

## S.F. No. 1155 – Short line railroad infrastructure modernization credit

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### Section 1. Short line railroad infrastructure modernization credit.

**Subd 1. Definitions.** Provides definitions of “Eligible taxpayer”, “Eligible transferee”, and “Qualified railroad reconstruction or replacement expenditures”. “Qualified railroad reconstruction or replacement expenditures” means gross expenditures in a taxable year for maintenance, reconstruction, or replacement of railroad infrastructure, including track, roadbed, bridges, industrial leads and sidings, and track-related structures owned or leased by a Class II or Class III railroad in Minnesota as of January 1, 2021. The definition also includes new construction of industrial leads, switches, spurs and sidings and extensions of existing sidings in Minnesota by a Class II or Class III railroad. Class II railroads have annual operating revenues between \$42.2 million and \$943.9 million. Class III have annual operating revenue less than \$42.4 million.

**Subd. 2. Credit allowed; limitation; carryover.** Provides an income or corporate franchise tax credit equal to 50% of the taxpayer’s qualified railroad reconstruction or replacement expenditures. The credit equals the lesser of the taxpayer’s tax liability, or \$5,000 times the number of miles of railroad track owned or leased in Minnesota by the taxpayer as of the end of the taxable year for which the credit is claimed. The credit is nonrefundable but may be carried forward for up to five years.

**Subd. 3. Transferability; written agreement required; credit certificate.** Allows an eligible taxpayer to transfer the credit to a taxpayer subject to the income, corporate franchise, or insurance premiums tax during the five years following the taxable year in which the qualified expenditures are incurred. The eligible taxpayer and eligible transferee must jointly file a copy of the transfer agreement with the commissioner of revenue within 30 days of the transfer, and the commissioner must issue a credit certificate to the transferee within 30 days of the filing of the agreement.

**Subd. 4. Partnerships; multiple owners.** Requires the credit to be passed through to partners, members, shareholders, or owners of a partnership, LLC taxed as a partnership, S corporation, or multiple owners of property according to their interest in the business entity or as specified in their organizational documents.

**Subd. 5. Allocation for nonresidents and part-year residents.** Provides that the credit must be allocated under current law requirements.

Effective for taxable years beginning after December 31, 2022.

**Section 2. Short line railroad infrastructure modernization credit.** Allows a credit against the insurance premiums tax in the amount of the credit calculated under section 1, subdivision 2. The credit is nonrefundable but may be carried forward for up to five years. Effective for taxable years beginning after December 31, 2022.