

HB 2978 -1 STAFF MEASURE SUMMARY

House Committee On Revenue

Prepared By: Kyle Easton, Economist

Meeting Dates: 3/18, 4/1

WHAT THE MEASURE DOES:

Creates income tax credit for owners or lessees of short line railroads that complete a certified short line railroad rehabilitation project in Oregon. Credit equal to lesser of: \$3,500 multiplied by the number of miles of short line railroad track the taxpayer owns or leases in Oregon or fifty percent of the certified short line railroad rehabilitation project costs. Specifies transferability of tax credit and allows unused portion of credit to be carried forward up to five succeeding tax years. Provides for certification and administration of tax credits by Department of Revenue. Limits total amount of potential tax credits at time of preliminary certification to no more than \$___ for any biennium. Defines terms. Applies to tax years 2020 through 2025.

ISSUES DISCUSSED:

- Federal credit expiration, background of federal credit
- Transferability of proposed credit makes credit available to publicly owned railroads
- Potential sale of short line railroad in Coos Bay area, was purchased by Port
- Freight moving by rail has potential to replace freight otherwise moved by truck
- Regional and statewide importance of Port of Coos Bay
- Information requested of staff to be provided to committee members.

EFFECT OF AMENDMENT:

-1 For purposes of determining short line railroad rehabilitation project costs, disallows costs that are used to claim a federal tax credit. Eliminates requirement to complete construction, requires costs to be actually paid or incurred during the tax year in which the credit is claimed. Requires taxpayer to receive written certification from Department of Transportation (DOT) prior to receiving credit. Provides to DOT, certification rule making authority and authority to charge and collect a fee from taxpayers for certification. Provides Department of Revenue (DOR) rule making authority regarding information about certifications. Replaces introduced language regarding transferability of credit with different transferability language. Specifies conditions and procedures for collecting credit proceeds in instances where fraud, mistake, or violation of credit conditions is found.

BACKGROUND:

The Oregon Department of Transportation identifies twenty-one total short line railroad lines in Oregon. These short lines range from less than one mile (terminal rail lines) to nearly 450 miles in length. Five of these lines are publicly owned by either a port, city or county government.

According to the Final Recommendation of the Oregon Rail Funding Task Force (December, 2011):

Estimates to improve short line track, tunnels, and bridges to handle today's heavier and taller trains and increase speeds beyond 10 mph range from \$324 million to \$2.1 billion. The range is large primarily because of the different approaches to bridge and tunnel improvements. The costs increase significantly when opting to replace bridges so that they are in top shape and can handle higher speed trains and heavier rail cars. In addition, upgrading tunnels to handle taller, double-stack container cars also adds significant costs to this investment category.