

CHAPTER 8105
DEPARTMENT OF REVENUE
PROPERTY EQUALIZATION DIVISION
AD VALOREM TAXES; RAILROADS

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8105.0100 DEFINITIONS.

Subpart 1. **Scope.** As used in this chapter, the following words, terms, and phrases shall have the meanings given to them by this part. Some of the words, terms, and phrases listed below are defined by statute but are included here for completeness.

Subp. 2. **Allocation.** "Allocation" means the process by which a fair and reasonable portion of each railroad's total unit value is assigned to Minnesota for purposes of taxation.

Subp. 3. **Apportionment.** "Apportionment" means the process of distributing that portion of the railroad's unit value which has been allocated to Minnesota after deducting exempt and nonoperating property to the various counties and taxing districts in which the railroad company operates.

Subp. 4. **Book depreciation.** "Book depreciation" means the depreciation shown by a railroad company on its corporate books, and allowed the company by the Interstate Commerce Commission.

Subp. 5. **Capitalization rate.** "Capitalization rate" means an anticipated rate of return from an investment; a rate at which income is processed (capitalized) to indicate the probable capital value. This rate is usually expressed as a percentage.

Subp. 6. **Exempt property.** "Exempt property" means property which is nontaxable for ad valorem tax purposes by statutes. Examples of such property are approved pollution control equipment for which an exemption has been granted, and personal property otherwise exempt from taxation under Minnesota Statutes, chapter 272.

Subp. 7. **ICC.** "ICC" means the Interstate Commerce Commission, a federal regulatory agency.

Subp. 8. **Main line track.** "Main line track" means all track reported to the ICC by the respondent railroad as main line.

Subp. 9. **Nonoperating property.** "Nonoperating property" means all property owned by a railroad company which does not fall under the definition of operating property. Nonoperating property shall include real property which is leased or rented or available for lease or rent to any person which is not a railroad company. Vacant land shall be presumed to be available for lease or rent if it has not been used as operating property for a period of one year preceding the valuation date. It shall also include land which is not necessary and integral to the performance of railroad transportation services and which is not used on a regular and continual basis in the performance of these services.

Subp. 10. **Operating property.** "Operating property" means all property owned or used on a regular and continual basis by a railroad company in the

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performance of railroad transportation services, including without limitation franchises, rights of way, bridges, trestles, shops, docks, wharves, buildings, and structures.

Subp. 11. **Original cost.** "Original cost" means the amount paid for an asset as recorded on the railroad's books in accordance with ICC accounting rules and regulations.

Subp. 12. **PUC.** "PUC" means the Minnesota Public Utilities Commission.

Subp. 13. **Railroad company.** "Railroad company" means any company which as a common carrier operates a railroad or a line or lines of railway situated within or partly within Minnesota.

Subp. 14. **Structure.** "Structure" means all coal and ore wharves or docks, station houses, depots, shops, office building, and all other buildings with an original cost of over \$10,000.

Subp. 15. **System.** "System" means the total tangible property, real and personal, of a company which is used in its railroad operations in all states in which it operates.

Subp. 16. **Unit value.** "Unit value" means the value of the system of a railroad company taken as a whole without any regard to the value of its component parts.

Subp. 17. **Weighting.** "Weighting" means the confidence or reliability given to a factor or indicator. It is usually expressed as a portion of 100 percent.

Statutory Authority: *MS s 270.06*

8105.0200 GENERAL PROCEDURES.

Laws of Minnesota 1979, chapter 303, article VII (the so-called Omnibus Tax Bill) codified as Minnesota Statutes 1979 Supplement, section 270.80 et seq. eliminated the gross earnings tax on Minnesota railroads and replaced it with an ad valorem tax on all railroad operating property. The article also charges the commissioner of revenue with the responsibility of developing rules, both temporary and permanent, which will implement the provisions of the law dealing with the ad valorem method of taxing railroads.

The first valuation of railroad operating property will be made for the assessment year 1979. No apportionment of value to the local taxing districts will be made until 1981 for ad valorem taxes payable in 1982.

The methods, procedures, indicators of value, capitalization rates, weighting percents, allocation factors, and apportionment standards will be used as described in this chapter for 1979 and subsequent years.

