ASLRA CHAIR URGES CONGRESS TO MAKE 45G TAX CREDIT PERMANENT

Tax Credit Delivers Efficient Infrastructure Investment, Benefitting Shippers, Suppliers, and Local Economies Across America

WASHINGTON, D.C. March 14, 2018 – Today, Judy Petry, Chair of the American Short Line and Regional Railroad Association (ASLRA) and President of Farmrail, a 349-mile short line railroad in Oklahoma, testified before the House Ways and Means Tax Policy Subcommittee on the subject of “Post Tax Reform Evaluation of Recently Expired Tax Provisions.” Petry urged the Subcommittee to make permanent the short line railroad 45G tax credit, one of the most heavily supported pieces of stand-alone tax legislation in this session of Congress with 256 bi-partisan co-sponsors in the House (HR 721).

The nation’s 600 short line railroads are critically important feeder lines to the larger Class I railroads, operating 47,500 miles (30%) of the nation’s freight rail network. The credit was intended to allow short lines to spend more of what they earn rehabilitating what were previously under-maintained Class I branch lines headed for abandonment. Short lines reinvest on average from 25 to 33 percent of annual revenues, making it one of the country’s most capital-intensive industries.

“Using Farmrail as an example, over the last five years we have invested $34 million in infrastructure improvements of which $7.7 million was made possible by the credit,” said Petry. “The credit also incentivizes shippers to increase investment. In South Dakota, for example, the improvements made by
the 670-mile Rapid City Pierre & Eastern Railroad since 2014 have already attracted over $311 million in new facility investments by local companies. Shippers invest in their facilities once they are convinced that their short line is a reliable connection to the national rail network, and the tax credit helps make that a reality.”

Petry also explained that even with the recent improvements to the tax code, there is still a strong need for the support provided by the 45G credit. “While 100-percent expensing will help support capital investment in other industries, it does not serve as a substitute for 45G due to long-standing IRS rules about railroad expensing. And the nature of our industry – serving customers who ship small volumes combined with heavy capital investment requirements – leaves much of our industry with insufficient tax obligations to meaningfully benefit from a lower corporate tax rate.”

The credit’s value to the economy is threefold: 1) Keeping shippers and rural communities connected to the national freight rail network gives them access to otherwise unreachable national and global markets. 2) competitive financial benefits to shippers, and 3) virtually everything purchased for infrastructure improvement and maintenance - wood ties, steel rail, and stone ballast – is made in America; 45G spurs that investment.

Since 2004, the credit has been extended six times with overwhelming bi-partisan support in both the House and the Senate and has enabled $4 Billion dollars in private investment to date. The credit provides $.50 for every dollar spent on infrastructure improvement, capped at $3,500 per mile. Nine of the 15 Members of the Subcommittee on Tax Policy are co-sponsors of HR 721, the stand-alone bill that would make the credit permanent.

The short line tax credit is also overwhelmingly supported by industry as noted in a letter provided to the ranking member of the Subcommittee and the House Ways and Means Committee this week. The letter was signed by the American Short Line and Regional Railroad Association (ASLRRA), Association of American Railroads (AAR), GoRail, National Railroad Construction and Maintenance Association (NRC), Railway Engineering-Maintenance Suppliers Association (REMSA), Railway Supply Institute (RSI), Railway Systems Suppliers, Inc. (RSSI), Railway Tie Association (RTA) and Saving Our Service (SOS) – representing 598 rail shippers in 1,644 locations.

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**About ASLRRA** - The American Short Line and Regional Railroad Association (ASLRRA) is a non-profit trade association representing the interests of the nation’s 603 short line and regional railroads and railroad supply company members in legislative and regulatory matters. Short lines operate 47,500 miles of track in 49 states, or approximately 29% of the national railroad network, touching in origination or termination one out of every five cars moving on the national railroad system, serving customers who otherwise would be cut off from the national railroad network. www.aslrira.org