

**SENATE
STATE OF MINNESOTA
NINETY-FOURTH SESSION**

S.F. No. 1046

(SENATE AUTHORS: WEBER, Rest and Dahms)

DATE
02/06/2025

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Introduction and first reading
Referred to Taxes

OFFICIAL STATUS

1.1 A bill for an act
1.2 relating to taxation; individual income and corporate franchise; modifying transfer
1.3 and certification provisions; amending Minnesota Statutes 2024, section 290.0695,
1.4 subdivisions 1, 3.

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

1.6 Section 1. Minnesota Statutes 2024, section 290.0695, subdivision 1, is amended to read:

1.7 Subdivision 1. **Definitions.** (a) For ~~purpose~~ purposes of this section, the following terms
1.8 have the meanings given them.

1.9 (b) "Credit certificate" means the certificate issued by the commissioner of transportation
1.10 under subdivision 3, paragraph (a).

1.11 ~~(b)~~ (c) "Eligible taxpayer" means any railroad that is classified by the United States
1.12 Surface Transportation Board as a Class II or Class III railroad.

1.13 ~~(e)~~ (d) "Eligible transferee" means any taxpayer subject to tax under this chapter or
1.14 chapter 297I.

1.15 ~~(d)~~ (e) "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 (f) "Transfer credit certificate" means the certificate issued to a transferee by the
 2.2 commissioner under subdivision 3, paragraph (d).

2.3 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
 2.4 after December 31, 2022.

2.5 Sec. 2. Minnesota Statutes 2024, section 290.0695, subdivision 3, is amended to read:

2.6 Subd. 3. ~~Transferability~~ Credit certificates; written agreement required; credit
 2.7 certificate transferability. (a) To qualify for a credit under this section, an eligible taxpayer
 2.8 must apply to the commissioner of transportation for a credit certificate. The application
 2.9 for the credit certificate must be in the form and manner prescribed by the commissioner
 2.10 of transportation, in consultation with the commissioner. If the application is approved, the
 2.11 commissioner of transportation must issue the credit certificate to the eligible taxpayer
 2.12 within 30 days of receipt of the application. The credit certificate must state, at a minimum,
 2.13 the number of miles of qualified railroad reconstruction or replacement expenditures in the
 2.14 taxable year and the total amount of credit calculated under the provisions of subdivision
 2.15 2, paragraph (a). The commissioner of transportation must provide a copy of the credit
 2.16 certificate to the commissioner of revenue. The commissioner of transportation must not
 2.17 issue more than one credit certificate to an eligible taxpayer in a taxable year.

2.18 (b) By written agreement, an eligible taxpayer may transfer the credit allowed under
 2.19 this section by written agreement to an eligible transferee. ~~The amount of the transferred~~
 2.20 credit is limited to the unused, remaining portion of the credit as follows:

2.21 (1) any amount of the credit allowed that is stated in the credit certificate before any of
 2.22 the credit is claimed; or

2.23 (2) the entire amount of the credit carryover in each of the five succeeding taxable years.

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

2.30 ~~(e)~~ (d) The commissioner must issue a transfer credit certificate to the transferee within
 2.31 30 days of the joint filing of a copy of the written transfer agreement with the commissioner.

2.32 ~~(d) In the case of an audit or assessment, the transferee is liable for repayment of credits~~
 2.33 ~~claimed in excess of the allowed amount.~~

3.1 (e) An eligible taxpayer must not transfer a credit to an eligible transferee more than
3.2 once in a taxable year.

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