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**SENATE BILL 5063**

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**State of Washington**

**69th Legislature**

**2025 Regular Session**

**By** Senators Stanford, J. Wilson, Lias, Warnick, Chapman, Boehnke, Dozier, Shewmake, Harris, Krishnadasan, Nobles, and Wellman

Prefiled 12/16/24. Read first time 01/13/25. Referred to Committee on Ways & Means.

1 AN ACT Relating to providing incentives to improve freight  
2 railroad infrastructure; adding new sections to chapter 82.04 RCW;  
3 adding a new section to chapter 82.08 RCW; adding a new section to  
4 chapter 82.12 RCW; adding new sections to chapter 82.16 RCW; creating  
5 new sections; providing effective dates; and providing expiration  
6 dates.

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

8 NEW SECTION. **Sec. 1.** The legislature finds that railroads play  
9 a crucial role in economic development, serving nearly every  
10 industrial, wholesale, retail, and resource-based sector in  
11 Washington's economy. The legislature further finds that freight  
12 railroad infrastructure is an essential link in the supply chain and  
13 provides an efficient way to connect Washington's economy to national  
14 and international markets. The legislature further finds that  
15 maintenance and improvements to the railroad system are needed to  
16 support modern 286,000 pound railcars, foster economic development,  
17 increase infrastructure resiliency, avoid supply chain disturbances,  
18 and meet carbon reduction goals for transportation greenhouse gases.  
19 The legislature intends to provide incentives to the rail industry  
20 that can lead to a more effective short line rail system.

1        NEW SECTION.    **Sec. 2.**    A new section is added to chapter 82.04  
2    RCW to read as follows:

3        (1) A credit is allowed against taxes due under this chapter for  
4    expenditures made by an eligible taxpayer pursuant to subsection (2)  
5    of this section. The credit is subject to a maximum annual credit  
6    amount set forth in subsection (3) of this section.

7        (2) Qualified expenditures incurred by an eligible taxpayer may  
8    be used to generate a credit for the following amounts:

9        (a) For qualified short line railroad maintenance expenditures, a  
10   credit is allowed against the taxes due under this chapter in an  
11   amount equal to 50 percent of the qualified short line railroad  
12   maintenance expenditures. The amount of the credit earned in a  
13   calendar year may not exceed an amount equal to \$2,500 multiplied by  
14   the number of miles of railroad track owned or leased in the state by  
15   the eligible taxpayer as of the close of the calendar year.

16       (b) For qualified new rail development expenditures, a credit is  
17   allowed against the taxes due under this chapter in an amount equal  
18   to 50 percent of the new rail development expenditures of an eligible  
19   taxpayer.

20       (c) For qualified railroad modernization and rehabilitation  
21   expenditures, a credit is allowed against the taxes due under this  
22   chapter in an amount equal to 50 percent of the qualified railroad  
23   modernization and rehabilitation expenditures by an eligible  
24   taxpayer.

25       (3) The total credit amount approved under subsection (2) of this  
26   section and section 6(2) of this act may not exceed \$500,000 for each  
27   eligible taxpayer in a calendar year. Credits are available on a  
28   first-in-time basis. The department must disallow any credits, or  
29   portions thereof, that would cause the total amount of credits  
30   approved under subsection (2) of this section and section 6(2) of  
31   this act to exceed \$8,000,000 during any calendar year.

32       (4) The credit claimed may not exceed the tax that would  
33   otherwise be due under this chapter. Refunds may not be granted in  
34   the place of credits. Any amount of credit earned under this section  
35   not claimed by the taxpayer in one calendar year may be carried  
36   forward for no more than five calendar years immediately following  
37   the year that the credit was earned.

38       (5) (a) An eligible taxpayer may transfer all or a portion of the  
39   credit approved under this section to any taxpayer subject to the tax  
40   imposed under this chapter at any time during the calendar year in

1 which the credit is approved by the department and for five calendar  
2 years following the year that the credit is approved.

