TESTIMONY OF JOHN APITZ FOR THE
MINNESOTA REGIONAL RAILROADS ASSOCIATION
REGARDING HF 3669 – 2022 SENATE TAX BILL

Madam Chair, we appreciate this opportunity to comment on the 2022 Senate Omnibus Tax Bill, HF3669.

We are disappointed that the bill does not include the tax credit for Minnesota's short line railroads contained in Senator Weber's SF1501. This provision would help these small businesses improve their operations to the benefit of the producers, businesses, and consumers – mostly in Greater Minnesota - who rely on rail transportation to connect them to markets across the Nation and around the world.

The Short Line Infrastructure Modernization (SLIM) tax credit would provide a limited, but very helpful, amount of assistance to these private businesses. It is patterned after a similar federal credit that has proven successful in spurring upgrades to short line railroads across the country – railroads that often provide first- and last-mile of service to hundreds of rural communities.

Over the past month, Kansas and Mississippi have enacted similar short line tax credit legislation. They join six other states – Alabama, Arkansas, Georgia, Kentucky, Oklahoma, and Oregon – in promoting increased infrastructure investments in rail for the benefit of the customers that these small railroads serve.

The greatest challenge facing short lines, today, is how to adequately maintain and upgrade their track infrastructure. The average short line reinvests over 30% of its annual revenues back into its track, bridges, crossings, and facilities. This can amount to as much as $50,000 per mile.

The 2015 Minnesota State Rail Plan estimated that our short line railroads more than $250 million in upgrades to bring their track up to current operating standards. The "SLIM" tax credit would provide $5,000/mile per year to help address this need. The fiscal note on SF1501 estimates that this would cost the state less than $3 million per year – a relatively small amount when contrasted with the hundreds of millions spent every year to improve Minnesota's roads.

And the money that the state invests in its roads directly benefits the trucking industry that competes with rail freight movement. Railroads must continually improve their infrastructure to remain safe and competitive. As long as the state maintains its roads, trucks will compete for hauling freight and circumscribe the rates that railroads can charge.

Infrastructure upgrades and maintenance are the kind of investments that last for 100 years. The railroads that could benefit from this tax credit must first invest their own money to generate it. And, based on evidence from other states, the estimated annual economic impact of a "SLIM" tax credit Minnesota communities is at least $27 million, annually.

As your bill moves forward, the short line railroads operating in Minnesota and their customers ask that you include the language of SF1501. Rail investments bring big results and often lead to additional projects that directly reduce shipping costs and improve the bottom line for the farmers, miners, manufacturers, businesses, and consumers that rely on rail to connect their to markets across the Nation and the globe.

Thank-you for your time and consideration.