

SENATE
STATE OF MINNESOTA
NINETY-THIRD SESSION

S.F. No. 1155

(SENATE AUTHORS: WEBER, Hauschild, Nelson, Dahms and Putnam)

DATE	D-PG	OFFICIAL STATUS
02/02/2023	597	Introduction and first reading Referred to Taxes
03/04/2024		Comm report: To pass as amended and re-refer to Transportation

1.1

A bill for an act

1.2

relating to taxation; individual income and corporate franchise; providing a credit

1.3

for railroad reconstruction or replacement expenditures; amending Minnesota

1.4

Statutes 2022, section 297I.20, by adding a subdivision; proposing coding for new

1.5

law in Minnesota Statutes, chapter 290.

1.6

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.7

Section 1. [290.0693] SHORT LINE RAILROAD INFRASTRUCTURE

1.8

MODERNIZATION CREDIT.

1.9

Subdivision 1. Definitions. (a) For purpose of this section, the following terms have the

1.10

meanings given them.

1.11

(b) "Eligible taxpayer" means any railroad that is classified by the United States Surface

1.12

Transportation Board as a Class II or Class III railroad.

1.13

(c) "Eligible transferee" means any taxpayer subject to tax under this chapter or chapter

1.14

297I.

1.15

(c) "Qualified railroad reconstruction or replacement expenditures" means gross

1.16

expenditures in the taxable year for maintenance, reconstruction, or replacement of railroad

1.17

infrastructure, including track, roadbed, bridges, industrial leads and sidings, and track-related

1.18

structures owned or leased by a Class II or Class III railroad in Minnesota as of January 1,

1.19

2021. Qualified railroad reconstruction or replacement expenditures also includes new

1.20

construction of industrial leads, switches, spurs and sidings and extensions of existing sidings

1.21

in Minnesota by a Class II or Class III railroad.

2.1 Subd. 2. **Credit allowed; limitation; carryover.** (a) An eligible taxpayer is allowed a
2.2 credit against the tax due under this chapter equal to 50 percent of the taxpayer's qualified
2.3 railroad reconstruction or replacement expenditures.

2.4 (b) A taxpayer's credit under this section may not exceed the lesser of:

2.5 (1) the taxpayer's liability for tax under this chapter; or

2.6 (2) the amount equal to \$5,000 multiplied by the number of miles of railroad track owned
2.7 or leased within the state by the eligible taxpayer as of the close of the taxable year for
2.8 which the credit is claimed.

2.9 (c) If the amount of the credit determined under this section for any taxable year exceeds
2.10 the limitation under paragraph (b), the excess is a credit carryover to each of the five
2.11 succeeding taxable years. The entire amount of the excess unused credit for the taxable year
2.12 must be carried first to the earliest of the taxable years to which the credit may be carried
2.13 and then to each successive year to which the credit may be carried. The amount of the
2.14 unused credit that may be added under this paragraph must not exceed the taxpayer's liability
2.15 for tax less the credit for the taxable year.

2.16 Subd. 3. **Transferability; written agreement required; credit certificate.** (a) An
2.17 eligible taxpayer may transfer the credit allowed under this section by written agreement
2.18 to an eligible transferee at any time during the five years following the taxable year in which
2.19 the qualified expenditures are incurred.

2.20 (b) The eligible taxpayer and the eligible transferee must jointly file a copy of the written
2.21 transfer agreement with the commissioner within 30 days of the transfer. The written
2.22 agreement must contain the name, address, and taxpayer identification number of the parties
2.23 to the transfer; the taxable year the eligible taxpayer incurred the qualified expenditures;
2.24 the amount of credit being transferred; and the taxable year or years for which the transferred
2.25 credit may be claimed.

2.26 (c) The commissioner must issue a credit certificate to the transferee within 30 days of
2.27 the joint filing of a copy of the written transfer agreement with the commissioner.

2.28 Subd. 4. **Partnerships; multiple owners.** Credits granted or transferred to a partnership,
2.29 a limited liability company taxed as a partnership, an S corporation, or multiple owners of
2.30 property are passed through to the partners, members, shareholders, or owners, respectively,
2.31 pro rata to each partner, member, shareholder, or owner based on their share of the entity's
2.32 assets or as specially allocated in their organizational documents or any other executed
2.33 agreement, as of the last day of the taxable year.

3.1 Subd. 5. Allocation for nonresidents and part-year residents. For a nonresident or
3.2 part-year resident, the credit determined under this section must be allocated based on the
3.3 percentage calculated under section 290.06, subdivision 2c, paragraph (e).

3.4 EFFECTIVE DATE. This section is effective for taxable years beginning after December
3.5 31, 2022.

3.6 Sec. 2. Minnesota Statutes 2022, section 297I.20, is amended by adding a subdivision to
3.7 read:

3.8 Subd. 6. Short line railroad infrastructure modernization credit. A taxpayer may
3.9 claim a credit against the premiums tax imposed under this chapter equal to the amount
3.10 indicated on the credit certificate statement issued to the company under section 290.0693.
3.11 If the amount of the credit exceeds the taxpayer's liability for tax under this chapter, the
3.12 excess is a credit carryover to each of the five succeeding taxable years. The entire amount
3.13 of the excess unused credit for the taxable year must be carried first to the earliest of the
3.14 taxable years to which the credit may be carried and then to each successive year to which
3.15 the credit may be carried. This credit does not affect the calculation of fire state aid under
3.16 section 477B.03 and police state aid under section 477C.03.

3.17 EFFECTIVE DATE. This section is effective for taxable years beginning after December
3.18 31, 2022.