

# WEST VIRGINIA LEGISLATURE

## 2024 REGULAR SESSION

Introduced

### Senate Bill 604

FISCAL  
NOTE

By Senators Jeffries, Barrett, Clements, Deeds, Hunt,  
Maynard, Nelson, Oliverio, Phillips, Queen, Roberts,  
Smith, Stuart, Swope, Takubo, Taylor, Weld,  
Woodrum, and Plymale

[Introduced January 31, 2024; referred  
to the Committee on Economic Development; and  
then to the Committee on Finance]

1 A BILL to amend the Code of West Virginia, 1931, as amended, by adding thereto a new article,  
 2 designated §11-13NN-1, §11-13NN-2, §11-13NN-3, §11-13NN-4, §11-13NN-5, §11-13NN-  
 3 6, and §11-13NN-7, all relating to creating the West Virginia Short Line Railroad  
 4 Modernization Act; definitions; tax credit allowed and credit limitations; and review and  
 5 accountability.

*Be it enacted by the Legislature of West Virginia:*

**ARTICLE 13NN. WEST VIRGINIA SHORT LINE RAILROAD MODERNIZATION ACT:**

**§11-13NN-1. Short title.**

1 This article may be cited as the West Virginia Short Line Railroad Modernization Act

**§11-13NN-2. Definitions.**

1 "Eligible taxpayer" means:

2 (a) Any short line railroad company located wholly or partly in the state of West Virginia that  
 3 is classified by the United States Surface Transportation Board as a Class II or Class III railroad; or

4 (b) Any owner or lessee of a rail siding, industrial spur, or industry track located on or  
 5 adjacent to any Class II or Class III railroad in the state of West Virginia; or

6 (1) "Qualified short line railroad maintenance expenditures" means gross expenditures for  
 7 railroad infrastructure maintenance and capital improvements, including, but not limited to, rail, tie  
 8 plates, joint bars, fasteners, switches, ballast, subgrade, roadbed, bridges, industrial leads,  
 9 sidings, signs, safety barriers, crossing signals and gates, and related track structures owned or  
 10 leased by a Class II or Class III railroad;

11 (2) Qualified short line railroad maintenance expenditures does not include expenditures  
 12 used to generate a federal tax credit or expenditures funded by a federal grant.

13 "Qualified new rail infrastructure expenditures" means expenditures for new rail  
 14 infrastructure and improvements, which includes the acquisition of right-of-way, engineering,  
 15 construction of new track such as industrial leads, switches, spurs, and sidings, rehabilitation of  
 16 existing inactive track to reinstate operation, loading dock improvements, and transloading

17 structures; involved with servicing customer locations or expansions by any railroad located in  
18 West Virginia;

19 "Tax Commissioner" means the West Virginia State Tax Commissioner or his or her  
20 designee.

21 "Taxpayer" means any person subject to any of the taxes imposed by §11-21-1 et seq.,  
22 §11-23-1 et seq. and. §11-24-1 et seq. of this code.

**§11-13NN-3. - Amount of credit allowed.**

1 An eligible taxpayer may apply for, and the Tax Commissioner shall allow, a nonrefundable  
2 tax credit in an amount equal to the percentage of:

3 (1) For qualified short line railroad maintenance expenditures, a tax credit is allowed in an  
4 amount equal to 50 percent of the qualified short line railroad maintenance expenditures.

5 (2) For qualified new rail infrastructure expenditures, a credit is allowed against the taxes  
6 due under this chapter in an amount equal to 50 percent of an eligible taxpayer's qualified new rail  
7 infrastructure expenditures.

**§11-13NN-4. Limitation of the credits.**

1 The amount of tax credits authorized under the West Virginia Short Line Railroad  
2 Modernization Act shall be limited to the following:

3 (1) For qualified short line railroad maintenance expenditures, the amount of the credit may  
4 not exceed an amount equal to \$5,000 multiplied by the number of miles of railroad track owned,  
5 leased, or operated in the state by the eligible taxpayer at the end of the calendar year.

