

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6030H.011
 Bill No.: HB 2716
 Subject: Taxation and Revenue - General; Tax Credits; Redistricting; Transportation;
 Department of Revenue; Economic Development; Department of Economic
 Development
 Type: Original
 Date: February 1, 2026

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue*	Up to (\$356,338)	Up to (\$14,872,420)	Up to (\$14,878,888)
Total Estimated Net Effect on General Revenue	Up to (\$356,338)	Up to (\$14,872,420)	Up to (\$14,878,888)

*Oversight reflects the total impact of the tax credit and FTE for DOR and DED.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue	Up to 3 FTE	Up to 3 FTE	Up to 3 FTE
Total Estimated Net Effect on FTE	Up to 3 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 2027	FY 2028	FY 2029
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§135.1210 – Tax Credit for Qualified Railroad Infrastructure Investments

Officials from the **Department of Revenue (DOR)** assume starting January 1, 2027, 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 transferable. These credits will automatically sunset December 31, 2032.

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, 2027, and the first time the returns claiming the credits can be filed are January 1, 2028 (FY 2028). These credits will result in a loss to general revenue of \$14,500,000 annually.

Fiscal Year	Loss to General Revenue
2027	\$0
2028	(\$14,500,000)
2029+	(\$14,500,000)

This proposal creates two new tax credit programs that will require two new lines being added to the Form MO-TC (\$2,200 * 2), updates to the Department website and changes to the individual income tax computer system (\$1,887 * 2). These changes are estimated to cost \$8,174. 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 \$42,953 (salary plus years of service pay).

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the estimated impact by DOR in the fiscal note.

Officials from the **Office of Administration – Budget & Planning** assume the proposed legislation would authorize tax credits beginning on January 1, 2027, to any short-line railroads, owner or lessee of railroad side or spur track, or port authority or city-owned railroad 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 up to \$14,500,000 per fiscal year.

Officials from the **Department of Economic Development (DED)** assume 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, 2027. 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 does not have any information to the contrary. Therefore, Oversight will reflect the estimated impact by DED in the fiscal note.

Oversight notes according to the [Missouri Department of Transportation's website](#), 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 will note the maximum utilization of the tax credit up to \$4.5 million under §135.1210.5.(1) and \$10 million under §135.1210.5(2) annually, beginning FY 2028.

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 FY2028 and FY2029 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 notes the fiscal note does not reflect the possibility that some of the tax credits could be utilized against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

Officials from the **Oversight Division** state they are responsible for providing a Sunset Report pursuant to Section 23.253 RSMo; however, Oversight will be able to 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.

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
GENERAL REVENUE			
<u>Cost</u> (§135.1210) Railroad Investment Tax Credit p.5	\$0	Up to (\$4,500,000)	Up to (\$4,500,000)
<u>Cost</u> (§135.1210) Railroad Track Expenditures Tax Credit p.5	\$0	Up to (\$10,000,000)	Up to (\$10,000,000)
<u>Cost – DED</u> (§135.1210) p.5	Up to...	Up to...	Up to...
Personal Services	(\$144,520)	(\$176,892)	(\$180,430)
Fringe Benefits	(\$85,353)	(\$103,818)	(\$105,241)
Expense & Equipment	(\$40,928)	(\$13,352)	(\$13,619)
<u>Total Costs – DED</u>	(\$270,801)	(\$294,062)	(\$299,290)
FTE Change – DED	Up to 2 FTE	Up to 2 FTE	Up to 2 FTE
<u>Cost – DOR</u> (§135.1210) p.4			
Personal Services	(\$35,794)	(\$43,812)	(\$44,688)
Fringe Benefits	(\$28,010)	(\$33,957)	(\$34,310)
Expense & Equipment	(\$21,553)	(\$589)	(\$600)
<u>Total Costs – DOR</u>	(\$85,537)	(\$78,358)	(\$79,598)
FTE Change – DOR	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	Up to (\$356,338)	Up to (\$14,872,420)	Up to (\$14,878,888)
Estimated Net FTE Change on General Revenue	Up to 3 FTE	Up to 3 FTE	Up to 3 FTE

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

RAILROAD INFRASTRUCTURE TAX CREDIT

For all tax years beginning on or after January 1, 2027, this act authorizes a tax credit in the amount of fifty percent of an eligible taxpayer's qualified railroad expenditures and qualified new rail infrastructure expenditures. "Qualified railroad expenditures" are defined as gross expenditures for maintenance, reconstruction, or replacement of railroad infrastructure, as described in the act. "Qualified new rail infrastructure expenditures" are defined as gross expenditures for new rail infrastructure, as described in the act.

A tax credit for qualified railroad expenditures shall not exceed \$5,000 multiplied by the number of miles of railroad track owned or leased in the state by a railroad, and the total amount of tax credits for qualified railroad expenditures authorized in a calendar year shall not exceed \$4.5 million. A tax credit for qualified new rail infrastructure expenditures shall not exceed \$1 million for each new rail-served customer project, and the total amount of tax credits for qualified new rail infrastructure expenditures authorized in a calendar year shall not exceed \$10 million.

An eligible taxpayer shall submit a certificate of eligibility to the Department of Economic Development after the completion of the qualified railroad expenditures or qualified new rail infrastructure expenditures.

Tax credits authorized by the act shall not be refundable but may be carried forward for five subsequent tax years. Tax credits may be transferred as described in the act.

This act shall sunset on December 31, 2032, unless reauthorized by the General Assembly. (Section 135.1210)

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

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Joint Committee on Administrative Rules
Oversight Division



Julie Morff
Director
February 1, 2026



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Assistant Director
February 1, 2026