



Indiana Department of Revenue

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Income Tax Information Bulletin #125

Subject: Railroad Tax Credit for Qualified Infrastructure Investment

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References: IC 6-3.1-38.1

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Introduction

In 2025, the Indiana General Assembly enacted IC 6-3.1-38.1, which created a new Railroad Tax Credit for Qualified Infrastructure Investment. For purposes of this bulletin, this credit generally will be discussed as two separate credits, one for qualified new rail infrastructure expenditures ("New Rail Credit") and one for qualified rail expenditures ("Rail Expenditure Credit") due to the credits having different qualifications and different credit caps.

Definitions

For purposes of this bulletin, "qualified new rail infrastructure expenditures" means gross expenditures for new rail infrastructure, including:

- construction of new track infrastructure, such as industrial leads, switches, spurs, sidings, rail loading docks, and transloading structures, and engineering and site preparation involved with servicing new customer locations;
- the expansion by a Class 2 or Class 3 railroad; or
- construction of new track infrastructure involved with servicing new customer locations located in a qualified rural county, defined as a county with a population of not more than 300,000 (i.e., any county other than Allen, Hamilton, Lake, or Marion Counties).

"Qualified rail expenditures" means gross expenditures for maintenance, reconstruction, or replacement of railroad infrastructure, including track, roadbed, bridges, crossings, signals, industrial leads and sidings, and track related structures, owned or leased by a Class 2 or Class 3 railroad located in Indiana. However, the term does not include expenditures that are funded by state or federal grants as well as expenditures used to generate a federal tax credit.

A “qualified applicant” for the New Rail Credit means an owner or lessee of a rail siding, industrial spur, or industry track that is located either:

- on or adjacent to a Class 2 or Class 3 railroad in Indiana; or
- in a qualified rural county;

that makes qualified new rail infrastructure expenditures.

A “qualified applicant” for the Rail Expenditure Credit means a short line rail company located in whole or in part in Indiana that is classified by the United States Surface Transportation Board as a Class 2 or Class 3 railroad that makes qualified railroad expenditures.

New Rail Credit

A qualified applicant for the New Rail Credit is eligible for a credit based on the applicant’s qualified new rail expenditures for each new rail served customer project completed by the taxpayer in a taxable year. The credit per project is equal to 50% of the qualified new rail expenditures or \$500,000, whichever is less. If the expenditures occur in multiple years, the expenditures are counted as occurring in the year of project completion. This credit is allowable only against the state adjusted gross income tax liability of a taxpayer.

The New Rail Credit is limited to \$5,000,000 per state fiscal year. The New Rail Credit will be awarded based on the order in which the application is received. If the credit cap is reached, no additional New Rail Credits shall be awarded during the state fiscal year. If an application would result in the exhaustion of the New Rail Credit, the credit shall be awarded only to the extent of the unawarded credits. An application for the New Rail Credit can be submitted at any time during the fiscal year in which a project is completed or the immediately following fiscal year.

Rail Expenditure Credit

A qualified applicant for the Rail Expenditure Credit is eligible for a credit based on the applicant’s qualified rail expenditures. The credit per project is equal to \$3,500 times the number of Class 2 or Class 3 miles in Indiana owned or leased by the taxpayer at the end of the taxable year or 50% of the qualified rail expenditures, whichever is less. If the expenditures occur in multiple years, the expenditures are counted as occurring in the year of project completion. This credit is allowable only against the state adjusted gross income tax liability of a taxpayer.

The Rail Expenditure Credit is limited to \$9,500,000 per state fiscal year. The Rail Expenditure Credit will be awarded based on the order in which the application is received. If the credit cap is reached, no additional Rail Expenditure Credits shall be awarded during the state fiscal year. If an application would result in the exhaustion of the Rail Expenditure Credit, the credit shall be awarded only to the extent of the unawarded credits. An application for the Rail Expenditure Credit can be submitted at any time during the fiscal year in which a project is completed or the immediately following fiscal year.

Credit Limitations and Pass Through of the Credit

The New Rail Credit or Rail Expenditure Credit allowable to a taxpayer is limited to the taxpayer's state adjusted gross income tax liability for a taxable year after application of other nonrefundable credits allowable prior to the credit. If a credit is not allowable for a taxable year due to the limitation of the taxpayer's tax liability, the taxpayer may carry the excess over to the next five taxable years. The amount of the credit carryover from a taxable year shall be reduced to the extent that the carryover is used by the taxpayer to obtain a credit under this chapter for any subsequent taxable year. A taxpayer is not entitled to a carryback or refund of any unused credit.