3 (b) To transfer all or any portion of an approved credit, the  
4 taxpayer originally allowed the credit, and the subsequent  
5 transferee, must jointly file a credit transfer application with the  
6 department. The application must include:

7 (i) The names, addresses, and taxpayer identification numbers of  
8 the parties to the transfer;

9 (ii) The amount of the credit being transferred;

10 (iii) The year the credit was originally approved by the  
11 department for use by the transferring taxpayer;

12 (iv) The tax year or years for which the credit may be claimed;  
13 and

14 (v) Any other information or documents the department may  
15 require.

16 (c) No credit or portion thereof may be transferred more than  
17 once.

18 (6) The department must administer the credit. To claim or  
19 transfer a credit under this section, the taxpayer applying must  
20 complete an application for credit based on qualified expenditures  
21 incurred by the eligible taxpayer the previous calendar year. The  
22 department must rule on applications within 60 days of receipt. The  
23 department may extend the time of processing an application upon  
24 notice to the taxpayer and by providing the taxpayer an explanation  
25 on why the application processing cannot be completed on time.

26 (7) For purposes of this section, the following definitions  
27 apply:

28 (a) "Class I railroad" means a railroad that is classified by the  
29 United States surface transportation board as a class I railroad, as  
30 defined in 49 C.F.R. Sec. 1201.1-1(a), as in effect on January 1,  
31 2025.

32 (b) "Eligible taxpayer" means:

33 (i) Any railroad subject to the tax under this chapter that is  
34 classified by the United States surface transportation board as a  
35 class II or class III railroad, as defined in 49 C.F.R. Sec.  
36 1201.1-1(a), as in effect on January 1, 2025;

37 (ii) Any railroad owned by a port, city, or county in the state  
38 of Washington; or

39 (iii) Any owner or lessee of rail siding, industrial spur, or  
40 industry track, if the rail siding, industrial spur, or industry

1 track is located on or adjacent to a class II or class III railroad  
2 in the state of Washington.

3 (c) "Industrial spur" means a secondary track used by railroads  
4 and customers at a location to load and unload railcars without  
5 interfering with other railroad operations.

6 (d) "Qualified new rail development expenditures" means  
7 expenditures for new rail development by an eligible taxpayer, which  
8 includes the construction of new track, industrial leads, switches,  
9 industrial spurs, sidings, rail loading docks, and transloading  
10 structures involved with providing rail services to new customer  
11 locations or existing customer expansions in the state by an eligible  
12 taxpayer.

13 (e) "Qualified railroad modernization and rehabilitation  
14 expenditures" means expenditures by an eligible taxpayer to upgrade  
15 less than 90 pound rail and switches, 286,000 pound capacity rail  
16 upgrades to the mainline track, rail and tie replacement projects,  
17 track capacity enhancements, bridge rehabilitation or bridge  
18 replacement projects, natural disaster projects, or other track-  
19 related projects determined to enhance or modernize the existing  
20 track infrastructure in the state by an eligible taxpayer.

21 (f) "Qualified short line railroad maintenance expenditures"  
22 means expenditures for railroad infrastructure maintenance including,  
23 but not limited to, rail, ties, tie plates, joint bars, fasteners,  
24 switches, ballast, subgrade, roadbed, bridges, industrial leads,  
25 sidings, signs, safety barriers, crossing signals and gates, and  
26 related track structures owned or leased by a class II or class III  
27 railroad.

28 (g) "Siding" means a short section of track, distinct from a  
29 mainline, branch line, or spur, connected by switches to a main track  
30 and used for storage, passing, or other purposes.

31 (8) Qualified expenditures, as defined in subsection (7)(d), (e),  
32 and (f) of this section, do not include expenditures used to generate  
33 a federal tax credit or expenditures funded by a state or federal  
34 grant.

35 (9) This section does not apply to class I railroads or short  
36 line railroads owned by a class I railroad or any of its  
37 subsidiaries.

