

Minnesota Short Line Railroad Modernization (SLIM) Tax Credit

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What are Short Line Railroads?

Minnesota’s Class II and Class III railroads (“short lines”) provide “first mile/last mile” freight service to hundreds of Minnesota rail customers by moving more than 165,000 carloads annually – the equivalent of more than 450,000 trucks. Short line railroads keep Minnesota businesses connected to the national freight network providing safe and affordable transportation for producers, manufacturers, and farmers. *In Minnesota, short line railroads account for roughly 20% of total railroad track miles in the state, but only 4.9% of industry revenues¹.*

Improving Rail Infrastructure Offers a Tremendous Opportunity for Minnesota

Freight railroading is one of the most capital-intensive industries in America. **The Minnesota State Rail (2015) plan identified \$250 million in long-range railroad funding needs in Minnesota for Class II and Class III railroads.** Most short line railroads operate on legacy infrastructure suited only for low-density operations and lighter weight railcars (263,000 lbs. or less). This infrastructure, most of which is privately-owned, must be upgraded to handle today’s heavier, industry-standard 286,000 lbs. railcars. The proposed Short Line Infrastructure Modernization Tax Credit will help short lines make these investments based on market demands, community needs and help Minnesota farmers, agri-businesses, rural manufacturers, energy producers and others remain competitive in the national and global markets. And, it will create jobs for Minnesota workers and their families while promoting safe, efficient and cost-effective transportation.

The Solution – It Works!

The Short Line Infrastructure Modernization Tax Credit is modelled on the successful federal “45(g)” short line tax credit program and similar programs in other states. The tax credit is not a handout. It requires \$2 of private investment by a railroad for every \$1 earned. The annual \$6.5 million credit will stimulate private reinvestment in the track miles owned or leased by Minnesota short lines through reconstruction of track, bridges, roadbed, industrial leads, and track-related structures. It will also support new construction of industrial leads, switches, spurs and siding, and extensions of existing siding for new and expanding businesses.

Minnesota Short Line Freight Rail Statistics²

Number of Minnesota Short Lines:	15
Total Minnesota Short Line Railroad Track Miles (17 RR's):	1300
Estimated Annual Cost of Minnesota Railroad Tax Credit (\$5,000/mile):	\$6,500,000
Estimated Rail Funding Needs of MN Short Lines (per 2015 MN Rail Plan):	\$244,000,000
Estimated MN Short Line Rail Employment:	699
Additional jobs supported in local economy (4.5x multiplier)	3,146
Estimated Carloads Handled Annually:	165,000
Annual Truck Equivalents:	473,550
Estimated Annual Pavement Damage Savings:	\$20,443,154

¹ 4.9% on industry revenues is a national statistic. Source: PWC report on impact of economic impact of short-line railroads.

² “2019-2020 Information About Minnesota’s Railroads”



MINNESOTA FREIGHT RAILROAD MAP

Office of Freight and Commercial Vehicle Operations
September 2015



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