Statutory Authority: *MS s 270.06*

8105.0300 REPORTS REQUIRED.

Subpart 1. **Reports to be filed.** The data used in the valuation, allocation, and apportionment processes will be drawn from reports submitted to the Department of Revenue by the railroad companies. These reports are to be filed with the commissioner on or before April 30 of each year and shall include:

- A. the Minnesota Department of Revenue Annual Railroad Report;
- B. Annual Report to the Interstate Commerce Commission;
- C. Annual Report to the Minnesota Public Utilities Commission;
- D. Annual Stockholders Report;

E. other commonly accepted sources of railroad income, expense, capitalization, and debt and stock values such as Standard and Poor's Stock Guide, Standard and Poor's Statistical Service, Moody's Transportation Manual, and Transportation Statistics in the United States compiled by the Interstate Commerce Commission.

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Subp. 2. **Reports examination.** Periodic examination of the supporting data for these reports will be made by the Department of Revenue. The commissioner shall upon written application from the railroad, extend the filing date 30 days.

Subp. 3. **Failure to file.** In the event any railroad company shall fail to file the required reports, the commissioner shall make a valuation according to his best judgment based on available information.

Other sources of pertinent information may be consulted only when necessary to make the valuation, allocation, and apportionment required by parts 8105.0100 to 8105.0600. Said sources will, when applicable, be used uniformly and will be commonly accepted sources of data for which they are consulted. Questions unique to the valuation of a particular railroad may be resolved by consulting the books and records of the particular railroad involved.

Statutory Authority: *MS s 270.06*

8105.0400 VALUATION.

Subpart 1. **In general.** The Minnesota Legislature has specified that railroads must be valued using the unit basis of estimating value. The approaches to value which will be used in determining the estimated unit value of railroad operating property are cost, capitalized income, and stock and debt except as provided for in subparts 4 and 6. It is the decision of the commissioner of revenue that for 1979 and subsequent years the value of railroad property will be determined using these three approaches to value, where applicable, in the manner provided for in this part.

Subp. 2. **Cost approach to valuation.** The cost factor that will be considered in the railroad valuation method is the original cost of the railroad system, plus the original cost of construction work in progress on the assessment date. The railroad system shall be considered to be made up of the following ICC accounts: all road and equipment accounts, all general expenditures and other elements of investment accounts, and railroad property owned but leased to others. As required by statute, no depreciation or obsolescence shall be allowed as a deduction from the original cost of the railroad's assets enumerated above.

The following is an example of how the cost indicator of value is to be computed:

XYZ Railroad	
Account	Amount
Road	\$13,000,000
Equipment	9,000,000
Construction Work in Progress	1,000,000
Leased Property	500,000
General Expenditures	1,500,000
Cost Indicator	\$25,000,000

This cost indicator of value computed in accordance with this part will bear a weighting of 25 percent of the total unit value estimate of the railroad's property, except in the case of bankrupt railroads, or railroads with no income to be capitalized as provided for in subpart 6.

Subp. 3. **Income approach to valuation.** The income indicator of value will be calculated by averaging the net railway operating income (as determined by the ICC) of the railroad for the most recent five years preceding the assessment. This average income shall be capitalized by applying to it a capitalization rate which will be computed by using the band of investment method. This method will consider:

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- A. the capital structure of railroads;
- B. the cost of debt or interest rate paying particular attention to imbedded debt of railroads;
- C. the yield on preferred stock of railroads; and
- D. the yield on common stock of railroads.

For 1983 and subsequent years this capitalization rate will be 12 percent.

An example of a computation of the capitalized income approach to value is as follows:

XYZ Railroad	
Net Railway Operating Income	
1974	\$ 1,712,750
1975	2,212,750
1976	2,812,750
1977	3,213,750
1978	2,813,000
Total	\$12,765,000
Average	\$ 2,553,000

Five-year average net railway operating income capitalized at 12 percent (2,553,000 ÷ 12%) equals \$21,275,000.

The income indicator of value computed in accordance with this part shall be weighted 50 percent of the total estimated unit value of the railroad's property except in the case of bankrupt railroads or railroads having no net operating income as provided for in subpart 6; and railroads not meeting the requirements for the use of the stock and debt indicator of value. Where no stock and debt indicator of value is used the income indicator will be weighted 75 percent.

Subp. 4. Stock and debt approach to valuation. The stock and debt approach to value is the third method which will be used to estimate the unit value of the railroad operating property. This approach to value is based on the accounting principle: assets = liabilities + equity. Therefore, when the value of a company's liabilities (debt) is found and this added to the worth of its stock, a value can be established for its assets (property).

