

**REVENUE IMPACT OF  
PROPOSED LEGISLATION  
80th Oregon Legislative Assembly  
2019 Regular Session  
Legislative Revenue Office**

**Bill Number:** HB 2978 - 7  
**Revenue Area:** Income Taxes  
**Economist:** Kyle Easton  
**Date:** 5/31/2019

*Only Impacts on Original or Engrossed Versions are Considered Official*

**Measure Description:**

Creates income tax credit for owners or lessees of short line railroads that incur costs directly related to the work necessary to maintain, reconstruct or replace short line railroad infrastructure in Oregon. For purposes of determining short line railroad rehabilitation project costs, disallows costs used to qualify for or used to claim any state or federal grants or federal tax credit.

Creates two tiers of tax credit benefit. Specifies tier 1 as person that cumulatively owns or leases short line railroad track in Oregon in excess of 200 miles. Limits credit allowed for tier 1 taxpayers to least of \$1,000 multiplied by number of short line track miles owned or leased in Oregon, or fifty percent of short line rehabilitation project costs. Specifies tier 2 as any person that is not a tier 1 or is a public entity. Limits credit allowed for tier 2 taxpayers to least of \$3,500 multiplied by number of short line track miles owned or leased in Oregon, or fifty percent of short line rehabilitation project costs. Specifies initial credit qualification limited to tax years 2020 through 2025. Limits potential tax credits to no more than \$4 million per biennium.

**Revenue Impact (in \$Millions):**

	Fiscal Year		Biennium		
	2019-20	2020-21	2019-21	2021-23	2023-25
<b>General Fund</b>		-1.1	-1.1	-2.8	-3.2

**Impact Explanation:**

Implementation of tax credit is expected to reduce General Fund revenue by amounts contained in table. Estimated increasing loss in revenue in future biennia results from expectation that not all taxpayers claiming the credit will immediately use the credit to reduce tax liability but rather will carry all or a portion of the credit forward to future tax years as allowed.

Estimates were informed by the number of track miles owned or leased by the various short line railroads in Oregon along with available historical information relating to past rehabilitation expenses of short line railroads and published findings of the Oregon State Rail Plan.

**Creates, Extends, or Expands Tax Expenditure: Yes  No**

The policy purpose of this measure is to encourage and leverage private capital investment in short line railroad infrastructure with the intent to create cascading economic development opportunities across the state and to incentivize new short line rail customers by improving the conditions of short line railroads throughout Oregon.