

Tax Credit for Qualified Railroad Reconstruction or Replacements Expenditures
Frequently Asked Questions



What is the Tax Credit Qualified Railroad Reconstruction or Replacements Expenditures?

This incentive is a possible tax credit for Class II or Class III railroads who own or lease railroad in the State and who incur “qualified railroad reconstruction or replacement expenditures.”

What are qualified railroad reconstruction or replacement expenditures?

Qualified railroad reconstruction or replacement expenditures mean gross expenditures for maintenance, reconstruction, or replacement of railroad infrastructure, which includes track, roadbed, bridges, industrial leads and sidings, and track-related structures owned or leased by the Class II or Class III railroad in this State.

What incentives are being offered?

Eligible companies may claim an income tax credit as decided by the South Carolina Department of Commerce (“Commerce”). An individual taxpayer may not be awarded a credit that exceeds \$5,000 multiplied by the number of miles of railroad track owned or leased in the State by the eligible company as of the close of the taxable year or \$1.5 million, whichever is less. Any excess credit earned may be carried forward and claimed in the next five taxable years.

What are the eligibility requirements for tax incentives under the new program?

- Taxpayer must be a Class II or Class III railroad.
- Taxpayer must own or lease railroad in South Carolina.
- Taxpayer must make gross expenditures for maintenance, reconstruction, or replacement of railroad infrastructure, which includes track, roadbed, bridges, industrial leads and sidings, and track-related structures owned or leased by the Class II or Class III railroad in this State.

What are the evaluation criteria?

Commerce will determine whether an Applicant is eligible for a credit. If the Applicant qualifies, Commerce will award a credit equal to 50% of the qualified railroad reconstruction or replacement expenditures incurred or paid during the taxable year.

What if I own more than one railroad?

The eligible taxpayer is the Class II or Class III railroad owner. If an individual or holding company owns separate corporations that each own a railroad, then each would be a separate eligible taxpayer. They would each have their own application and could not combine the amount to increase any limitations. However, if an individual or holding company owns the railroads and two separate companies just use a portion of each, then the holding company is the one with the application and the limitation is based on total amount of railroad owned.

How do I apply?

The company must submit an application to Commerce no later than sixty (60) days following the close of the taxable year. Applications are available via PalmettoRailways.com. Applications may be submitted electronically to scrrcredit@sccommerce.com or by mail to SC Department of Commerce, Attention: Railroad Credit, 1201 Main Street, Suite 1600, Columbia, SC 29201. Applications must include adequate supporting documentation to (1) describe the work completed on the railroad, (2) provide evidence of the total amount of qualified railroad reconstruction or replacement expenditures, and (3) provide the date of completion of work and/or date of final payment.

When do I apply?

The company must submit an application to Commerce no later than sixty (60) days following the close of the taxable year in which the work is completed and all qualified railroad reconstruction or replacement expenditures have been paid or incurred.

How do I claim the credit?

You will submit a copy of the certificate with the Department of Revenue Form TC-66 filed with the Applicant’s state income tax return.

How do I get more specifics?

If you have other questions, please contact Commerce at 803-737-0095 or submit questions to scrrcredit@sccommerce.com.
