

HB4703



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

HB4703

by Rep. Dave Vella

SYNOPSIS AS INTRODUCED:

New Act
35 ILCS 5/246 new

Creates the Short Line Railroad Modernization Act. Creates an income tax credit for taxpayers that incur qualified railroad expenditures or qualified new rail infrastructure expenditures. Sets forth the amount of the credit and limitations on the amount of the credit that may be awarded. Amends the Illinois Income Tax Act to make conforming changes. Effective immediately.

LRB104 18237 HLH 31676 b

A BILL FOR

1 AN ACT concerning revenue.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 1. Short title. This Act may be cited as the Short
5 Line Railroad Modernization Act.

6 Section 5. Definitions. As used in this Act:

7 "Credit" means the Short Line Railroad Infrastructure
8 Modernization Credit awarded under this Act.

9 "Department" means the Department of Commerce and Economic
10 Opportunity.

11 "Qualified applicant" means:

12 (1) a railroad company located in whole or in part in
13 Illinois that is classified by the United States Surface
14 Transportation Board as a Class II or Class III railroad
15 and that makes qualified railroad expenditures; or

16 (2) an owner or lessee of a rail siding, industrial
17 spur, or industry track that is located on or adjacent to
18 any railroad in Illinois if the applicant makes qualified
19 new rail infrastructure expenditures.

20 "Qualified new rail infrastructure" means:

21 (1) new track infrastructure such as industrial leads,
22 switches, spurs, sidings, rail loading docks, and
23 transloading structures;

1 (2) infrastructure necessary for engineering and site
2 preparation involved with servicing rail-served customer
3 locations;

4 (3) infrastructure associated with the expansion of a
5 Class II or Class III railroad; and

6 (4) new track infrastructure constructed to serve
7 rail-served customer locations in Illinois.

8 "Qualified railroad expenditures" means gross expenditures
9 for maintenance, reconstruction, or replacement of existing
10 railroad infrastructure that is owned or leased by a Class II
11 or Class III railroad and is located partly or wholly in
12 Illinois, including track, roadbed, bridges, crossings,
13 signals, industrial leads and sidings, and track related
14 structures. "Qualified railroad expenditures" does not include
15 expenditures that are used to generate a federal tax credit or
16 that are funded by a State or federal grant.

17 "Rail-served customer location" means a location in the
18 State at which qualified new rail infrastructure will be
19 constructed to connect a customer's facility to a rail line
20 either by building a new facility with rail access or by
21 connecting an existing facility to the rail network.

22 "Taxpayer" means a qualified applicant that is (i) subject
23 to subsections (a) and (b) of Section 201 of the Illinois
24 Income Tax Act or (ii) a tax-exempt entity that is owned by a
25 port or a governmental entity.

1 (B) qualified new rail infrastructure
2 expenditures; multiplied by
3 (2) 50%.

4 (b) The amount of a tax credit allowed under subsection
5 (a) shall not exceed the following:

6 (1) For qualified railroad expenditures, the product
7 of:

8 (A) the number of miles of Class II or Class III
9 railroad track owned or leased by the taxpayer in
10 Illinois at the close of the taxable year; multiplied
11 by

12 (B) \$5,000.

13 (2) For qualified new rail infrastructure
14 expenditures, the lesser of:

15 (A) 50% of the qualified new rail infrastructure
16 expenditures for each rail-served customer location
17 completed by the taxpayer in the taxable year; or

18 (B) \$2,000,000 per rail-served customer location.

19 Notwithstanding any other provision of law, an expenditure
20 shall be classified as either a qualified railroad expenditure
21 or a qualified new rail infrastructure expenditure, but not
22 both.

23 (c) The aggregate amount of tax credits permitted in a
24 taxable year under this Section for all taxpayers shall not
25 exceed:

26 (1) for qualified railroad expenditures allowed under

1 this Act, \$9,000,000; and

2 (2) for qualified new rail infrastructure expenditures
3 allowed under this Act, \$10,000,000.

4 (d) In no event shall a credit under this Section reduce
5 the taxpayer's liability to less than zero. If the amount of
6 the credit exceeds the tax liability for the year, the excess
7 may be carried forward and applied to the tax liability of the
8 5 taxable years following the excess credit year. The credit
9 shall be applied to the earliest year for which there is tax
10 liability. If there are credits from more than one tax year
11 that are available to offset tax liability, the earlier credit
12 shall be applied first.

13 Section 20. Application; qualified railroad expenditures.

14 (a) A taxpayer wishing to claim a tax credit under this
15 Section must apply to the Department after completion of the
16 project for which qualified railroad expenditures were
17 incurred. The Department shall prescribe the form and manner
18 of the application, which must include:

19 (1) the number of miles of railroad track owned or
20 leased by the taxpayer in Illinois; and

21 (2) a description and certification of the amount of
22 the taxpayer's qualified railroad expenditures.