The use of this approach to value will be limited to only those railroads meeting certain qualifications listed below:

- A. The stock of the railroad must be traded on either the New York or American Stock Exchange.
- B. The bonds of the railroad must be traded or have a rating by either Standard and Poor's or Moody's rating services.
- C. If the railroad is part of a diversified company the value of the railroad portion of the total stock price must be able to be separated on an earnings basis using the method described below.

XYZ Railroad
XYZ railroad is wholly owned by ABC Industries Inc.

Net Earnings of ABC Industries	\$ 5,200,500
Net Earnings of XYZ Railroad	\$ 2,600,250
% of XYZ net earnings to total conglomerate earnings	50%
Value of share of ABC Industries stock	\$ 100
XYZ Railroad portion of stock value	\$ 50

If a railroad has no net earnings and is part of a conglomerate, then the stock and debt indicator of value will not be used.

The value of the stock used in the stock and debt method shall be an average of the month-ending stock prices for the 12 months immediately preceding the assessment date of January 2. The value of the bonds, equipment

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obligations and conditional sales contracts, and other long-term debts shall also be an average of the cost of money quotes for the 12 months immediately preceding the assessment date of January 2. The source for these stock and bond prices shall be Standard and Poor's Stockguide, or other applicable financial service.

An illustration of a computation of the stock and debt approach to value is as follows:

XYZ Railroad Company	
Shares of Common Stock issued x Average price for preceding year	1,000,000 x \$12 = \$12,000,000
Shares of Preferred Stock x Average price for preceding year	100,000 x \$15 = \$ 1,500,000
Rate and face value of bonds x Average price for class of bonds for preceding year	= \$ 9,900,000
A-rated 8% bonds \$10,000,000 x 99% of par	\$23,400,000
Stock and Debt Indicator of Value	

After the gross stock and debt indicator of value has been computed an allowance will be made for the effect, if any, of revenue from other than railway operations included in this indicator of value. This allowance shall be based on the ratio of a five-year average of net revenue from railway operations, as determined by the ICC, to a similar five-year average of income available for fixed charges as determined by the ICC. The five-year average will be the most recent five years preceding the assessment date.

An example of this computation is as follows:

XYZ Railroad Company	
Net Revenue from Railway Operations	Income Available for Fixed Charges
1974	\$ 3,000,000
1975	4,000,000
1976	5,200,000
1977	6,000,000
1978	5,200,000
	\$23,400,000
Average	\$4,680,000
Ratio \$4,680,000 ÷ \$5,140,000 = 91%	
Gross Stock and Debt Indicator of Value	\$23,400,000
Ratio of Operating to Noncarrier Earnings	91%
Net Stock and Debt Indicator of Value	\$21,300,000

The stock and debt indicator of value computed in accordance with this part will bear a weighting of 25 percent of the total unit value of the railroad's property, except in the case of bankrupt railroads, railroads in bankruptcy proceedings, or railroads with no income to be capitalized as provided for in subpart 6.

Subp. 5. Unit value computation. The estimated unit value of the railroad property will be the total of the three weighted indicators of value.

The following is an example of the computation of the unit value.

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XYZ Railroad			
Valuation Approach	Value	Weighting	
Cost indicator of value	\$25,000,000	25%	\$ 6,250,000
Income indicator of value	21,275,000	x 50%	10,637,500
Stock and debt indicator of value	21,300,000	25%	5,325,000
	Unit Value		\$22,212,500

The weighting shown above may vary from railroad to railroad, as provided for in subparts 2 to 4 depending on the conditions and circumstances involved in each valuation. For example, a railroad with no outstanding stock would not have a computation for a stock and debt indicator of value, and therefore the income indicator of value would be weighted 75 percent.

Subp. 6. Railroads operating at loss; bankrupt railroads involved in federal bankruptcy proceedings; railroads adjudged bankrupt by a federal court. Railroads which are involved in federal bankruptcy proceedings, adjudged bankrupt, or railroads having no net railway operating income will be valued using the cost and stock and debt approaches to value. If the stocks or bonds of such railroads are not traded, or do not meet the other requirements for use of the stock and debt indicator of value then these railroads will be valued using the cost approach to value only.