6 (2) For qualified new rail infrastructure expenditures, tax credits shall not exceed  
7 \$2,000,000 for an individual project and \$5,000,000 annually.

**§11-13NN-5. Requirements for credit.**

1 (a) In order for an eligible taxpayer to claim a qualified short line railroad maintenance  
2 expenditure tax credit defined in this article, the eligible taxpayer shall submit a certificate of  
3 eligibility to the State Tax Department. The certificate may be submitted during the calendar year in

4 which the qualified expenditures were incurred but no later than May 1 of the calendar year  
5 following the year in which the qualified expenditures were incurred. The certificate shall include  
6 the number of miles of railroad track owned, leased, or operated in this State and a description of  
7 the amount of qualified railroad expenditures completed. The certificate shall be made on a form  
8 and in the manner prescribed by the State Tax Department and considered in the order received.

9 (b) Eligible taxpayers intending to earn a tax credit for any qualified new rail infrastructure  
10 expenditures as defined in of this article, shall submit an application to the State Tax Department.  
11 Applications will be processed in the order received, and approvals will be granted on a first-come,  
12 first-served basis.

13 (c) If the department determines that the eligible taxpayer meets the requirements to earn  
14 a tax credit under the West Virginia Short Line Railroad Modernization Act, the tax department  
15 may issue a tax credit certificate to the eligible taxpayer. The certificate shall be numbered for  
16 identification and declare its date of issuance and the amount of the tax credit earned under this  
17 article.

**§11-13NN-6 Uses of credit; unused credit; carry forward; transferred credit.**

1 (a)The tax credit allowed under this article may be used against the taxes imposed by §11-  
2 21-1 et seq., §11-23-1 et seq. and. §11-24-1 et seq. of this code, in no particular order.

3 (b) To the extent not used, the tax credit authorized under this article may be carried over,  
4 in order, to each of the five subsequent taxable years.

5 (c) The tax credits authorized under this article may be transferred or sold to a taxpayer by  
6 written agreement at any time during the taxable year in which the credit is earned by the eligible  
7 taxpayer or in the subsequent years as allowed under this section. The transferor and transferee  
8 must jointly file a transfer form with the Tax Commissioner within 30 days of the transfer. The  
9 transfer form must contain the name, address, and taxpayer identification number of the parties to  
10 the assignment, the tax year the eligible taxpayer incurred the qualified expenditures, the amount  
11 of credit being transferred, the credit certificate number, and the tax year or years for which the

12 credit may be claimed, and any other information required by the Tax Commissioner.

13 (d) The Tax Commissioner may not seek recourse against the transferee for any portion of  
14 the credit that may be subsequently disqualified.

**§11-13NN-7. Tax credit review and accountability;**

1 Beginning on the first day of the third taxable year after the passage of this article and  
2 every two years thereafter, the State Tax Department shall submit to the Governor, the President  
3 of the Senate and the Speaker of the House of Delegates a tax credit review and accountability  
4 report evaluating the cost effectiveness of the West Virginia Short Line Railroad Modernization Act  
5 during the most recent two-year period for which information is available. The criteria to be  
6 evaluated shall include, but not be limited to, for each year of the two-year period:

7 (1) The number of taxpayers claiming the credit;

8 (2) The dollar amount of tax credit certificates issued to eligible taxpayers;

9 (3) The dollar amount of qualified short line railroad maintenance expenditures made by  
10 eligible taxpayers

11 (4) The dollar amount of qualified new rail infrastructure expenditures made by eligible  
12 taxpayers; and

13 (5) The cost of the credit.

NOTE: The purpose of this bill is to create the West Virginia Short Line Railroad Modernization Act and tax credit allowed and credit limitations for short line railroad companies in West Virginia.

Strike-throughs indicate language that would be stricken from a heading or the present law and underscoring indicates new language that would be added.