

Revised

Consolidated Fiscal Note

2025-2026 Legislative Session

SF1046 - 0 - Railroad Tax Credit Certification Modified

Chief Author: **Bill Weber**
 Committee: **Taxes**
 Date Completed: **2/18/2025 3:09:14 PM**
 Lead Agency: **Transportation Dept**
 Other Agencies:
 Revenue Dept

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue	X	
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.
 Reductions shown in the parentheses.

State Cost (Savings)		Biennium			Biennium	
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
Transportation Dept		-	-	-	-	-
General Fund		-	-	-	-	-
State Total						
General Fund		-	-	-	-	-
Total		-	-	-	-	-
Biennial Total				-		-

Full Time Equivalent Positions (FTE)		Biennium			Biennium	
		FY2025	FY2026	FY2027	FY2028	FY2029
Transportation Dept		-	-	-	-	-
General Fund		-	.25	.25	.25	.25
Total		-	.25	.25	.25	.25

Lead LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

DOT revised the fiscal note to show the costs as absorbed. This fiscal note estimates the administrative impact of the proposed bill. Estimated tax revenue impact is shown on a corresponding analysis produced by the Department of Revenue Tax Research Division. Published revenue analyses can be found at <https://www.revenue.state.mn.us/revenue-analyses>.

LBO Signature: Laura Cecko **Date:** 2/18/2025 3:09:14 PM
Phone: 651-284-6543 **Email:** laura.cecko@lbo.mn.gov

Revised

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
Transportation Dept	-	-	-	-	-	-
General Fund	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total				-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Transportation Dept	-	-	-	-	-	-
General Fund						
Expenditures	-	33	33	33	33	33
Absorbed Costs	-	(33)	(33)	(33)	(33)	(33)
Total	-	-	-	-	-	-
Biennial Total				-		-
2 - Revenues, Transfers In*						
Transportation Dept	-	-	-	-	-	-
General Fund	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total				-		-

Revised

Fiscal Note

2025-2026 Legislative Session

SF1046 - 0 - Railroad Tax Credit Certification Modified

Chief Author: **Bill Weber**
Committee: **Taxes**
Date Completed: **2/18/2025 3:09:14 PM**
Agency: **Transportation Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.
Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
Dollars in Thousands					
General Fund	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-		-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	.25	.25	.25	.25
Total	-	.25	.25	.25	.25

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

DOT revised the fiscal note to show the costs as absorbed.

LBO Signature: Laura Cecko **Date:** 2/18/2025 3:08:28 PM
Phone: 651-284-6543 **Email:** laura.cecko@lbo.mn.gov

Revised

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total				-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund						
Expenditures	-	33	33	33	33	33
Absorbed Costs	-	(33)	(33)	(33)	(33)	(33)
Total	-	-	-	-	-	-
Biennial Total				-		-
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total				-		-

Bill Description

The bill amends credit certificate application and transfer procedures. The bill requires an eligible taxpayer to apply for a credit certificate according to MnDOT's guidelines. An approved application must be issued within 30 days of receipt of the application. The credit certificate must state the number of miles of railroad reconstruction or replacement expenditures in the taxable year and the total amount of credit calculated. MnDOT must provide a copy of the certificate to the Department of Revenue. MnDOT must not issue more than one certificate per year to a taxpayer.

A taxpayer is required to document a credit transfer agreement in writing. The agreement must include any amount of the credit allowed that is stated in the certificate before any remainder of the check is claimed, or it must include the entire amount of the credit carryover in each of the five succeeding taxable years.

The bill specifies that MnDOT issue a transfer credit certificate rather than a typical credit certificate to a transferee and forbids a taxpayer from making more than one transfer in a taxable year to the same transferee.

A transferee is no longer liable for repayment of claimed credits exceeding the allowed amount. The section is effective retroactively for taxable years beginning in 2023.

Assumptions

MnDOT would need to review and approve the applications and share any complete credit certificates with the Department of Revenue. There are 15 class II/III railroads in Minnesota, so that would be the maximum number of certificates that would need to be issued each year. MnDOT assumes a position would spend approximately 520 hours on the work annually, at \$42 per hour plus an additional 50% to account for related overhead costs including fringe benefits. This work could be absorbed by MnDOT.