MS s 270.06; 270.11 subs 1.6; 270.81 subs 1.5

8105.0500 ALLOCATION.

Subpart 1. In general. After the estimated unit value of the railroad property has been determined, the portion of value which is attributable to Minnesota must be established. This is accomplished through the use of certain allocation factors. Each of the factors in the allocation method shows a relationship between the railroad system operations in all states and its Minnesota operations. These relationships are expressed in a percentage figure. These percentages are then added and an average is computed. The resulting average of the factors, multiplied by the unit value, yields the Minnesota portion of the railroad property which will, after the adjustments described in part 8105.0600, be subject to ad valorem tax in the state of Minnesota.

Subp. 2. Allocation factors. The factors to be considered in making allocations of unit values to Minnesota for railroad companies are:

A. miles of railroad track operated in Minnesota divided by miles of railroad track operated in all states;

B. ton miles of revenue freight transported in Minnesota divided by ton miles of revenue freight transported in all states;

C. gross revenues from transportation operations within Minnesota divided by gross revenues from transportation operations in all states;

D. original cost of road property in Minnesota divided by the original cost of road property in all states.

The following example illustrates the allocation method to be applied to the unit value of railroad property.

XYZ RAILROAD			
Minnesota miles of track	100		
Total miles of track	500	=	20%
Minnesota ton miles of revenue freight	2,200,000		
Total ton miles of revenue freight	9,000,000	=	24%

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Minnesota gross transportation revenue	\$10,000,000	
Total gross transportation revenues	<u>\$40,000,000</u>	= 25%
Minnesota Cost of Road Property	\$ 2,990,000	
Total Cost of Road Property	<u>\$13,000,000</u>	= 23%
Total		92%
Minnesota Percent of Unit Value		23%

\$5,108.875

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Total Unit Value (\$22,212,500) x Minnesota Percent (23%) = Minnesota Portion of Unit Value

Statutory Authority: *MS s 270.06*

8105.0600 ADJUSTMENTS FOR NON-FORMULA-ASSESSED PROPERTY OR EXEMPT PROPERTY.

After the Minnesota portion of the unit value of the railroad company is determined property which is either exempt from taxation, such as pollution control equipment and personal property, or classified as nonoperating will be deducted from the Minnesota portion of the unit value to the extent that it has been included in the computation of this value.

Property which has been included in the computation of the unit value but has been defined as nonoperating property will be valued by the local assessor. The Minnesota portion of the unit value will be reduced by the original cost of this property. Only nonoperating property located within the state of Minnesota will be eligible for this exclusion.

The railroad company shall have the responsibility to submit to the commissioner of revenue, in the form required by the commissioner, such schedules of nonoperating property as he may require.

In addition to nonoperating property which will be valued and assessed locally a deduction from the Minnesota portion of the unit value will be made for personal property. The unit value method presupposes that the value of any one portion of the unit is interdependent upon all other elements of the unit; therefore, it is extremely difficult to make a separation of this value into real and personal property.

A percentage of the Minnesota portion of the unit value after deducting nonoperating and exempt property will be excluded as personal property. This percentage will be computed in the following way: the following ICC accounts for property within Minnesota will be totaled; that portion of coal and ore wharves determined to be personal property less applicable depreciation, communication equipment less applicable depreciation, roadway machines less applicable depreciation, shop machinery less applicable depreciation, power plant machines less applicable depreciation, equipment, allocated to Minnesota on the basis of car and locomotive miles in Minnesota compared to total system car and locomotive miles, less applicable depreciation; the total of these accounts will then be divided by the total of the Minnesota road, equipment, leased property, general expenditures, construction work in progress, and other elements of investment accounts, all less applicable depreciation. The resulting percentage will be used to determine the personal property amount of the Minnesota portion of the unit value. This portion will not be taxable for ad valorem purposes.

The following is an illustration of the computation for the personal property exclusion.

