

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 289** HLS 21RS 612  
 Bill Text Version: **REENGROSSED**  
 Opp. Chamb. Action: **w/ SEN COMM AMD**  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> May 25, 2021	10:33 AM	<b>Author:</b> MCFARLAND
<b>Dept./Agy.:</b> Revenue		<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> Tax Credit for Railroad Track Maintenance		

TAX CREDITS RE1 -\$2,000,000 GF RV See Note Page 1 of 1  
 Establishes an income and corporate franchise tax credit for Class II and Class III railroads

Proposed law provides a tax credit against individual and corporate income tax and franchise tax liabilities of Class II or Class III railroad operators for qualified track maintenance expenditures (repairs, maintenance, reconstruction, replacement of roadbeds, bridges, industrial leads, side track, yard tracks, related track structures or new construction of industrial leads, switches, spurs, sidings, or extension of existing sidings) made on or after January 1, 2022. The total amount of credit that can be granted each year is \$2 million. Credits are nonrefundable, but with a seven-year carryover for unused credit amounts, and credits are transferable. The Dept. of Revenue must be notified of credit transfers, and paid a \$200 transfer processing fee.

Applicable to tax periods occurring on or after January 1, 2022, but no credits shall be granted on or after January 1, 2032.

<b>EXPENDITURES</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>REVENUES</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	(\$2,000,000)	(\$2,000,000)	(\$2,000,000)	(\$2,000,000)	<b>(\$8,000,000)</b>
Agy. Self-Gen.	\$0	INCREASE	INCREASE	INCREASE	INCREASE	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>					<b>\$0</b>

**EXPENDITURE EXPLANATION**

The Dept. of Revenue indicates that the costs to modify and test tax systems to incorporate an additional tax credit would be approximately \$26,000 of staff time. Additional costs may be incurred to manage the annual program cap and registry of transferred credits. A \$200 transfer processing fee must accompany the notification of transfer to the Dept.


**REVENUE EXPLANATION**

The bill applies to qualified expenditures by mid-size freight haulers or regional railroads, and short-line railroads. There are currently 15 such railroads operating in Louisiana on 1,057 miles of track. While credits are nonrefundable and the bill does limit the amount of credit any one railroad can claim each year (lesser of 50% of eligible expenditures or \$4,500 multiplied by a particular railroad's in-state track mileage), the bill also allows the credits to be transferred to other taxpayers with income or franchise tax liabilities. Transferability combined with the various kinds of capital expenditures eligible for credit, it seems likely that the bill's annual program credit cap could be achieved, and the maximum annual exposure to the state fisc realized each year. Expenditures in 2022 could generate tax credits that could be claimed as early as FY23.

The Dept. of Revenue must be notified of credit transfers, and paid a \$200 transfer processing fee. This is depicted as agency self-generated revenue in the table above, but the annual amount of see payments depends on the number of individual transfers made each year.

The bill does provide a termination for the credits, with no credit allowed after January 1, 2032. This makes the credit essentially a ten year program, rather than open-ended, but with termination outside the fiscal note horizon.

- |  |                            |  |
|--|----------------------------|--|
| <u>Senate</u>  | <u>Dual Referral Rules</u> | <u>House</u>   |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}                  |                            | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}                    |
| <input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H} |                            | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

  
**Christopher A. Keaton**  
**Legislative Fiscal Officer**