If a taxpayer that is a pass-through entity is entitled to a credit but does not have state tax liability against which the tax credit may be applied, an individual who is a shareholder, partner, or member of the pass-through entity is entitled to a tax credit equal to:

- (1) the tax credit determined for the pass-through entity for the taxable year; multiplied by
- (2) the percentage of the pass-through entity's distributive income to which the shareholder, partner, or member is entitled.

Any credit passed through is in addition to a tax credit to which a shareholder, partner, or member of a pass-through entity is otherwise entitled under this chapter. However, a pass-through entity and an individual who is a shareholder, partner, or member of the passthrough entity may not claim more than one (1) credit for the same qualified new rail expenditure or qualified rail expenditure.

Claiming the Credit

A taxpayer wishing to claim either the New Rail Credit or Rail Expenditure Credit must complete Form IN-RRTC (the "application"), which will be available on the department's website. When a taxpayer submits an application, the taxpayer must provide a summary of the relevant project, including the location of the project, categories of expenditures for which the credit is claimed, and any other information requested the credit(s). A claimant may be asked to provide additional documentation substantiating all or part of the expenditures.

After reviewing the application, the department will issue an award letter listing the amount of credit(s) allowed for the taxable year. The award letter will include a PIN that may be used on the taxpayer's return to claim the credit(s). The New Rail Credit and Rail Expenditure Credit must be claimed on Schedule IN-OCC, which will flow through onto the relevant tax returns as a nonrefundable credit. The annual return and schedule instructions will have more specific guidance on claiming the credits.

Credit Assignment

The New Rail Credit and Rail Expenditure Credit are both assignable. However, a credit may only be assigned one time. In other words, a taxpayer who earns a credit or receives a credit as an

owner of a pass-through entity may make a single assignment of their credit. A credit is not required to be assigned in full; however, once a credit is assigned, no further assignment can occur by the assignor or the assignee.

If a credit is assigned, the assignment must be in writing. If the department prescribes a form for the assignment, follow the instructions for that form. Otherwise, the assignment must include the following:

- The name of the assignor and assignee
- The federal taxpayer identification number of the assignors and assignees
- If the assignor receives the credit as an owner of a pass-through entity, also include the name and FEIN of the pass-through entity
- The year(s) of the credit to which the assignment relates
- The amount of credit to be assigned
- The amount of consideration (if any) for the assignment
- The department-assigned project number and PIN for the credit
- Signatures of the assignor and assignee, or a person authorized to sign on behalf of the assignor and assignee

The assignment must be submitted to the department by the taxpayer that would receive the credit in the absence of an assignment either by using the department's e-services portal INTIME at intime.dor.in.gov or by mailing to:

Indiana Department of Revenue
Business Tax Compliance
100 N. Senate Ave
Indianapolis, IN 46204

Submissions of the assignment through INTIME should use "RRTC assignment" in the subject line and submit the assignment as correspondence.

For purposes of any assignment:

- If a pass-through entity is assigning a credit, the pass-through entity must not have reported the credit to its owners prior to assignment or used the credit to offset any of the pass-through entity's composite tax or pass through entity tax.
- An owner of a pass-through entity may assign a credit only if the pass-through entity has reported the credit to the owner via a Schedule IN K-1 or IT-41 Schedule IN K-1.
- If the assignee acquires the credit after the due date of the assignee's return (including extensions), the assignee can only claim the credit as a carryforward.
- An assignee will have the same allowable carryforward period as the assignor.
- Passing through the credit to an owner of a pass-through entity is not an assignment.
- A credit may not be assigned as the result of the death of an individual holder or as the result of the dissolution of a corporate holder. If this happens, the credit ceases to be available.

If you have any questions concerning this bulletin, contact the Tax Policy Division at taxpolicy@dor.in.gov.

A handwritten signature in black ink that reads "M. Kevin Gulley". The signature is written in a cursive style with a large, prominent "M" and "G".

M. Kevin Gulley
Commissioner
Indiana Department of Revenue