STATEMENT OF PURPOSE

RS26564C1

The purpose of this legislation is to authorize a non-refundable income tax credit for shortline railroad infrastructure investment and maintenance. This legislation provides a 40% income tax credit on the value of a qualified freight railroad infrastructure investment. The credit is capped at $3,500 per mile of shortline railroad track in Idaho. To receive the full credit a shortline railroad must invest $8,750 of its money upfront. Improved shortline railroad infrastructure will allow heavier and fully loaded rail cars to move more commodity product at less cost to a grower or shipper. The improved and continually maintained railroad infrastructure will increase safety, efficiency, and reliability for commodity shippers. If the income tax credit is not used by the shortline railroad, the credit may be transferred but only to railroad customers and vendors, and only one-time. Credit and transfer funds must be reinvested back into shortline railroad infrastructure. The Idaho State Tax Commission will administer the program and report approved investments and corresponding value. The effective date is January 1, 2020, and this legislation sunsets after five years in 2024.

FISCAL NOTE

The cap of $3,500 credit per mile, applied to all 885 miles of shortline railroad track, will limit the total fiscal impact in any given year to no more than $3.1 million. It is unlikely this level of impact will ever be reached in a single year. However, this level of approved tax credit is estimated to have direct economic impact of a positive $3,410,000 to Idaho, and indirect economic impact of statewide track investment is estimated at a positive $8,867,000.

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