38 (10) No person may claim a credit against taxes due under both  
39 this chapter and chapter 82.16 RCW for the same qualified  
40 expenditures.

1 (11) To claim a credit under this chapter, a taxpayer must  
2 electronically file with the department all returns, forms, and other  
3 information the department requires in an electronic format as  
4 provided and approved by the department. Any return, form, or  
5 information required to be filed in an electronic format under this  
6 section is not filed until received by the department in an  
7 electronic format. For purposes of this subsection, "returns" has the  
8 same meaning as "return" in RCW 82.32.050.

9 (12) The ability to earn credits for qualifying expenditures  
10 under this section expires January 1, 2037. No credit may be claimed  
11 on tax returns filed for reporting periods beginning on or after  
12 January 1, 2043.

13 NEW SECTION. **Sec. 3.** A new section is added to chapter 82.04  
14 RCW to read as follows:

15 (1) Any company that recycles railroad material is eligible for a  
16 credit as provided in this section if, on or after the effective date  
17 of this section, the company transfers to an eligible taxpayer rail,  
18 ties, tie plates, joint bars, fasteners, switches, ballast, or other  
19 equipment or materials that are part of the rail infrastructure to be  
20 installed on tracks used by class II and class III railroads.

21 (2) The credit is equal to the fair market value of the donated  
22 materials used for track maintenance, expansion, or modernization.  
23 Materials must be given to a qualifying recipient without  
24 consideration to receive a credit. The department must provide in  
25 rule a standard for determining the fair market value of donated  
26 materials under this section.

27 (3) (a) A company that recycles railroad material may transfer all  
28 or a portion of the credit earned under this section to any taxpayer  
29 subject to the tax imposed under this chapter at any time during the  
30 year in which the credit is earned and five years following the year  
31 that the credit is earned.

32 (b) To transfer all or any portion of a credit earned, the  
33 taxpayer originally allowed the credit and the subsequent transferee  
34 must jointly file a credit transfer application with the department.  
35 The application must include:

36 (i) The names, addresses, and taxpayer identification numbers of  
37 the parties to the transfer;

38 (ii) The amount of the credit being transferred;

1 (iii) The year the credit was originally earned by the  
2 transferring taxpayer;

3 (iv) The tax year or years for which the credit may be claimed;  
4 and

5 (v) Any other information or documents the department may  
6 require.

7 (c) No credit or portion thereof may be transferred more than  
8 once.

9 (d) No credit transfer applications under (b) of this subsection  
10 (3) may be submitted for qualifying materials donated after December  
11 31, 2037.

12 (4) The department must administer the credit.

13 (5) The credit claimed may not exceed the tax that would  
14 otherwise be due under this chapter. Refunds may not be granted in  
15 the place of credits. Any amount of credit earned under this section  
16 not claimed by the person in one calendar year may be carried forward  
17 for no more than five calendar years immediately following the year  
18 that the credit was earned.

19 (6) For purposes of this section, the following definitions  
20 apply:

21 (a) "Class I railroad" means a railroad that is classified by the  
22 United States surface transportation board as a class I railroad, as  
23 defined in 49 C.F.R. Sec. 1201.1-1(a), as in effect on January 1,  
24 2025.

25 (b) "Eligible taxpayer" means:

26 (i) Any railroad subject to the tax under this chapter that is  
27 classified by the United States surface transportation board as a  
28 class II or class III railroad, as defined in 49 C.F.R. Sec.  
29 1201.1-1(a), as in effect on January 1, 2025;

30 (ii) Any railroad owned by a port, city, or county in the state  
31 of Washington; or

32 (iii) Any owner or lessee of rail siding, industrial spur, or  
33 industry track, if the rail siding, industrial spur, or industry  
34 track is located on or adjacent to a class II or class III railroad  
35 in the state of Washington.

36 (c) "Industrial spur" means a secondary track used by railroads  
37 and customers at a location to load and unload railcars without  
38 interfering with other railroad operations.

