

2023 Schedule RAIL Instructions

What is Schedule Rail?

Complete Schedule Rail to claim the short line railroad infrastructure modernization credit (credit) railroad. To be eligible, you must be classified by the United States Surface Transportation Board as a Class II or Class III railroad, and have made qualified railroad reconstruction or replacement expenditures during the tax year.

The credit can be claimed against income, corporate franchise, or unrelated business income taxes. The credit is nonrefundable and may be transferred or carried forward for five succeeding taxable years.

Schedule RAIL must be filed with one of the following forms:

- Form M1, Individual Income Tax Return
- Form M2, Income Tax Return for Estates and Trusts
- Form M3, Partnership Return
- Form M4, Corporate Franchise Tax Return
- Form M8, S Corporation Return
- Form M4NP, Unrelated Business Income Tax (UBIT) Return

How is the credit calculated?

The credit is equal to 50% of qualified expenses up to \$3,000 per mile of track qualifying for the credit. Track that qualifies for the credit is track that:

- Is located in Minnesota.
- You owned or leased as of January 1, 2021 and as of the close of the current tax year.
- You made qualified railroad reconstruction or replacement expenditures during the current tax year.

What is a qualified railroad reconstruction or replacement expenditure?

Qualified railroad reconstruction or replacement expenditures are expenditures for maintenance, reconstruction, or replacement of railroad infrastructure in Minnesota that you owned or leased as of January 1, 2021. Expenses relating to new construction of industrial leads, switches, spurs and sidings, and extension of existing sidings also qualify.

What is railroad infrastructure?

Railroad infrastructure includes track, roadbed, bridges, industrial leads and sidings, and track related-related structures.

Is the credit transferable?

The amount of credit that exceeds the tax liability can be transferred to one other taxpayer. Partnerships, S corporations, and fiduciaries that distribute the credit to partners, shareholders, and beneficiaries are not considered to have transferred the credit.

How do I transfer the credit?

You must first claim the credit on your return for the year you paid or incurred the qualifying expenditures. The amount of credit that exceeds your tax liability becomes the transferrable portion of the credit.

Within thirty days of reaching a written agreement with another taxpayer to transfer the credit, the transferee and transferor must file the assignment form on page 3. The department will issue a credit certificate to the transferee within 30 days of the submitted assignment form. Issuance of the credit certificate does not approve eligibility of the credit or validate any component of the credit calculation. In the case of an audit or assessment of the credit, the transferee is responsible for repayments of credits claimed in excess of the allowed amount.

Line Instructions

If you enter a Social Security Number (SSN) or Individual Taxpayer Identification Number (ITIN), you do not need to enter a Minnesota Tax ID number.

Part 1

Check all boxes that are applicable to you and your sales transaction. You must have checked all questions in Part 1 to qualify for the short line railroad infrastructure modernization credit. Refer to the instructions above for additional details regarding qualifications.

Part 2

Line 1 – Qualified railroad reconstruction and replacement expenses

Enter your gross expenditures in the tax year for maintenance, reconstruction, or replacement of railroad infrastructure you owned or leased as of January 1, 2021, and as of the close of your 2023 tax year.

Rail road infrastructure includes track, railbed, bridges, industrial leads and siding, and track-related structures.

Line 5 – Credit Amount

The result of line 5 is your short line railroad infrastructure modernization credit. Include the credit on the appropriate following line:

Optional Short Line Railroad Infrastructure Modernization Credit Assignment Form

_____, the assignor assigns the unused portion of its Short Line Railroad Infrastructure Modernization Credit in the amount shown below for expenditures incurred during the 202 _____ tax year, to _____, the assignee.

Amount being assigned: \$ _____

The assignee and assignor acknowledge and agree that:

1. In the case of an audit or assessment, the assignee is liable for repayment of credits claimed in excess of the amount allowed or allowable.
2. Upon receipt of this form, the Department of Revenue will review the credit claimed to confirm the assigned portion does not exceed the amount available to be assigned. This review does not constitute certification that the credit claimed is not in excess of the amount allowed or allowable.

| | Assignor | Assignee |
|-----------------------------|-----------------|-----------------|
| Name: | _____ | _____ |
| SSN, ITIN, or Minnesota ID: | _____ | _____ |
| Title: | _____ | _____ |
| Telephone Number: | _____ | _____ |
| Signature: | _____ | _____ |
| Date: | _____ | _____ |

Notice: This form must be mailed to the appropriate address at the Minnesota Department of Revenue address below within 30 days of the agreement between the assignor and assignee.

Individuals

Minnesota Department of Revenue
Individual Income Tax
c/o Supervisor, Early Audit 2
Mail Station 4122
600 N. Robert St.
St. Paul, MN 55146-4122

Corporations, Partnerships S Corporations

Minnesota Department of Revenue
Corporate Franchise Tax
c/o Corporate Technical Advisor
Mail Station 5140
600 N. Robert St.
St. Paul, MN 55146-5140

Insurance

Minnesota Department of Revenue
Insurance Taxes
c/o Insurance Taxes
Mail Station 1780
600 N. Robert St.
St. Paul, MN 55146-1780