



April 30, 2024

Senator Ann Rest  
Capitol 328  
Saint Paul, MN 55155

RE: Support for S.F. 5234, Article 1, Sections 16 & 17

Chair Rest,

On behalf of the Minnesota Regional Railroads Association (MRRA), thank you incorporating language addressing the transferability of the Short Line Infrastructure Modernization (SLIM) Tax Credit that was part of last year's Omnibus Tax Bill. Minnesota has 16 regional and short line railroads that 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. The SLIM credit can help them make track investments to handle today's heavier railroad cars, as well as construct industrial leads, switches, spurs and siding to help Minnesota farmers and manufacturers move goods to global markets.

The provisions in Article 1, sections 16 & 17, address a key component of the tax credit that helps leverage capital for these extremely expensive infrastructure projects – their transferability. The language passed last year severely limited the transferability, devaluing the credit by delaying the transferability of the SLIM tax credit until after a tax return is filed.

Because of the capital costs of owning and operating less densely-trafficked railroad lines, many Class II and III railroads may not have a state income tax liability and would rather elect to transfer the tax credit once it is generated rather than claim it on their tax return. Delaying the transferability until after the filing of a tax return can significantly delay funding of vital track improvement projects and substantially diminish the overall effectiveness of the program. The creative solution provided in section 17, establishing a credit certification process overseen by the Department of Transportation, ensures that regional and short line railroads have another avenue to get credits transferred in a timely fashion.

We thank you for your willingness to address the transferability language, so Minnesota's railroads can help local economic development projects across the state move forward.

Sincerely,

A handwritten signature in blue ink that reads "Amber L. Backhaus".

Amber L. Backhaus  
Executive Director  
Minnesota Regional Railroads Association