1 (d) "Siding" means a short section of track, distinct from a  
2 mainline, branch line, or spur, connected by switches to a main track  
3 and used for storage, passing, or other purposes.

4 (7) Credit under this section may not be earned for donations to  
5 short line railroads owned by a class I railroad or any of its  
6 subsidiaries.

7 (8) No person may claim a credit against taxes due under both  
8 this chapter and chapter 82.16 RCW for the same donated materials.

9 (9) To claim a credit under this chapter, a person must  
10 electronically file with the department all returns, forms, and other  
11 information the department requires in an electronic format as  
12 provided and approved by the department. Any return, form, or  
13 information required to be filed in an electronic format under this  
14 section is not filed until received by the department in an  
15 electronic format. For purposes of this subsection, "returns" has the  
16 same meaning as "return" in RCW 82.32.050.

17 (10) The ability to earn credits under this section expires  
18 January 1, 2038. No credit may be claimed on tax returns filed for  
19 reporting periods beginning on or after January 1, 2043.

20 NEW SECTION. **Sec. 4.** A new section is added to chapter 82.08  
21 RCW to read as follows:

22 (1) The tax levied by RCW 82.08.020 does not apply to sales of  
23 materials required for track maintenance to:

24 (a) Owners and operators of class II or class III railroads;

25 (b) Any railroad or freight rail facility owned by a port, city,  
26 or county in the state of Washington; or

27 (c) Any owner or lessee of a rail siding, industrial spur, or  
28 industry track, if the rail siding, industrial spur, or industry  
29 track is located on or adjacent to a class II or class III railroad  
30 in the state of Washington.

31 (2) Sellers making tax-exempt sales under this section must  
32 obtain an exemption certificate from the buyer in a form and manner  
33 prescribed by the department. The seller must retain a copy of the  
34 exemption certificate for the seller's files. Instead of an exemption  
35 certificate, a seller may capture the relevant data elements as  
36 allowed under the streamlined sales and use tax agreement.

37 (3) For the purposes of this section, the following definitions  
38 apply:

1 (a) "Class I railroad" means a railroad that is classified by the  
2 United States surface transportation board as a class I railroad, as  
3 defined in 49 C.F.R. Sec. 1201.1-1(a), as in effect on January 1,  
4 2025.

5 (b) "Class II or class III railroad" means railroads that are  
6 classified by the United States surface transportation board as a  
7 class II or class III railroad, as defined in 49 C.F.R. Sec.  
8 1201.1-1(a), as in effect on January 1, 2025.

9 (c) "Freight rail facilities" means the infrastructure used to  
10 transport freight by rail, specifically to rail yards, terminals,  
11 sidings, and marshalling yards that play an important role in the  
12 transportation and distribution and shipping of goods over long  
13 distances.

14 (d) "Industrial spur" means a secondary track used by railroads  
15 and customers at a location to load and unload railcars without  
16 interfering with other railroad operations.

17 (e) "Materials required for track maintenance" means the  
18 following items when used for purposes of track maintenance: Rail,  
19 ties, tie plates, joint bars, fasteners, switches, ballast, subgrade,  
20 roadbed, bridges, industrial leads, sidings, signs, safety barriers,  
21 crossing signals and gates, and track.

22 (f) "Siding" means a short section of track, distinct from a  
23 mainline, branch line, or spur, connected by switches to a main track  
24 and used for storage, passing, or other purposes.

25 (4) This section does not apply to class I railroads or short  
26 line railroads owned by a class I railroad or any of its  
27 subsidiaries.

28 (5) This section expires January 1, 2037.

29 NEW SECTION. **Sec. 5.** A new section is added to chapter 82.12  
30 RCW to read as follows:

31 (1) The provisions of this chapter do not apply to the use of  
32 materials required for track maintenance by:

33 (a) Owners and operators of class II or class III railroads;

34 (b) Any railroad or freight rail facility owned by a port, city,  
35 or county in the state of Washington; or

36 (c) Any owner or lessee of a rail siding, industrial spur, or  
37 industry track, if the rail siding, industrial spur, or industry  
38 track is located on or adjacent to a class II or class III railroad  
39 in the state of Washington.