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XYZ Railway			
Personal Property Account	Amount in Minnesota	Depreciation	Net Amount in Minnesota
Coal & Ore Wharves	\$ 500,000	\$ 250,000	\$ 250,000
Communication Equip.	100,000	50,000	50,000
Roadway Machines	200,000	100,000	100,000
Shop Machinery	100,000	50,000	50,000
Power Plant Machinery	500,000	203,000	297,000
Equipment*	2,250,000	1,250,000	1,000,000
			\$1,747,000
*Total Equipment Account		\$9,000,000	
Car and Locomotive Miles in Minnesota		1,000,000	
Total Car and Locomotive Miles		4,000,000	
Ratio of Minnesota to Total		25%	
Minnesota Allocated Equipment Account		\$2,250,000	
Cost Account	Amount in Minnesota	Depreciation	Net Amount in Minnesota
Road	\$2,990,000	\$1,400,000	\$1,590,000
Equipment	2,250,000	1,250,000	1,000,000
C.W.I.P.	800,000	-	800,000
General Expenditures	500,000	250,000	250,000
			\$3,640,000
Minnesota Depreciated Personal Property Accounts			\$1,747,000
Minnesota Depreciated Cost			\$3,640,000
Ratio of Personal Property to Cost			48%
Minnesota portion of unit value			\$5,108,875
Personal Property exclusion at 48%			2,452,260
			\$2,656,615
Statutory Authority: MS s 270.06			

8105.0700 APPORTIONMENT.

Subpart 1. **In general.** After the taxable Minnesota portion of the railroad's unit value has been determined this value must be distributed to the various counties and taxing districts in which the railroad operates. This distribution will be accomplished by the commissioner of revenue through the use of certain apportionment components. Each of the components in the apportionment method is a reflection of the property owned or used by the railroad within a particular taxing district. The figures making up these components will be developed on the basis of information submitted by the railroad companies in annual reports filed with the commissioner, and information supplied to the commissioner by the various county auditors and assessors.

Subp. 2. **Apportionment components.** There are three components which will be used in the distribution of the value of railroad property to the various taxing districts. They are railroad operating land, miles of track, and railroad operating structures with an original cost of \$10,000 or more.

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A. Railroad operating land. The information for the computation of this apportionment component will be based on information submitted by both the railroads and the various county auditors and assessors. The railroad companies shall file with the commissioner of revenue each year, in conjunction with their annual reports required by part 8105.0300, subpart 1, the number of acres of railroad operating land owned or used by them in each taxing district in which they operate. The county auditor shall also be required to submit to the commissioner of revenue a report showing the number of acres of railroad operating land, detailed by owning railroad, in each taxing district within his county. If either the railroads or the auditors find that it is administratively impracticable to submit this information, the commissioner shall make an estimate of the number of acres of railroad operating land within each taxing district based on the best information available to him. Such information would usually consist of the miles of railroad track within the taxing district and the normal width of the right-of-way used by the railroad. In addition, information relative to the current estimated market value of all land within the respective taxing districts will be obtained from the county or city assessors by a review of the abstract of assessment of real and personal property which the various assessors are required to submit yearly to the commissioner of revenue in compliance with Minnesota Statutes, section 273.061, subdivision 9. A review will also be made of the abstract of assessment of exempt real property which is submitted to the commissioner of revenue by the various assessors in compliance with Minnesota Statutes, section 273.18.

The computation for the railroad operating land apportionment component will be accomplished annually in the following manner:

(1) The average estimated market value per taxable acre within a specific taxing district will be calculated by dividing the estimated market value of all taxable land within the taxing district as indicated by the most recent abstract of assessment of real and personal property by the number of taxable acres within the taxing district. The number of acres within a taxing district will be obtained from the most recent statistics available from the Land Management Information Center, State Planning Agency. The total number of acres will be adjusted to allow for nontaxable or exempt acres by subtracting these nontaxable or exempt acres from the total acres. The number of nontaxable or exempt acres will be obtained from the most recent abstract of assessment of exempt real property. The following example illustrates this calculation.

Estimated Market Value of all		
Taxable Land Within Taxing District		\$200,000
Total Area of Taxing District	210 Acres	
Nontaxable or Exempt Areas	10 Acres	

Taxable Acres within Taxing District		200

Average Estimated Market Value per Acre		\$ 1,000

(2) This average estimated market value per taxable acre is then applied to the number of acres of railroad operating land within the taxing district to compute a gross railroad operating land component within the taxing district. The following example illustrates this computation:

Average Estimated Market Value Per Acre	\$1,000
Acres of Railroad Operating Land	x 5

Gross Railroad Operating Land Component	\$5,000

(3) This railroad operating land component will then be adjusted. This adjustment is achieved by striking a ratio between the system unit value for all Minnesota railroads as described in part 8105.0400, subpart 5 to the total of investment in railway property used in transportation service as defined by the

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ICC for all railroads operating in Minnesota. This relationship will be computed annually and will then be applied to the gross railroad operating land component to arrive at the adjusted railroad operating land component. This adjusted land value will then be used as one element of the apportionment computation. The following is an example of how the adjusted railroad operating land component is to be computed:

