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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. 1128

02/15/2021 Authored by Gruenhagen, Lueck and Dettmer
The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; income and corporate franchise tax; allowing a tax credit for
1.3 certain expenditures related to railroad crossings; proposing coding for new law
1.4 in Minnesota Statutes, chapter 290.

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

1.6 Section 1. 290.0683 TAX CREDIT; RAILROAD CROSSING IMPROVEMENTS.

1.7 Subdivision 1. Credit allowed. An individual or entity operating a railroad is allowed
1.8 a credit against the liability for tax equal to 50 percent of qualified costs during the taxable
1.9 year.

1.10 Subd. 2. Definitions. (a) For purposes of this section, the following terms have the
1.11 meanings given them.

1.12 (b) "Crossing" means a grade crossing as defined in section 219.16.

1.13 (c) "Liability for tax" means the sum of the tax imposed under sections 290.06,
1.14 subdivision 1 or 2c; 290.091; and 290.0921 for the taxable year, reduced by the sum of the
1.15 nonrefundable credits allowed under this chapter.

1.16 (d) "Qualified costs" means amounts expended to improve a priority crossing that:

1.17 (1) increase the safety of the crossing by installing, facilitating the installation of, or
1.18 improving the quality of active traffic signals or controls or by assisting in implementing
1.19 grade separation for the crossing;

1.20 (2) would qualify for depreciation deductions under section 167(a) of the Internal Revenue
1.21 Code without regard to whether the improvements are property of the taxpayer; and

2.1 (3) are not required by law to be made by the railroad.

2.2 (e) "Railroad" means a Class I or Class II railroad as defined in United States Code, title  
2.3 49, section 20102, as amended.

2.4 (f) "Priority crossing" means a crossing that is designated by the commissioner of  
2.5 transportation under subdivision 5.

2.6 Subd. 3. **Carryover.** The credit for a taxable year must not exceed the taxpayer's liability  
2.7 for tax. If the credit for a taxable year exceeds the liability for tax, the excess is a carryover  
2.8 to each of the 15 succeeding taxable years. The entire amount of the excess unused credit  
2.9 for the taxable year must be carried first to the earliest of the taxable years to which the  
2.10 credit may be carried and then to each successive year to which the credit may be carried.  
2.11 The amount of the unused credit that may be added under this subdivision must not exceed  
2.12 the liability for tax less the credit for the taxable year.

2.13 Subd. 4. **Partnerships and S corporations.** For a railroad operated as a partnership, a  
2.14 limited liability company taxed as a partnership, or an S corporation, the credit under this  
2.15 section is passed through to each partner, member, or shareholder in proportion to their  
2.16 share of the entity's net income for the taxable year.

2.17 Subd. 5. **Designation of priority crossings.** (a) By October 1, 2021, the commissioner  
2.18 of transportation shall designate a list of at least 15 priority crossings that qualify for the  
2.19 tax credit under this section and publish the list on the website of the Department of  
2.20 Transportation. The list establishes priority crossings, expenditures for which qualify for  
2.21 the tax credit under this section. The commissioner may revise the list of priority crossings  
2.22 as the commissioner determines appropriate, based on changing conditions and circumstances.

2.23 (b) In establishing a list of priority crossings, the commissioner of transportation shall  
2.24 use a methodology for evaluating the priority for and cost-effectiveness of expenditures for  
2.25 improving public safety following or similar to the methods used in preparing the study  
2.26 required by Laws 2014, chapter 312, article 10, section 10, with any modifications or  
2.27 improvements the commissioner determines appropriate.

2.28 (c) Actions of the commissioner of transportation in establishing a list of priority crossings  
2.29 under this subdivision are not an administrative rule subject to the Administrative Procedure  
2.30 Act in chapter 14, including section 14.386.

2.31 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December  
2.32 31, 2020, and applies to expenditures made after October 1, 2021.