1 (2) For purposes of this section, the following definitions  
2 apply:

3 (a) "Class I railroad" means a railroad that is classified by the  
4 United States surface transportation board as a class I railroad, as  
5 defined in 49 C.F.R. Sec. 1201.1-1(a), as in effect on January 1,  
6 2025.

7 (b) "Class II or class III railroad" means railroads that are  
8 classified by the United States surface transportation board as a  
9 class II or class III railroad, as defined in 49 C.F.R. Sec.  
10 1201.1-1(a), as in effect on January 1, 2025.

11 (c) "Freight rail facilities" means the infrastructure used to  
12 transport freight by rail, specifically to rail yards, terminals,  
13 sidings, and marshalling yards that play an important role in the  
14 transportation and distribution and shipping of goods over long  
15 distances.

16 (d) "Industrial spur" means a secondary track used by railroads  
17 and customers at a location to load and unload railcars without  
18 interfering with other railroad operations.

19 (e) "Materials required for track maintenance" has the same  
20 meaning as in section 4 of this act.

21 (f) "Siding" means a short section of track, distinct from a  
22 mainline, branch line, or spur, connected by switches to a main track  
23 and used for storage, passing, or other purposes.

24 (3) This section does not apply to class I railroads or short  
25 line railroads owned by a class I railroad or any of its  
26 subsidiaries.

27 (4) This section expires January 1, 2037.

28 NEW SECTION. **Sec. 6.** A new section is added to chapter 82.16  
29 RCW to read as follows:

30 (1) A credit is allowed against taxes due under this chapter for  
31 expenditures made by an eligible taxpayer pursuant to subsection (2)  
32 of this section. The credit is subject to a maximum annual credit  
33 amount set forth in subsection (3) of this section.

34 (2) Qualified expenditures incurred by an eligible taxpayer may  
35 be used to generate a credit for the following amounts:

36 (a) For qualified short line railroad maintenance expenditures, a  
37 credit is allowed against the taxes due under this chapter in an  
38 amount equal to 50 percent of the qualified short line railroad  
39 maintenance expenditures. The amount of the credit earned in a

1 calendar year may not exceed an amount equal to \$2,500 multiplied by  
2 the number of miles of railroad track owned or leased in the state by  
3 the eligible taxpayer as of the close of the calendar year.

4 (b) For qualified new rail development expenditures, a credit is  
5 allowed against the taxes due under this chapter in an amount equal  
6 to 50 percent of the new rail development expenditures of an eligible  
7 taxpayer.

8 (c) For qualified railroad modernization and rehabilitation  
9 expenditures, a credit is allowed against the taxes due under this  
10 chapter in an amount equal to 50 percent of the qualified railroad  
11 modernization and rehabilitation expenditures by an eligible  
12 taxpayer.

13 (3) The total credit amount approved under subsection (2) of this  
14 section and section 2(2) of this act may not exceed \$500,000 for each  
15 eligible taxpayer in a calendar year. Credits are available on a  
16 first-in-time basis. The department must disallow any credits, or  
17 portions thereof, that would cause the total amount of credits  
18 approved under subsection (2) of this section and section 2(2) of  
19 this act to exceed \$8,000,000 during any calendar year.

20 (4) The credit claimed may not exceed the tax that would  
21 otherwise be due under this chapter. Refunds may not be granted in  
22 the place of credits. Any amount of credit earned under this section  
23 not claimed by the taxpayer in one calendar year may be carried  
24 forward for no more than five calendar years immediately following  
25 the year that the credit was earned.