Railroad	System Unit Value	Investment in Railway Prop. Used in Trans. Services
ABC Railway	\$20,000,000	\$ 40,000,000
FGH Railway	5,256,000	8,000,000
JKL Railroad	2,000,000	4,780,830
MNO Railroad	50,000,000	90,000,000
XYZ Railroad	22,212,500	25,000,000
	\$99,468,500	\$165,780,830

Total System Unit Value (\$99,468,500) ÷ Total Investment in Railway Property Used in Transportation Services (\$165,780,830) = 60%.

Gross Railroad Operating Land Component

Within the Taxing District	\$5,000
Adjustment Factor	60%

Adjusted Railroad Operating Land Component	\$3,000
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B. Miles of track. The information for the computation of this apportionment component will be based on information submitted by the railroads to the commissioner of revenue in conjunction with the annual report required by part 8105.0300, subpart 1. Each railroad will be required to list the miles of track they own in each taxing district within Minnesota. The track must be separated into two classes; main line track and all other track.

In order to make the miles of track in each taxing district compatible with the other apportionment components, the miles must be converted to dollars. This conversion will be computed annually. The conversion will be accomplished by adding together the following ICC accounts for each railroad's investment in Minnesota: Account 1 engineering, account 3 grading, account 8 ties, account 9 rails, account 10 other track material, account 11 ballast, account 12 track laying. The total of these accounts will then be divided by the number of miles of track operated by the respective railroads within Minnesota to obtain a cost-per-mile figure. This will be used as the average cost per mile for track within Minnesota.

The following is an example of how the average cost per mile of track in Minnesota will be computed:

Railroad	Total of Accounts #1,3,8,9,10,11,12	Mileage Operated in Minn.
ABC Railway	\$ 4,000,000	154
FGH Railway	800,000	42
JKL Railroad	500,000	20
MNO Railroad	7,450,000	290
XYZ Railroad	2,500,000	104
	\$15,250,000	610

Total cost of track (\$15,250,000) ÷ Total miles operated (610) = Average Cost per Mile of Track \$25,000.

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An additional calculation is necessary to adjust this average cost per mile of track to allow for weighting. Main line track shall be weighted at one and one-half times the cost of all other track; thus if the average cost per mile of track is \$25,000, main line track would be worth more than \$25,000 per mile, while all other track would be worth less. The calculation for the average cost of both main line and all other track shall be made annually on an industry basis.

The calculation to determine the average cost per mile of main line track and the average cost per mile of all other track will be computed in the following manner.

(1) Total mileage operated will be multiplied by the average cost per mile to arrive at a total track cost.

(2) Total mileage operated will be separated into the two types of track; main line and all other track.

(3) Main line track will be multiplied by one and one-half to arrive at adjusted main line miles.

(4) Adjusted main line miles will be added to all other track miles to arrive at adjusted total track miles.

(5) Total track cost will be divided by adjusted total track miles to arrive at the cost per mile of all other track.

(6) The cost per mile of main line track will be computed by multiplying the cost per mile of all other track by one and one-half.

An illustration of this computation is as follows:

Railroad	Mileage Operated	Main Line Miles	All other Track Miles
ABC Railway	154	96	58
FGH Railway	42	10	32
JKL Railroad	20	15	5
MNO Railroad	290	132	158
XYZ Railroad	104	52	52
	<hr style="width: 50%; margin: 0 auto;"/> 610	<hr style="width: 50%; margin: 0 auto;"/> 305	<hr style="width: 50%; margin: 0 auto;"/> 305
Total Mileage Operated			610
Average Cost Per Mile of Track			\$ 25,000
Total Track Cost			<hr style="width: 50%; margin: 0 auto;"/> \$15,250,000
Main Line Miles			305
Weighting Factor			1.5
Adjusted Main Line Miles			457.5
Other Track Miles			305.0
Adjusted Total Track Miles			<hr style="width: 50%; margin: 0 auto;"/> 762.5
Total Track Cost			\$15,250,000
Adjusted Total Track Miles			762.5
Average Cost Per Mile of Other Track			<hr style="width: 50%; margin: 0 auto;"/> \$ 20,000
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Average Cost Per Mile of Other Track	\$	20,000
Weighting Factor		1.5
Average Cost Per Mile of Main Line Track	\$	30,000
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After the per mile cost figures for main line and all other track are obtained, these per mile cost figures would be multiplied by the length of each type of track in a particular taxing district to obtain the value of the trackage in that district. The same cost figures will be used for all railroads operating in Minnesota.

