SHORT LINE RAILROADS URGE CONGRESS TO TAKE ACTION ON SHORT TERM TAX POLICIES AND ELIMINATE UNCERTAINTY FOR BUSINESSES AND INDIVIDUALS

WASHINGTON – March 13, 2019 – Following yesterday’s House Ways and Means Select Revenue Measures Subcommittee hearing on “Temporary Policy in the Internal Revenue Code”, Chuck Baker, President of the American Short Line and Regional Railroads Association (ASLRRA) submitted comments urging Congress to take action on the so-called “tax extender” policies which include the Short Line Tax Credit. Small business railroads since 2005 have relied on the Short Line Tax Credit (45G) to elevate their ability to invest in rehabilitation of short line rail, which provides the critical first and last mile of the U.S. freight rail system and ensures that small town and rural American is connected to the U.S. economy.

“The right tax policy can be enormously beneficial to the American economy by incentivizing the capital investment businesses need to grow, innovate and create jobs. Those benefits are significantly reduced when tax policy starts and stops in a temporary short-term fashion. Forward planning is impossible and expensive multi-year projects are difficult to undertake,” noted Chuck Baker in his written comments. “Particularly in the railroad industry the most meaningful benefits with regard to service and safety come when we can rehabilitate an entire corridor not just a mile here and a mile there. For us, piecemeal investment is only as good as
the size of the pieces and one year and sometimes even retroactive extensions are small pieces indeed.”

In the hearing’s opening statements, Chairman Mike Thompson (D-CA) urged the Committee to evaluate each of the temporary provisions, noting that the greater the uncertainty in tax policy, the greater the economic cost, threatening job growth in crucial sectors across our economy, including defense, health care, finance and infrastructure. “We should strive to make tax policy that is forward-looking and provides not only predictability for our businesses, but security for regular people whose livelihoods and household budgets are impacted by temporary policy.”

Ranking Member Adrian Smith (R-NE), noted the bi-partisan support of the work to eliminate uncertainty in the tax code and further underscored the need to provide a permanent path forward so that business and families can be assured of predictability. “There is broad agreement we should continue to work to modernize our tax code, and that temporary tax policy is not optimal for anyone – families, businesses, or even for us as policy makers. Families and small businesses shouldn't have to spend an entire calendar year wondering whether expired tax provisions will be reinstated retroactively.”

Smith also called out the Short Line Tax Credit specifically, “In particular, we should credit stakeholders interested in the short line rail credit and biodiesel tax credit for stepping forward and bringing us constructive ideas to help provide long term certainty to those provisions.”

Committee Member Jackie Walorski (R-IN) urged the Committee to take swift action on temporary tax policies that are “hamstringing” companies in her district and reducing their competitiveness by preventing them from making investments that promote job growth and spur prosperity. “Two extenders in particular – the Short Line and Biodiesel – have a profound impact on Hoosier businesses and are key provisions that congress needs to act on....Short line railroads are a crucial part of America’s transportation system and keep rural Indiana connected to the national economy.”
It was noted in the hearing that Congress has already made several attempts to address this issue, including:

- **March 14, 2018** - The House Ways and Means Subcommittee held an extensive hearing which provided stakeholders and interested parties the opportunity to step forward and discuss the future of these provisions. More than 20 parties appeared before the Subcommittee (including Judy Petry, President of Farmrail System, Inc. and Chair of ASLRRA on behalf of the Short Line Tax Credit).

- **Toward the end of 2018**, the House passed legislation that would have made the Short Line Tax Credit, which expired at the end of 2017, permanent.

In the 116th Congress, in addition to yesterday’s hearing, several actions have been taken to address short term tax policies:

- The “Tax Extender and Disaster Relief Act of 2019” (S 617), was introduced by Senators Chuck Grassley (R-IA) and Ron Wyden (D-OR), Chairman and Ranking Member of the Senate Finance Committee on February 28, 2019. Section 109 of the bill provides for the extension of Short Line Tax Credit (sec. 45G) through 2019.

- **On February 26th**, House Ways and Means Committee Chairman Richard Neal held a Transportation Stakeholder meeting where the Neal recognized the need to address these so-called ‘extenders’.

- Two bills that would make the tax credit permanent, H.R. 510 and S. 203, have been introduced and are rapidly gaining bi-partisan co-sponsors, with 137, and 27 respectively.

“For 12 years the short line tax credit has proven its worth. It has maximized capital investment by both railroads and customers, it has significantly improved competitive rail service for shippers, it has helped improve railroad safety and it has been the difference between piecemeal and corridor improvements. It has worked as intended and when you find something that works, the best thing to do is let it work. I very respectfully encourage the 116th Congress Ways & Means Committee to fix the unintended but real suboptimal policy consequences of sporadic attention to the Short Line Tax Credit and make this credit permanent,” concluded Baker.
About ASLRRRA - The American Short Line and Regional Railroad Association (ASLRRRA) is a non-profit trade association representing the interests of the nation’s 600 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, 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.