

S.F. No. 1501 – Short line railroad infrastructure modernization credit

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This bill provides a credit against income, corporate franchise, and insurance premiums tax for certain expenses paid for infrastructure improvements and maintenance of Class II or Class III railroads in Minnesota. Class II railroads have annual operating revenues greater than approximately \$37 million but less than \$458 million; Class III railroads have annual operating revenue less than \$37 million. Effective beginning in tax year 2021.

Section 1. Short line railroad infrastructure modernization credit.

Subd. 1. Definitions. Defines terms applicable to the credit.

Subd. 2. Credit allowed; limitation; carryover. Allows a credit equal to the lesser of the taxpayer's tax liability, or the number of miles of railroad track owned or leased by the taxpayer within the state, multiplied by \$5,000. The credit is not refundable but may be carried forward for up to five years.

Subd. 3. Transferability; written agreement required; credit certificate. Allows an eligible taxpayer to transfer the credit in a written agreement any time in the five years after the year the expenses were paid. The agreement must be filed with the commissioner within 30 days of the transfer, and the commissioner must issue a credit certificate to the transferee within 30 days of the filing of the transfer agreement.

Subd. 4. Partnerships; multiple owners. Requires credits granted or transferred to a pass-through entity to be passed through to partners, members, shareholders, or owners on a pro-rata basis according to their share of the entity's assets, or as otherwise provided in an organizational document.

Subd. 5. Allocation for nonresidents and part-year residents. Requires allocation of the credit as provided under current law.

Section 2. Short line railroad infrastructure modernization credit. Allows the credit to be claimed against insurance premiums tax liability. The credit is nonrefundable but may be carried forward for up to five years.