

Fiscal Estimate - 2025 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number 25-1305/1	Introduction Number SB-0213	
Description a tax credit for rail infrastructure modernization		
Fiscal Effect		
State: <div style="display: flex; flex-wrap: wrap;"><div style="width: 33%;"><input type="checkbox"/> No State Fiscal Effect</div><div style="width: 33%;"><input type="checkbox"/> Indeterminate</div><div style="width: 33%;"><input type="checkbox"/> Increase Existing Appropriations</div><div style="width: 33%;"><input type="checkbox"/> Increase Existing Revenues</div><div style="width: 33%;"><input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget</div><div style="width: 33%;"><input type="checkbox"/> Decrease Existing Appropriations</div><div style="width: 33%;"><input checked="" type="checkbox"/> Decrease Existing Revenues</div><div style="width: 33%;"><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</div><div style="width: 33%;"><input type="checkbox"/> Create New Appropriations</div><div style="width: 33%;"><input type="checkbox"/> Decrease Costs</div></div>		
Local: <div style="display: flex; flex-wrap: wrap;"><div style="width: 33%;"><input type="checkbox"/> No Local Government Costs</div><div style="width: 33%;"><input type="checkbox"/> Indeterminate</div><div style="width: 33%;">5.Types of Local Government Units Affected</div></div> <div style="display: flex; flex-wrap: wrap;"><div style="width: 33%;">1. <input type="checkbox"/> Increase Costs</div><div style="width: 33%;">3. <input type="checkbox"/> Increase Revenue</div><div style="width: 33%;"><input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities</div><div style="width: 33%;"><input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory</div><div style="width: 33%;"><input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory</div><div style="width: 33%;"><input type="checkbox"/> Counties <input type="checkbox"/> Others</div><div style="width: 33%;">2. <input type="checkbox"/> Decrease Costs</div><div style="width: 33%;">4. <input type="checkbox"/> Decrease Revenue</div><div style="width: 33%;"><input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts</div><div style="width: 33%;"><input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory</div><div style="width: 33%;"><input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory</div></div>		
Fund Sources Affected Affected Ch. 20 Appropriations		
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS		
Agency/Prepared By DOR/ Zach Petersen (608) 267-2428	Authorized Signature Michael Oakleaf (608) 261-5173	Date 5/2/2025

Fiscal Estimate Narratives

DOR 5/2/2025

LRB Number	25-1305/1	Introduction Number	SB-0213	Estimate Type	Original
Description a tax credit for rail infrastructure modernization					

Assumptions Used in Arriving at Fiscal Estimate

This bill creates an income and franchise tax credit for railroads that make rail infrastructure and railroad maintenance expenditures. Under the bill, a claimant that is classified by the US Surface Transportation Board as a class II or class III railroad may claim a rail infrastructure modernization credit that is equal to the sum of the following amounts:

1. Fifty percent of the qualified short line railroad maintenance expenditures made by the railroad. This portion of the credit is limited to an amount equal to \$5,000 multiplied by the number of miles of railroad track owned or leased by the railroad.
2. Fifty percent of the railroad's qualified new rail infrastructure expenditures. This portion of the credit is limited to \$2,000,000 per project.

Before claiming a credit under the bill, a claimant must first apply to receive approval from the Department of Revenue to claim the credit. DOR may approve up to \$10,000,000 in total credits for qualified new rail infrastructure expenditures for each tax year, and DOR must approve applications for credits on a first-come, first-serve basis.

Fiscal Estimate

There are approximately 1400 miles of railroads in Wisconsin that may qualify for the maintenance credit. If the credits that are claimed meet the limit of \$5,000 multiplied by the amount of railroad miles, that could result in total credits for maintenance of \$7,000,000 annually. Assuming DOR allocates the maximum \$10 million allowed for the qualified new rail infrastructure expenditures, the bill would reduce state revenue by an estimated \$17,000,000 annually.

The annual fiscal effect could be lower to the extent that the credits for maintenance expenditures are less than the maximum, and/or to the extent that credits certified for the new rail infrastructure projects in a year are less than the bill's annual cap of \$10 million.

The American Rescue Plan Act (ARPA) prohibits states from using state fiscal recovery funds (SLFRF) to either directly or indirectly offset reduction in net tax revenue. This bill reduces the margin for tax reductions determined by DOA before triggering potential SLFRF recoupment.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2025 Session

Detailed Estimate of Annual Fiscal Effect

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Description a tax credit for rail infrastructure modernization		
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): The bill will incur a one-time effect of \$40,000 for programming and forms and schedules development.		
II. Annualized Costs:	Annualized Fiscal Impact on funds from:	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	\$	\$
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	\$	\$
B. State Costs by Source of Funds		
GPR		
FED		
PRO/PRS		
SEG/SEG-S		
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$See Text	\$
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Authorized Signature Michael Oakleaf (608) 261-5173		Date 5/2/2025