This bill may have an impact on state tax revenues. MnDOT assumes the Department of Revenue will estimate the revenue impact.

Expenditure and/or Revenue Formula

\$42 X 1.5 overhead costs including fringe benefits X 520 Hours = \$32,760 (Rounded \$33,000). These costs will be

Revised

absorbed by MnDOT.

Long-Term Fiscal Considerations

Costs to review the applications and approve these certificates would be ongoing.

Local Fiscal Impact

None

References/Sources

MnDOT Office of Freight and Commercial Vehicle Operations

Agency Contact:

Agency Fiscal Note Coordinator Signature: Catherine Greene

Date: 2/18/2025 3:07:07 PM

Phone: 612-523-2198

Email: catherine.greene@state.mn.us

Revised

Fiscal Note

2025-2026 Legislative Session

SF1046 - 0 - Railroad Tax Credit Certification Modified

Chief Author: **Bill Weber**
 Committee: **Taxes**
 Date Completed: **2/18/2025 3:09:14 PM**
 Agency: **Revenue Dept**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue	X	
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.
 Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium	
Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029
Total	-	-	-	-	-
Biennial Total			-		-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

This fiscal note estimates the administrative impact of the proposed bill. Estimated tax revenue impact is shown on a corresponding analysis produced by the Department of Revenue Tax Research Division. Published revenue analyses can be found at <https://www.revenue.state.mn.us/revenue-analyses>.

LBO Signature: Joel Enders **Date:** 2/13/2025 11:24:25 AM
Phone: 651-284-6542 **Email:** joel.enders@lbo.mn.gov

Revised

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
Total		-	-	-	-	-
Biennial Total				-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total		-	-	-	-	-
Biennial Total				-		-
2 - Revenues, Transfers In*						
Total		-	-	-	-	-
Biennial Total				-		-

Bill Description

This bill updates Minnesota Statutes, section 290.0695 by modifying the Short Line Railroad Infrastructure Modernization Credit and creating a credit certificate issued by the Department of Transportation (MNDOT).

Section 1 defines “credit certificate” as issued by the commissioner of transportation and “transfer credit certificate” as issued by the commissioner of revenue.

Section 2, subdivision 3(a) lays out the process for the taxpayer to apply to the commissioner of transportation for a credit certificate and states that MNDOT must provide copies of approved credit certificates to the Department of Revenue (Revenue).

Section 2, subdivision 3(b)(1) and (2) state that the credit transfer amount may be either “any amount of the credit allowed that is stated in the credit certificate before any remainder of the credit is claimed” or “the entire amount of the credit carryover in each of the five succeeding taxable years”.

Section 2, subdivision 3(d) states that the commissioner of revenue must issue a transfer credit certificate to the transferee within 30 days. Language making a transferee liable for repayment of credits claimed in excess of the allowed amount in the case of an audit or assessment is being stricken.

Section 2, subdivision 3(e) states that an eligible taxpayer must not transfer a credit to an eligible transferee more than once in a taxable year.

This bill is retroactive to tax years beginning after December 31, 2022.

Assumptions

The Department of Revenue (Revenue) assumes initial credit certificate approval will be done by the Department of Transportation (MNDOT). Revenue assumes that MNDOT will share any complete credit certificates with Revenue.

The Corporate Franchise Tax (CFT) Division assumes it will need to update instructions, website, and procedures, which will be completed by existing staff as part of the agency’s annual changes process.

The Appeals, Legal Services, and Disclosure Division (ALSD) assumes it will review instructions and procedures updates. This work can be completed by existing staff.

The Communication Division assumes work on instructions and website will be completed by existing staff as part of its annual changes process.

Revised

Expenditure and/or Revenue Formula

This bill may have an impact on state tax revenues. An estimate of revenue impact is not included in this fiscal note. The Department of Revenue prioritizes revenue estimate requests for bills before Tax Committee and will provide one for this bill when it is before Tax Committee.

Long-Term Fiscal Considerations

N/A

Local Fiscal Impact

N/A

References/Sources

Agency staff provided information for this fiscal note.

Agency Contact:

Agency Fiscal Note Coordinator Signature: Chelsea Magadance

Phone: 651-556-6308

Date: 2/13/2025 9:53:20 AM

Email: chelsea.magadance@state.mn.us