26 (5) (a) An eligible taxpayer may transfer all or a portion of the  
27 credit approved under this section to any taxpayer subject to the tax  
28 imposed under this chapter at any time during the calendar year in  
29 which the credit is approved by the department and five calendar  
30 years following the year that the credit is approved.

31 (b) To transfer all or any portion of an approved credit, the  
32 taxpayer originally allowed the credit and the subsequent transferee  
33 must jointly file a credit transfer application with the department.  
34 The application must include:

35 (i) The names, addresses, and taxpayer identification numbers of  
36 the parties to the transfer;

37 (ii) The amount of the credit being transferred;

38 (iii) The year the credit was originally approved by the  
39 department for use by the transferring taxpayer;

1 (iv) The tax year or years for which the credit may be claimed;  
2 and  
3 (v) Any other information or documents the department may  
4 require.  
5 (c) No credit or portion thereof may be transferred more than  
6 once.  
7 (6) The department must administer the credit. To claim or  
8 transfer a credit under this section, the taxpayer applying must  
9 complete an application for credit based on qualified expenditures  
10 incurred by the eligible taxpayer the previous calendar year. The  
11 department must rule on applications within 60 days of receipt. The  
12 department may extend the time of processing any application upon  
13 notice to the taxpayer and by providing the taxpayer an explanation  
14 on why the application processing cannot be completed on time.  
15 (7) For the purposes of this section, the following definitions  
16 apply:  
17 (a) "Class I railroad" means a railroad that is classified by the  
18 United States surface transportation board as a class I railroad, as  
19 defined in 49 C.F.R. Sec. 1201.1-1(a), as in effect on January 1,  
20 2025.  
21 (b) "Eligible taxpayer" means:  
22 (i) Any railroad subject to the tax under this chapter that is  
23 classified by the United States surface transportation board as a  
24 class II or class III railroad, as defined in 49 C.F.R. Sec.  
25 1201.1-1(a), as in effect on January 1, 2025;  
26 (ii) Any railroad owned by a port, city, or county in the state  
27 of Washington; or  
28 (iii) Any owner or lessee of rail siding, industrial spur, or  
29 industry track, if the rail siding, industrial spur, or industry  
30 track is located on or adjacent to a class II or class III railroad  
31 in the state of Washington.  
32 (c) "Industrial spur" means a secondary track used by railroads  
33 and customers at a location to load and unload railcars without  
34 interfering with other railroad operations.  
35 (d) "Qualified new rail development expenditures" means  
36 expenditures for new rail development by an eligible taxpayer, which  
37 includes the construction of new track, industrial leads, switches,  
38 industrial spurs, sidings, rail loading docks, and transloading  
39 structures involved with providing rail services to new customer

1 locations or existing customer expansions in the state by an eligible  
2 taxpayer.

3 (e) "Qualified railroad modernization and rehabilitation  
4 expenditures" means expenditures by an eligible taxpayer to upgrade  
5 less than 90 pound rail and switches, 286,000 pound capacity rail  
6 upgrades to the mainline track, rail and tie replacement projects,  
7 track capacity enhancements, bridge rehabilitation or bridge  
8 replacement projects, natural disaster projects, or other track-  
9 related projects determined to enhance or modernize the existing  
10 track infrastructure in the state by an eligible taxpayer.

11 (f) "Qualified short line railroad maintenance expenditures"  
12 means expenditures for railroad infrastructure maintenance including,  
13 but not limited to, rail, ties, tie plates, joint bars, fasteners,  
14 switches, ballast, subgrade, roadbed, bridges, industrial leads,  
15 sidings, signs, safety barriers, crossing signals and gates, and  
16 related track structures owned or leased by a class II or class III  
17 railroad.

18 (g) "Siding" means a short section of track, distinct from a  
19 mainline, branch line, or spur, connected by switches to a main track  
20 and used for storage, passing, or other purposes.

21 (8) Qualified expenditures, as defined in subsection (7)(d), (e),  
22 and (f) of this section, do not include expenditures used to generate  
23 a federal tax credit or expenditures funded by a state or federal  
24 grant.

