COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1096H.02C
Bill No.: HCS for HB 669
Subject: Taxation and Revenue - General; Tax Credits; Redistricting; Transportation; Department of Revenue; Department of Economic Development; Economic Development
Type: Original
Date: March 12, 2025

Bill Summary: This proposal authorizes a tax credit for certain railroad expenses.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue Fund*	$0	Up to ($14,894,564)	Up to ($14,858,203)
Total Estimated Net Effect on General Revenue	**$0**	**Up to ($14,894,564)**	**Up to ($14,858,203)**

*Oversight has shown the potential tax credit issuances & redemptions up to the maximum cap ($14.5 million annually) under the proposal plus additional (2) FTE for the Department of Economic Development and (1) FTE for the Department of Revenue.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**$0**

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue Fund - DOR	0 FTE	1 FTE	1 FTE
General Revenue Fund – DED	0 FTE	Up to 2 FTE	Up to 2 FTE
Total Estimated Net Effect on FTE	**0 FTE**	**Up to 3 FTE**	**Up to 3 FTE**

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed $250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

☐ Estimated Net Effect (savings or increased revenues) expected to exceed $250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

In response to the previous version of the proposal, officials from the **Office of Administration – Budget & Planning (B&P)** noted:

The proposed legislation would authorize tax credits beginning on January 1, 2026, to any railroads for qualified railroad expenditures or qualified new rail infrastructure expenditures completed. Subsection 135.1210.5(1) states the cumulative amount of tax credits for qualified railroad track expenditures shall not exceed four million five hundred thousand dollars per tax year. Subsection 135.1210.5(2) states the cumulative amount of tax credits for qualified rail infrastructure expenditures shall not exceed ten million dollars per tax year. If tax credits claimed exceed these amounts, tax credits will be allowed in the order in which they're claimed. The tax credit will sunset on December 31 six years after the effective date unless reauthorized. If the credit is reauthorized, it will sunset on December 31 twelve years after the effective date. The tax credit will terminate on September 1 of the calendar year immediately following the calendar year it sunsets.

Therefore, this proposal may reduce general and total state revenues to $14,500,000 per fiscal year.

Officials from the **Department of Revenue (DOR) note:**

Starting January 1, 2026, this proposal creates two tax credits regarding railroads.

Railroad Track Expenditures

One shall be allowed to a taxpayer for qualified railroad track expenditures. For all qualified taxpayers they will share a cap of $4,500,000 per calendar year.

New Railroad Infrastructure Expenditures

The second credit is for qualified new rail infrastructure expenditures. The total amount of all tax credits shall not exceed the cap of $10,000,000 per calendar year.

If each cap is met, the credits will be issued based on the order they are received. The credits are not refundable but can be carried forward up to 5 subsequent calendar years. These credits are also transferrable. These credits will automatically sunset December 31, 2031.

These credits are allowed to be transferred. In the event that after the transfer the department of revenue determines that the amount of credit properly available under this section is less than the amount claimed by the transferor of the credit or that the credit is subject to recapture, the department shall assess the amount of overstated or recaptured credit as taxes due from the transferor and not the transferee.

This proposal would become effective on January 1, 2026, and the first time the returns claiming the credits can be filed are January 1, 2027 (FY 2027). These credits will result in a loss to general revenue of $14,500,000 annually.

Fiscal Year	Loss to General Revenue
2026	$0
2027	($14,500,000)
2028+	($14,500,000)

This proposal creates two new tax credit programs that will require twos new line being added to the Form MO-TC ($2,200), updates to their website and changes to the individual income tax computer system ($1,832). These changes are estimated to cost $4,032. DOR's existing tax credit staff is no longer able to take on any additional tax credits without additional resources. Due to the intensive knowledge of credits that is needed DOR is not able to use temporary staff to help with processing these returns. This proposal would require at least 1 FTE Associate Customer Service Rep at a salary of $37,020.

DOR assumes the need for 1 FTE (Associate Customer Service Representative at $37,020 annually) beginning FY 2027. Therefore, **Oversight** will reflect a range of Up to (1) FTE in the fiscal note, beginning FY 2027.

Officials from the **Department of Economic Development (DED) note:**

Section 135.1210 creates "tax credit for railroad infrastructure investments"

The Tax Credit will likely reduce annual TSR by $4.5M for qualified railroad expenditures and $10M for new rail infrastructure expenditures, up to the annual total cap in the amount of $14,500,000 per year through December 31 six years after the effective date.

Tax credit authorized shall be equal to fifty percent of an eligible taxpayer's qualified railroad expenditures and qualified new rail infrastructure expenditures, provided that, for qualified railroad expenditures, the amount of the tax credit shall not exceed an amount equal to the product of five thousand dollars multiplied by the number of miles of railroad track owned or leased in the state by the eligible taxpayer as of the close of the tax year in which the tax credit is claimed and for qualified new rail infrastructure expenditures, the amount of the tax credit shall not exceed one million dollars for each new rail-served customer project of the eligible taxpayer.

Applies to tax years beginning on or after January 1, 2026. The program will automatically sunset on December 31 six years after the effective date unless reauthorized by an act of the general assembly.

DED is requesting 2.0 FTE to administer the act.

Oversight notes according to the MODOT.org Missouri has the 10th largest number of railroad miles in the United States with approximately 4,800 miles of track, 2,500 miles of yard track and about 7,300 public and private highway-rail crossings.

