit.

HB1456 is effective for tax years beginning on and after January 1, 2021.

Revenue Impact :

FY2022 – General Revenue reduction of up to \$4.9 million

[Information for estimate was taken from the Arkansas State Rail Plan. According to the publication, Arkansas has 979 miles of Class III railroad. Arkansas has no Class II railroads.]

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Taxpayer Impact :

Taxpayers will need to complete the documentation required for any credits earned or transferred and records will need to be maintained for audit.

Resources Required :

Computer programs, tax forms and instructions will need to be updated.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

Computer programs and training manuals will need to be updated. Department employees will need to be educated on changes as well as the taxpayer community.

Other Comments :

None.

Legal Analysis :

None.