25 (9) This section does not apply to class I railroads or short  
26 line railroads owned by a class I railroad or any of its  
27 subsidiaries.

28 (10) No person may claim a credit against taxes due under both  
29 this chapter and chapter 82.04 RCW for the same qualified  
30 expenditures.

31 (11) To claim a credit under this chapter, a taxpayer must  
32 electronically file with the department all returns, forms, and other  
33 information the department requires in an electronic format as  
34 provided and approved by the department. Any return, form, or  
35 information required to be filed in an electronic format under this  
36 section is not filed until received by the department in an  
37 electronic format. For purposes of this subsection, "returns" has the  
38 same meaning as "return" in RCW 82.32.050.

39 (12) The ability to earn credits for qualifying expenditures  
40 under this section expires January 1, 2037. No credit may be claimed

1 on tax returns filed for reporting periods beginning on or after  
2 January 1, 2043.

3 NEW SECTION. **Sec. 7.** A new section is added to chapter 82.16  
4 RCW to read as follows:

5 (1) Any company that recycles railroad material is eligible for a  
6 credit as provided in this section if, on or after the effective date  
7 of this section, the company transfers to an eligible taxpayer rail,  
8 ties, tie plates, joint bars, fasteners, switches, ballast, or other  
9 equipment or materials that are part of the rail infrastructure to be  
10 installed on tracks used by class II and class III railroads.

11 (2) The credit is equal to the fair market value of the donated  
12 materials used for track maintenance, expansion, or modernization.  
13 Materials must be given to a qualifying recipient without  
14 consideration to receive a credit. The department must provide in  
15 rule a standard for determining the fair market value of donated  
16 materials under this section.

17 (3) (a) A company that recycles railroad material may transfer all  
18 or a portion of the credit earned under this section to any taxpayer  
19 subject to the tax imposed under this chapter at any time during the  
20 year in which the credit is earned and five years following the year  
21 that the credit is earned.

22 (b) To transfer all or any portion of a credit earned, the  
23 taxpayer originally allowed the credit and the subsequent transferee  
24 must jointly file a credit transfer application with the department.  
25 The application must include:

26 (i) The names, addresses, and taxpayer identification numbers of  
27 the parties to the transfer;

28 (ii) The amount of the credit being transferred;

29 (iii) The year the credit was originally earned by the  
30 transferring taxpayer;

31 (iv) The tax year or years for which the credit may be claimed;  
32 and

33 (v) Any other information or documents the department may  
34 require.

35 (c) No credit or portion thereof may be transferred more than  
36 once.

37 (d) No credit transfer applications under (b) of this subsection  
38 (3) may be submitted for qualifying materials donated after December  
39 31, 2036.

1 (4) The department must administer the credit.

2 (5) The credit claimed may not exceed the tax that would  
3 otherwise be due under this chapter. Refunds may not be granted in  
4 the place of credits. Any amount of credit earned under this section  
5 not claimed by the person in one calendar year may be carried forward  
6 for no more than five calendar years immediately following the year  
7 that the credit was earned.

8 (6) For purposes of this section, the following definitions  
9 apply:

10 (a) "Class I railroad" means a railroad that is classified by the  
11 United States surface transportation board as a class I railroad, as  
12 defined in 49 C.F.R. Sec. 1201.1-1(a), as in effect on January 1,  
13 2025.

14 (b) "Eligible taxpayer" means:

15 (i) Any railroad subject to the tax under this chapter that is  
16 classified by the United States surface transportation board as a  
17 class II or class III railroad, as defined in 49 C.F.R. Sec.  
18 1201.1-1(a), as in effect on January 1, 2025;

19 (ii) Any railroad owned by a port, city, or county in the state  
20 of Washington; or

21 (iii) Any owner or lessee of rail siding, industrial spur, or  
22 industry track, if the rail siding, industrial spur, or industry  
23 track is located on or adjacent to a class II or class III railroad  
24 in the state of Washington.