Oversight notes DED assumes the need for additional (2) FTE (Senior Economic Development Specialists) in order to assure compliance and administration of the act. However, Oversight notes the amount of projects or taxpayers applying for this specific tax credit could be potentially lower than shown above. Therefore, **Oversight** will reflect a range of Up to (2) FTE Senior Economic Development Specialist at $83,784, in the fiscal note, beginning FY 2027.

Lastly, **Oversight** will show the cost of the tax credit as “Up to $14.5 million” beginning in FY 2027 in the fiscal note.

Officials from the **Department of Commerce and Insurance (DCI)** assume a potential unknown decrease of premium tax revenues (up to the tax credit limit established in the bill) in FY2027 and FY2028 as a result of the creation of tax credit for qualified railroad infrastructure investments. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts throughout the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits each year and which insurers will qualify for the new tax credit.

The department will require minimal contract computer programming to add this new tax credit to the premium tax database and can do so under existing appropriation. However, should multiple bills pass that would require additional updates to the premium tax database, the department may need to request more expense and equipment appropriation through the budget process.

Oversight assumes DCI is provided with core funding to handle a certain amount of activity each year. Oversight assumes DCI could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DCI could request funding through the appropriation process. Therefore, Oversight will note zero impact for DCI for purpose of this fiscal note.

Officials from the **Oversight Division** note the Division is responsible for providing a Sunset Report pursuant to Section 23.253 RSMo; however, Oversight can absorb the cost with the current budget authority.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than $5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

FISCAL IMPACT – State Government	FY 2026 (10 Mo.)	FY 2027	FY 2028
GENERAL REVENUE FUND			
Cost – Section 135.1210.5(1) – Railroad Track Expenditures Tax Credit p.4,5	$0	Up to ($4,500,000)	Up to ($4,500,000)
Cost – Section 135.1210.5(2) – New Railroad Infrastructure Tax Credit p.4,5	$0	Up to ($10,000,000)	Up to ($10,000,000)
Cost – DED – Section(s) 135.1210 1. (5) (1) & (2)(p. 5)		Up to…	Up to…
Personnel Service	$0	($170,919)	($174,338)
Fringe Benefits	$0	($100,088)	($101,459)
Expense & Equipment	$0	($41,662)	($12,285)
Total Costs – DED	$0	($312,669)	($288,081)
FTE Change	0 FTE	2 FTE	2 FTE
Cost – DOR – Section(s) 135.1210 1. (5) (1) & (2)(p. 5)			
Personnel Service	$0	($37,760)	($38,516)
Fringe Benefits	$0	($30,720)	($31,023)
Expense & Equipment	$0	($13,415)	($582)
Total Costs – DOR	$0	($81,895)	($70,121)
FTE Change	0 FTE	1 FTE	1 FTE

FISCAL IMPACT – State Government	FY 2026 (10 Mo.)	FY 2027	FY 2028
ESTIMATED NET EFFECT ON GENERAL REVENUE	**$0**	**Up to ($14,894,564)**	**Up to ($14,858,203)**
Estimated Net FTE Change on General Revenue	0 FTE	Up to 3 FTE	Up to 3 FTE

FISCAL IMPACT – Local Government	FY 2026 (10 Mo.)	FY 2027	FY 2028
	$0	**$0**	**$0**

FISCAL IMPACT – Small Business

A direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

Beginning January 1, 2026, eligible taxpayers may claim a nonrefundable tax credit of an amount equal to 50% for qualified railroad track expenditures, or for new qualified rail infrastructure expenditures.

The tax credits must not exceed the following limits:

(1) Railroad track expenditures: not to exceed an amount equal to the product of $5,000 multiplied by the number of miles of railroad track owned or leased by the state; or

(2) New rail infrastructure expenditures: not to exceed $1 million for each new rail-served customer project of an eligible taxpayer.

An eligible taxpayer must submit a Certificate of Eligibility to the Department of Economic Development describing all qualified expenditures. If the Department determines that the expenditures do qualify for the tax credit, the Department may issue the certificate to the taxpayer.

The cumulative amount of tax credits for qualified railroad track expenditures will not exceed $4.5 million per year. If the amount exceeds $4.5 million, the tax credits will be distributed in the order in which they are claimed. Any unused portion of the tax credit may be carried forward up to five subsequent tax years. An eligible taxpayer who earns a tax credit may transfer all or a portion of the unused credit by written agreement to any other eligible taxpayer during the year in which the credit is earned and the five years following.

The cumulative amount of tax credits for qualified new rail infrastructure expenditures must not exceed $10 million per tax year. If the amount exceeds $10 million, the tax credits will be distributed in the order in which they are claimed.

The Department of Economic Development must submit an annual report to the General Assembly outlining the qualified railroad expenditures and qualified new rail infrastructure expenditures for each eligible taxpayer, along with a summary of the investments made by the eligible taxpayer.

The bill provides that this tax credit must be considered a redevelopment tax credit.

This bill sunsets on December 31st, six years after the effective date.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Department of Commerce and Insurance
Office of Administration – Budget & Planning
Department of Economic Development
Office of the Secretary of State
Joint Committee on Administrative Rules
Oversight Division

Julie Morff
Director
March 12, 2025

Jessica Harris
Assistant Director
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