

February 7, 2023

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of S.F. 1155 (Weber)

	Fund Impact			
	<u>F.Y. 2024</u>	<u>F.Y. 2025</u>	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>
	(000's)			
General Fund	(\$2,100)	(\$2,100)	(\$2,100)	(\$2,100)

Effective beginning with tax year 2023.

EXPLANATION OF THE BILL

The bill creates a credit against the individual income tax, corporate franchise tax, and insurance gross premiums tax equal to 50% of qualified costs for maintenance, reconstruction, or replacement of railroad infrastructure.

Class II (regional and short line railroads with an annual gross operating revenue between \$42.4 million and \$943.9 million) and Class III (local and switching railroads with an annual gross operating revenue of less than \$42.4 million) railroads are eligible for the credit. In the case of a partnership or S corporation, the credit is passed through to each partner or shareholder. The credit cannot exceed \$5,000 times the miles of track owned or leased by the railroad in Minnesota.

The credit is nonrefundable but may be carried forward for up to five years. The credit may be transferred under written agreement during the 5-year period.

REVENUE ANALYSIS DETAIL

- About 10 class II and III railroads are expected to qualify for the credit. The estimate is based on reported expenditures for those railroads in calendar years 2016 through 2020.
- Class II and III railroads have a total of 814 miles of track, based on Department of Transportation data. The credit was limited to \$5,000 per mile of track for each railroad.
- No growth is assumed since expenditures are volatile from year to year.

Minnesota Department of Revenue
Tax Research Division
<https://www.revenue.state.mn.us/revenue-analyses>