23 (b) The Department shall evaluate a taxpayer's eligibility
24 for a tax credit under this Act.

25 (c) The Department shall certify the eligibility of a

1 taxpayer that meets the requirements for a tax credit under
2 this Act.

3 (d) Upon satisfactory review of the application, the
4 Department shall issue a tax credit certificate to the
5 taxpayer stating the amount of the tax credit earned in the
6 taxable year to which the taxpayer is entitled.

7 Section 25. Application; qualified new rail infrastructure
8 expenditures.

9 (a) A taxpayer wishing to claim a tax credit under this
10 Section must apply to the Department for precertification
11 prior to commencing construction, in the form and manner
12 prescribed by the Department. Upon review, and if the
13 Department determines that the application conforms to the
14 requirements of this Act and the rules adopted under this Act,
15 the Department shall issue a precertification letter
16 authorizing the taxpayer to proceed with the project.

17 (b) The Department shall establish quarterly application
18 windows for precertification requests. Applications received
19 during a quarterly application window shall be reviewed
20 together, and credits shall be awarded to taxpayers meeting
21 statutory qualifications, subject to the caps specified in
22 Section 15.

23 (c) If eligible applications in a quarterly period would
24 cause total awards for the fiscal year to exceed the cap in
25 subsection (c) of Section 15, the Department shall apply the

1 prioritization criteria in subsection (d) of this Section.
2 Credits shall be awarded until the annual cap is fully used.

3 (d) The Department shall give priority to projects that:

4 (1) provide critical rail access to industrial parks,
5 ports, or economic development projects locating adjacent
6 to rail;

7 (2) serve businesses in value-added agriculture,
8 advanced manufacturing, supply chain/distribution
9 solutions, or environmentally friendly or sustainable
10 manufacturers, including those reducing carbon emissions
11 or utilizing renewable energy; and

12 (3) demonstrate the facilitation of significant
13 private capital investment, job creation, or strategic
14 economic benefits to the State.

15 (e) If aggregate funding authority under subsection (c) of
16 Section 15 is not fully used in any quarterly period, the
17 unused authority shall automatically carry forward to the next
18 application period within the same fiscal year. Any funding
19 authority not awarded by the close of the fiscal year shall
20 expire.

21 (f) A precertification is valid for 12 months after
22 project award. A project that has been pre-certified must
23 commence construction within 12 months of the date of the
24 precertification award.

25 (g) Upon project completion, the taxpayer must notify the
26 Department and provide necessary documentation as required by

1 the Department to calculate the tax credit and certify project
2 completion. The Department shall certify the eligibility of a
3 taxpayer that meets the requirements for a tax credit under
4 this Act.

5 (h) Upon satisfactory review of the final application and
6 supporting documentation, the Department shall issue a tax
7 credit certificate to the taxpayer stating the amount of tax
8 credit earned in the taxable year in which the taxpayer is
9 entitled.

10 Section 30. Transferability. A taxpayer may transfer the
11 tax credit awarded under this Act by written agreement. A
12 transfer of credits earned under this Act shall be made, in
13 accordance with rules adopted by the Department, by the
14 taxpayer earning the credits at any time after certification
15 and before expiration of the credit. The Department shall
16 issue a certificate of transfer to each transferor and
17 transferee, identifying the amount of the credit transferred.
18 The transfer certificate shall be attached to the transferor's
19 and transferee's income tax return under the Illinois Income
20 Tax Act.

21 Section 35. Pass-through entities. For partners and
22 shareholders of Subchapter S corporations, the provisions of
23 Section 251 of the Illinois Income Tax Act shall apply with
24 respect to the credit under this Act.

1 Section 40. Rulemaking. The Department shall adopt rules
2 for the implementation of this Act.

3 Section 45. Sunset. The Department shall not enter into
4 any new agreements under the provisions of this Act after
5 December 31, 2036.

6 Section 900. The Illinois Income Tax Act is amended by
7 adding Section 246 as follows:

8 (35 ILCS 5/246 new)

9 Sec. 246. Short Line Railroad Modernization Act. For
10 taxable years that begin after January 1, 2027 and begin
11 before January 1, 2037, a taxpayer that qualifies for a credit
12 against the taxes imposed by subsections (a) and (b) of
13 Section 201 under the Short Line Railroad Modernization Act is
14 entitled to a credit as provided in that Act.

15 Section 999. Effective date. This Act takes effect upon
16 becoming law.