25 (c) "Industrial spur" means a secondary track used by railroads  
26 and customers at a location to load and unload railcars without  
27 interfering with other railroad operations.

28 (d) "Siding" means a short section of track, distinct from a  
29 mainline, branch line, or spur, connected by switches to a main track  
30 and used for storage, passing, or other purposes.

31 (7) Credit under this section may not be earned for donations to  
32 short line railroads owned by a class I railroad or any of its  
33 subsidiaries.

34 (8) No person may claim a credit against taxes due under both  
35 this chapter and chapter 82.04 RCW for the same donated materials.

36 (9) To claim a credit under this chapter, a person must  
37 electronically file with the department all returns, forms, and other  
38 information the department requires in an electronic format as  
39 provided and approved by the department. Any return, form, or  
40 information required to be filed in an electronic format under this

1 section is not filed until received by the department in an  
2 electronic format. For purposes of this subsection, "returns" has the  
3 same meaning as "return" in RCW 82.32.050.

4 (10) The ability to earn credits under this section expires  
5 January 1, 2038. No credit may be claimed on tax returns filed for  
6 reporting periods beginning on or after January 1, 2043.

7 NEW SECTION. **Sec. 8.** (1) This section is the tax preference  
8 performance statement for the tax preferences contained in  
9 chapter . . ., Laws of 2025 (this act). This performance statement is  
10 only intended to be used for subsequent evaluation of the tax  
11 preferences. It is not intended to create a private right of action  
12 by any party or be used to determine eligibility for preferential tax  
13 treatment.

14 (2) The legislature categorizes the tax preferences in this act  
15 as ones intended to accomplish a general purpose, as indicated in RCW  
16 82.32.808(2)(f).

17 (3) It is the legislature's specific public policy objective to  
18 promote economic development and reduce impacts of freight  
19 transportation on roads and the environment.

20 (4) In conducting its review under this section, the joint  
21 legislative audit and review committee should consider, among other  
22 measures:

23 (a) The total miles capable of transporting 286,000 pound  
24 railcars;

25 (b) The number of miles of track rehabilitated to 90 pound rail  
26 or greater;

27 (c) The number of ties replaced;

28 (d) The amount of ballast replaced;

29 (e) The number of bridges returned from out of service or able to  
30 operate heavier loaded equipment;

31 (f) The number of switches installed;

32 (g) Any related safety benefits of addressing at-grade crossings;

33 (h) The number of rail cars from increased economic activity;

34 (i) Any improvement in federal railroad administration track  
35 classification designation up to and including class II track and the  
36 ability to operate at greater speeds;

37 (j) The amount of steel or ties made obsolete pursuant to section  
38 2 of this act that are reused by a class II or class III railroad, as  
39 defined in section 5 of this act, within Washington;

1 (k) The number of prevailing wage jobs associated with new rail  
2 development, modernization, and rehabilitation projects by taxpayers  
3 using the tax preferences under this act; and

4 (l) The number of additional rail cars utilizing class I  
5 railroads as a result of new development, modernization, and  
6 rehabilitation projects by taxpayers using the tax preferences under  
7 this act.

8 (5) In order to obtain the data necessary to perform the review  
9 in subsection (4) of this section, the joint legislative audit and  
10 review committee may refer to any data collected by the state.

11 NEW SECTION. **Sec. 9.** If specific funding for the purposes of  
12 this act, referencing this act by bill or chapter number, is not  
13 provided by June 30, 2025, in the omnibus appropriations act, this  
14 act is null and void.

15 NEW SECTION. **Sec. 10.** Sections 4, 5, and 8 of this act take  
16 effect August 1, 2025.

17 NEW SECTION. **Sec. 11.** Sections 3 and 7 of this act take effect  
18 July 1, 2026.

19 NEW SECTION. **Sec. 12.** Sections 2 and 6 of this act take effect  
20 January 1, 2026.

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