C. Structures. The information for the computation of this apportionment component will be based on statements submitted by the railroads. These schedules shall be submitted annually to the commissioner of revenue in conjunction with the annual report required by part 8105.0300, subpart 1. The schedules shall show the location, by taxing district, of all operating structures owned by the reporting railroad within Minnesota with an original cost of \$10,000 or more. The schedules shall list a description of the structure and the railroad's current original cost investment in the structure as it appears in the appropriate ICC account.

An example of this list is as follows:

XYZ RAILROAD		
Taxing District	Description	Original Cost
St. Paul, S.D. #625	Office Building	\$400,000
Minneapolis, S.D. #1	Depot	20,000
Fridley, S.D. #16	Yard Tower	200,000
Anoka, S.D. #11	Engine and Car Shop	250,000
	Total	\$870,000

Subp. 3. **Apportionment computation.** After the three apportionment components have been calculated for each taxing district in which the railroad operates the apportionment of the railroad's taxable Minnesota portion of the unit value can begin. This apportionment is accomplished by totaling the value of the land, track, and structure components as developed in subpart 2, items A, B, and C for each taxing district, then finding the sum of these totals for all the taxing districts in which the subject railroad operates. The taxable Minnesota portion of the railroad's unit value is divided by this total value of the three apportionment components for all taxing districts in which the railroad operates in order to arrive at a percentage. This resulting percentage is then applied to the total value of the three apportionment components for each specific taxing district. The figure produced by this multiplication process is the taxing district's share of the railroad's taxable Minnesota portion of the unit value. It is important to note that no more value can be distributed to the various taxing districts than that produced by the valuation process described in parts 8105.0100 to 8105.0600.

The example in part 8105.9900 illustrates the apportionment process.

Statutory Authority: *MS s 270.06*

MINNESOTA RULES 1985

8105.9900 AD VALOREM TAXES; RAILROADS

7084

8105.9900 EXAMPLE OF APPORTIONMENT PROCESS.

Taxing District	LAND COMPONENT				TRACK COMPONENT				STRUCTURES				
	Aver. E.M.V. Per Acre	# of R.R. Ctr. Acres	Gross R.R. Land Component	Adj. R.R. Land Component	Miles of Main Line	Miles of all other Track	Value of All Other Track	Value of Main Line	Total Track Component	Structures At original cost	Total of 3 Components	% of 3 Components to Unit Value	Taxing Dist. Portion of Unit Value
St. Paul, S.D. #625	\$19,000	50	\$ 950,000	570,000	8			\$ 240,000	\$ 240,000	\$400,000	\$1,210,000	37.87%	\$ 458,285
Minneapolis, S.D. #1	20,000	80	1,600,000	960,000	12			360,000	360,000	20,000	1,340,000	37.87%	507,522
Fridley, S.D. #16	15,000	95	1,425,000	855,000	6	20	\$ 400,000	180,000	580,000	200,000	1,635,000	37.87%	619,253
Coon Rapids, S.D. #11	13,000	70	910,000	546,000	9			270,000	270,000	-----	816,000	37.87%	309,059
Anoka, S.D. #11	10,000	20	240,000	144,000	4			120,000	120,000	250,000	514,000	37.87%	194,677
Ramsey, S.D. #11	6,000	60	600,000	360,000	11			330,000	330,000	-----	680,000	37.87%	261,336
Elk River, S.D. #728	2,000	5	30,000	18,000	2			60,000	60,000	-----	78,000	37.87%	29,542
Elk River Twp., S.D. #728	3,000	4	12,000	7,200		8	160,000	160,000	160,000	-----	184,000	37.87%	69,690
Big Lake, S.D. #727	1,000	100	100,000	60,000		4	80,000	80,000	80,000	-----	87,200	37.87%	33,027
Big Lake Twp., S.D. #727			\$5,907,000	\$3,544,200		20	\$1,940,000	\$1,580,000	\$2,600,000	\$870,000	\$7,014,200	37.87%	\$2,656,615

*Taxable Minn. Portion of Unit Value
Total of 3 Components for All Taxing Districts

Statutory Authority: *MS s 270.06*