**South Carolina General Assembly**

125th Session, 2023-2024

**S. 269**

**STATUS INFORMATION**

General Bill

Sponsors: Senators Grooms and Gambrell

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Introduced in the Senate on January 10, 2023

Currently residing in the Senate Committee on **Finance**

Summary: Short Line Railroad Modernization Act

**HISTORY OF LEGISLATIVE ACTIONS**

Date Body Action Description with journal page number

12/7/2022 Senate Prefiled

12/7/2022 Senate Referred to Committee on **Finance**

1/10/2023 Senate Introduced and read first time ([Senate Journal‑page 139](h:\sj\20230110.docx))

1/10/2023 Senate Referred to Committee on **Finance** ([Senate Journal‑page 139](h:\sj\20230110.docx))

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**VERSIONS OF THIS BILL**

[12/07/2022](https://www.scstatehouse.gov/sess125_2023-2024/prever/269_20221207.docx)

A bill

TO AMEND THE CODE OF LAWS OF SOUTH CAROLINA TO ENACT THE “SHORT LINE RAILROAD MODERNIZATION ACT” BY ADDING SECTION 12‑6‑3810 SO AS TO PROVIDE FOR AN INCOME TAX CREDIT EQUAL TO FIFTY PERCENT OF AN ELIGIBLE TAXPAYER’S QUALIFIED RAILROAD RECONSTRUCTION OR REPLACEMENT EXPENDITURES, AND TO PROVIDE FOR THE ADMINISTRATION OF THE TAX CREDIT.

Be it enacted by the General Assembly of the State of South Carolina:

SECTION 1. This act may be cited as the “Short Line Railroad Modernization Act”.

SECTION 2. Article 25, Chapter 6, Title 12 of the S.C. Code is amended by adding:

Section 12‑6‑3810. (A) As used in this section:

(1) “Department” means the South Carolina Department of Commerce.

(2) “Eligible taxpayer” means any railroad owner located in this State that is classified by the United States Surface Transportation Board as a Class II or Class III railroad.

(3) “Qualified railroad reconstruction or replacement expenditures” means gross expenditures for maintenance, reconstruction, or replacement of railroad infrastructure, including track, roadbed, bridges, industrial leads and sidings, and track‑related structures owned or leased by a Class II or Class III railroad located in this State.

(4) “Eligible transferee” means any taxpayer subject to tax under Sections 12‑6‑510, 12‑6‑530, 12‑11‑20, or 38‑7‑20.

(B)(1) There is allowed a credit against the tax imposed pursuant to Sections 12‑6‑510, 12‑6‑530, 12‑11‑20, or 38‑7‑20 equal to fifty percent of an eligible taxpayer’s qualified railroad reconstruction or replacement expenditures.

(2) For qualified railroad reconstruction or replacement expenditures the amount of the credit may not exceed five thousand dollars multiplied by the number of miles of railroad track owned or leased within this State by the eligible taxpayer as of the close of the taxable year.

(C)(1) Following the completion of qualified railroad reconstruction or replacement expenditures, the eligible taxpayer shall submit to the Department of Commerce a verification of qualified expenditures on a form provided for that purpose by the Department of Commerce. The verification must include a statement certifying:

(a) the status of the owner or lessee of the railroad as an eligible taxpayer;

(b) certification of the miles of railroad track owned or leased in this State;

(c) the qualified railroad reconstruction or replacement work completed; and

(d) a description of the amount of qualified railroad reconstruction or replacement expenditures paid or incurred.

Within thirty days after receipt and approval of the foregoing documentation from the eligible taxpayer, the department shall issue a tax credit certificate in an amount equivalent to the amount of the qualified railroad reconstruction or replacement expenditures incurred by the eligible taxpayer, not to exceed the amount of the tax credits reserved for the project.

(2) At the end of each year, the department shall furnish to the Department of Revenue a list of all eligible taxpayers who have qualified for the credit along with the amount of the credit authorized.

(3) Section 12‑54‑240 may not apply to any information exchanged between the Department of Commerce and the Department of Revenue relating to the credit allowed pursuant to this section.

(D) The department may promulgate regulations to implement and administer this section and to enable the certification of the income tax credit amount earned by each eligible taxpayer.

(E) In order to obtain a credit against any state income tax due, an eligible taxpayer shall file the tax credit certificate with the taxpayer’s South Carolina state income tax return.

(F) Any tax credit generated pursuant to the provisions of this section, to the extent not used, may be carried forward for each of the five years following the year of qualification.

(G)(1) An eligible taxpayer may transfer any unused credit to any eligible transferee by written agreement, at any time during the five years following the tax year the qualified railroad reconstruction or replacement expenditures are incurred. Any eligible transferee is entitled to claim the credit only for any period remaining for the tax credit.

(2) The eligible taxpayer and the eligible transferee must file jointly a copy of the written transfer agreement with the Department of Revenue, within thirty days of the transfer. The written agreement must contain the name, address, and taxpayer identification number of the eligible taxpayer and the eligible transferee, the tax year the eligible taxpayer incurred the qualified railroad reconstruction or replacement expenditures, the amount of credit being transferred, and the tax year or years for which the credit maybe claimed.

(H) The department shall report to the Senate Finance Committee and the House Ways and Means Committee by July 1, 2025, and annually thereafter for the duration of the existence of this program, on the use of the credit, including the number of tax credits applied for and the number of tax credits granted from the qualified railroad reconstruction or replacement expenditures for which tax credits have been allowed.

SECTION 3. This act takes effect upon approval by the Governor and first applies to income tax years beginning after December 31, 2023. The provisions of this act are repealed on December 31, 2028, except that if the credit allowed by Section 12‑6‑3810, as added by this act, is earned before the repeal, then the provisions of Section 12‑6‑3810 continue to apply until the credits have been fully claimed.

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