| LFC Requester: | |
|---|---|

# AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

**WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO**
**AgencyAnalysis.nmlegis.gov** and email to **billanalysis@dfa.nm.gov**
***(Analysis must be uploaded as a PDF)***

## SECTION I: GENERAL INFORMATION

***{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}***

**Date Prepared**: 1/27/2025
**Bill Number:** SB129

*Check all that apply:*
Original X Correction __
Amendment __ Substitute __

**Sponsor:** Crystal Brantley
**Short Title:** RAIL INFRASTRUCTURE TAX CREDIT


**Agency Name and Code Number**: Economic Development Department 41900
**Person Writing** Daye Kwon
**Phone:** 525-946-7291 **Email** daye.kwon@edd.nm.gov


## SECTION II: FISCAL IMPACT

### APPROPRIATION (dollars in thousands)

| Appropriation | | Recurring or Nonrecurring | Fund Affected |
|---|---|---|---|
| FY25 | FY26 | | |
| | | | |
| | | | |

(Parenthesis ( ) indicate expenditure decreases)

### REVENUE (dollars in thousands)

| Estimated Revenue | | | Recurring or Nonrecurring | Fund Affected |
|---|---|---|---|---|
| FY25 | FY26 | FY27 | | |
| | | | | |
| | | | | |

(Parenthesis ( ) indicate revenue decreases)

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

| | FY25 | FY26 | FY27 | 3 Year Total Cost | Recurring or Nonrecurring | Fund Affected |
|---|---|---|---|---|---|---|
| **Total** | | | | | | |

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
Duplicates/Relates to Appropriation in the General Appropriation Act

**SECTION III: NARRATIVE**

**BILL SUMMARY**

Synopsis:

Senate Bill 129 (SB129) establishes the Rail Infrastructure Corporate Income Tax Credit under the Corporate Income and Franchise Tax Act. The bill provides tax credits to railroads classified by the federal surface transportation board as Class 2 or Class 3 railroads located wholly or partly in New Mexico, as well as to owners or lessees of rail-related infrastructure, for qualified expenditures related to the reconstruction, replacement, or construction of new rail infrastructure.

The credit allows eligible taxpayers to claim 50 percent of their qualified expenditures. For qualified reconstruction or replacement expenditures, the credit is capped at $5,000 per mile of railroad track owned or leased in the state. For qualified new rail infrastructure expenditures, the credit is limited to $1,000,000 per project involving the construction of railroad infrastructure to provide rail service. The program includes an annual aggregate certification limit of $6,000,000, certified by the New Mexico Department of Transportation (NMDOT). If the annual certification limit is reached, applications exceeding the cap are carried forward to the next taxable year.

Eligibility for the credit requires taxpayers to obtain a certificate of eligibility from NMDOT within the taxable year or within three months after incurring qualified expenditures. The application must detail railroad track miles, the amount of qualified expenditures completed, and the requested credit amount. Credits can be applied to corporate income tax liabilities within twelve months following the calendar year in which the certificate of eligibility was issued. Unused credits are transferable and may be sold or exchanged, provided such transactions are reported within ten days. Credits exceeding a taxpayer’s tax liability in the taxable year may be carried forward for up to five consecutive taxable years.

SB129 also amends Section 7-1-8.8 NMSA 1978 to allow TRD to share confidential return information with NMDOT concerning the Rail Infrastructure Corporate Income Tax Credit, ensuring that NMDOT certifies eligibility for the tax credit. The provisions of SB129 apply to taxable years beginning on or after January 1, 2025, and ending before January 1, 2036.

**FISCAL IMPLICATIONS**

Note: major assumptions underlying fiscal impact should be documented.

Note: if additional operating budget impact is estimated, assumptions and calculations should be reported in this section.

**SIGNIFICANT ISSUES**

The Rail Infrastructure Corporate Income Tax Credit aims to incentivize investment in rail infrastructure, potentially enhancing the state's transportation capabilities. This could foster regional connectivity, attract business investment, and support industries reliant on efficient logistics. By focusing on Class II and Class III railroads and incentivizing rail-served customer projects, the bill has the potential to bolster rural and regional economies that depend on smaller rail systems.

The bill could generate both immediate and long-term benefits, including job creation during construction and improved business efficiency through enhanced logistics. However, the $6,000,000 annual cap on certifications may constrain the scope of larger-scale projects, potentially limiting the overall impact of the initiative.

**PERFORMANCE IMPLICATIONS**

**ADMINISTRATIVE IMPLICATIONS**

**CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

**TECHNICAL ISSUES**

**OTHER SUBSTANTIVE ISSUES**

**ALTERNATIVES**

**WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

**AMENDMENTS**