

HB190 INTRODUCED



1 HB190
2 SLZZB77-1
3 By Representative Baker
4 RFD: Ways and Means Education
5 First Read: 13-Jan-26



SYNOPSIS:

Under existing law, there exists the Railroad Modernization Act of 2019, which allows a tax credit against the state income tax of an eligible taxpayer's qualified railroad reconstruction or replacement expenditures within the state that is owned or leased by the eligible taxpayer.

This bill would amend the Railroad Modernization Act of 2019 to increase the per mile credit amount; to increase the annual cap on income tax credits; and to extend the sunset date.

A BILL
TO BE ENTITLED
AN ACT

Relating to the Railroad Modernization Act of 2019; to amend Sections 37-11C-4 and 37-11C-6, Code of Alabama 1975, to increase the per mile credit amount; to increase the annual cap on income tax credits; and to extend the sunset date.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. Sections 37-11C-4 and 37-11C-6, Code of Alabama 1975, are amended to read as follows:

"§37-11C-4



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(a) For tax years beginning after December 31, 2019, through December 31, 2022, there is a credit allowed against the state income tax levied by Section 40-18-2 equal to 50 percent of an eligible taxpayer's qualified railroad rehabilitation expenditures. The tax credit allowed under this section may not exceed three thousand five hundred dollars (\$3,500) multiplied by the number of miles of railroad track owned or leased within the state by the eligible taxpayer at the close of the taxable year.

(b) For tax years beginning after December 31, 2022, through December 31, 2027, there is a credit allowed against the state income tax levied by Section 40-18-2 equal to 50 percent of an eligible taxpayer's qualified railroad rehabilitation expenditures. The tax credit allowed under this section may not exceed four thousand one hundred dollars (\$4,100) multiplied by the number of miles of railroad track owned or leased within the state by the eligible taxpayer at the close of the taxable year.

(c) For tax years beginning after December 31, 2027, through December 31, 2032, there is a credit allowed against the state income tax levied by Section 40-18-2 equal to 50 percent of an eligible taxpayer's qualified railroad rehabilitation expenditures. The tax credit allowed under this section may not exceed five thousand dollars (\$5,000) multiplied by the number of miles of railroad track owned or leased within the state by the eligible taxpayer at the close of the taxable year.

~~(c)~~ (d) There is created within the Education Trust Fund



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a separate account named the Railroad Rehabilitation Income Tax Credit Account. The Commissioner of Revenue shall certify to the state Comptroller the amount of income tax credits under this section, and the state Comptroller shall transfer into the Railroad Rehabilitation Income Tax Credit Account only the amount from sales tax revenues within the Education Trust Fund that is sufficient for the Department of Revenue to use to cover the income tax credits for the applicable tax year. The commissioner shall distribute the funds in the Railroad Rehabilitation Income Tax Credit Account pursuant to this section.

~~(d)~~ (e) The entire tax credit may be claimed by the taxpayer in the taxable year in which the qualified railroad rehabilitation expenditures are completed and placed into service. Where the taxes owed by the eligible taxpayer are less than the tax credit, the eligible taxpayer may be entitled to claim a refund for the difference.

~~(e)~~ (f) For the calendar years 2020, 2021, and 2022, the aggregate amount of all tax credits that may be reserved in any one of such years by the department upon certification of rehabilitation plans shall not exceed three million seven hundred thousand dollars (\$3,700,000) plus any amount of previous reservations of tax credits that were rescinded during the tax year. However, if all of the allowable tax credit amount for any tax year is not requested and reserved, any unreserved tax credits may be utilized by the department in awarding tax credits in subsequent years, provided, ~~however~~, that in no event shall a total of more than eleven



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million one hundred thousand dollars (\$11,100,000) be reserved by the department during the period of August 1, 2019, through August 1, 2022. For purposes of this chapter, "tax year" shall mean the calendar year.

~~(f)~~ (g) For the calendar years 2023 through 2027, the aggregate amount of all tax credits that may be reserved in any one of such years by the department upon certification of rehabilitation plans shall not exceed four million five hundred thousand dollars (\$4,500,000) plus any amount of previous reservations of tax credits that were rescinded during the tax year. However, if all of the allowable tax credit amount for any tax year is not requested and reserved, any unreserved tax credits may be utilized by the department in awarding tax credits in subsequent years, provided, ~~however,~~ that in no event shall a total of more than twenty-two million five hundred thousand dollars (\$22,500,000) be reserved by the department during the period of August 1, 2022, through August 1, 2027. For the purposes of this chapter "tax year" shall mean the calendar year.

(h) For the calendar years 2028 through 2032, the aggregate amount of all tax credits that may be reserved in any one of such years by the department upon certification of rehabilitation plans shall not exceed five million five hundred thousand dollars (\$5,500,000) plus any amount of previous reservations of tax credits that were rescinded during the tax year. However, if all of the allowable tax credit amount for any tax year is not requested and reserved, any unreserved tax credits may be utilized by the department



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in awarding tax credits in subsequent years, provided that in no event shall a total of more than twenty-seven million five hundred thousand dollars (\$27,500,000) be reserved by the department during the period of August 1, 2027, through August 1, 2032. For the purposes of this chapter "tax year" shall mean the calendar year.

~~(g)~~ (i) Tax credits granted to a partnership, a limited liability company, S Corporations, trusts, or estates shall be claimed at the entity level and shall not pass through to the partners, members, or owners.

~~(h)~~ (j) All or any portion of the income tax credit authorized under this section may be transferable and assignable by written transfer agreement and subject to any notice and verification requirements to be determined by the Department of Revenue. Any tax credits transferred shall be at a value of at least ~~eighty-five~~ 85 percent ~~-(85%)~~ of the present value of the credits. However, once a credit is transferred, only the transferee may utilize the credit and the credit may not be transferred again. An eligible transferee of the credit may use the amount of credits transferred to offset any income tax due under Chapter 18 of Title 40. The department, by rule, shall adopt a written transfer agreement form. The transfer statement form shall include the name and federal taxpayer identification number of the transferor and each transferee listed therein along with the amount of the tax credit to be transferred to each transferee listed on the form. The transfer statement form shall also contain such other information as the department may from time to time reasonably



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require. For each transfer, the transferor shall file with the department: (1) a completed transfer statement form; (2) a copy of the executed written transfer agreement; and (3) a transfer fee payable to the department in the amount of one thousand dollars (\$1,000) per transferee listed on the transfer statement form. Within 30 days after the department's receipt of the fully executed written transfer agreement, the department shall issue a tax credit certificate to each transferee listed in the agreement in the amount of the tax credit so transferred. ~~Such~~ The certificate shall be used by the transferee in claiming the tax credit. The department may adopt ~~such~~ additional rules as are necessary to permit verification of the ownership of the tax credits but shall not adopt any rules that unduly restrict or hinder the transfer of the tax credits."

"§37-11C-6

The tax credit allowed under this chapter shall be effective for the 2020 tax year and shall continue through the ~~2027~~ 2032 tax year, ~~unless extended by act of the Legislature.~~"

Section 2. This act shall become effective on June 1, 2026.