THE SHORT LINE TAX CREDIT: MODERNIZING TO MEET U.S. SUPPLY CHAIN NEEDS

SHORT LINE RAILROADS ARE A CRITICAL PIECE OF THE U.S. FREIGHT RAIL SYSTEM

Comprised of more than 600 small business freight railroads, the short line rail industry was created by entrepreneurs who saved Class I marginal or money-losing lines from abandonment and turned them into thriving businesses.

THE FIRST & LAST MILE OF SERVICE for 1 in 5 cars moving throughout the system each year are handled by short lines.

50,000 route miles are operated by short lines.

29% of the freight rail network in the U.S. are short lines.

10,000+ customers are served by short lines.

For large areas of rural and small-town America, the short line rail industry provides the only way customers can be directly connected to the national economy, while ensuring business and employment stay local. Short lines also provide key connections for customers in urban areas.

The Short Line Tax Credit (45G) has been a wildly successful public policy, but inflation and restrictions on eligible track are eroding its potency.

THE SHORT LINE NEED

Short line railroads face massive demands for infrastructure investment due to decades of deferred maintenance by prior owners. Short lines produce just 5% of the revenue of the total U.S. freight railroad industry, and invest 25-33% of their revenues in maintenance, track and bridge improvements.

THE SOLUTION: THE SHORT LINE TAX CREDIT

First implemented in 2004, and made permanent in 2020, the Short Line Tax Credit allows a credit of 40 cents for each dollar railroads invest in track and bridge improvements, capped at $3,500 per mile. The credit has spurred $8B+ in infrastructure investment since 2005.

TODAY'S CHALLENGE: INFLATION AND LIMITED ELIGIBLE TRACK

While short lines have made great progress, there is a backlog of more than $12B yet to be completed.

- Today's costs are at least $15,000 per mile for upgrades.
- Track purchased since 2015 is ineligible for the credit.
- Using the relevant sub-components of the STB-published Rail Cost Adjustment Factor, the credit would need to increase to $6,100-$6,900 to maintain its original purchasing power.

THE ASK

The solution is straightforward:
1. Update the credit cap to $6,100/mile.
2. Index the credit cap per mile to inflation in future years.
3. Allow for all short line track to be eligible for the credit.

PROVEN SAFETY BENEFIT

Worn out track is the single largest risk to derailment on short lines. Short line infrastructure investment, upgrading rails and bridges to the modern requirements of 286,000-lb. capacity rail, has reduced train derailments by 50% since the credit first went into effect, according to Federal Railroad Administration data.

Short line rail infrastucture improvements ensure better service to agricultural, energy and industrial customers, keeping 31.8M truck trips off local roads and away from the motoring public.

PROVEN ECONOMIC BENEFIT

Short line railroads and their suppliers support more than 61,000 jobs in the U.S. – many in rural America – and add $6.5B annually to the U.S. economy.*

Across the country, there are 478,000 jobs at customer locations that require short line services, driving more than $26 billion in labor income and more than $56B in economic value-add.*

Efficient short line freight service provides an alternative to heavy trucks, eliminating $1.5B in taxpayer funding annually to address wear and tear on roadways.

Since 2005, the credit has enabled thousands of projects annually, upgrading short line routes to handle modern freight cars, increasing network fluidity, resiliency and capacity.

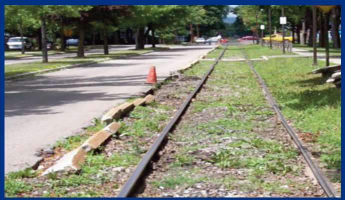
** The Section 45G Tax Credit and the Economic Contribution of the Short Line Railroad Industry, PricewaterhouseCoopers LLP (PwC) , July 2018.*

https://tinyurl.com/aslrra-45g-july-2018-report

EXAMPLES OF PROJECTS COMPLETED AS A RESULT OF THE SHORT LINE TAX CREDIT:

BEFORE >>

AFTER



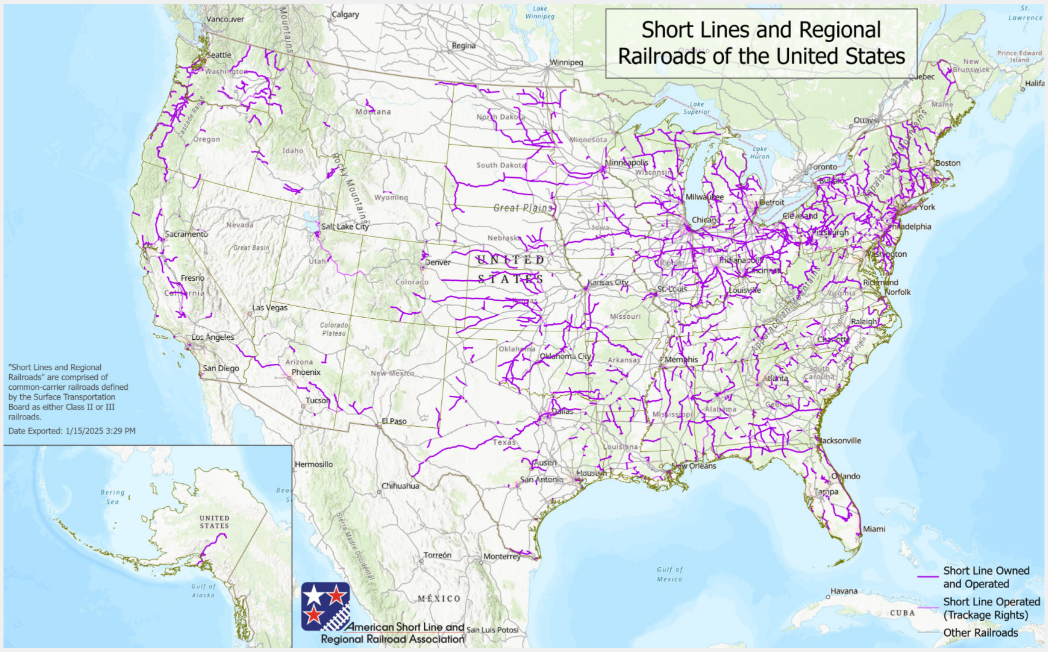
BEFORE >>

AFTER

THE SHORT LINE TAX CREDIT: WIDESPREAD IMPACT

THE SHORT LINE TAX CREDIT IS GOOD PUBLIC POLICY WITH WIDESPREAD SUPPORT AND ECONOMIC IMPACT

- Investments made by short lines drive economic growth and jobs in the small towns and rural communities served.
- Supported by thousands of short line customers and hundreds of suppliers tied to the industry.
- Supported by overwhelming bipartisan majorities in the 116th Congress, with 302 co-sponsors in the House and 62 in the Senate.
- Supported by AASHTO, SMART TD, AAPA, Farm Bureau and STB Railroad-Shipper Transportation Advisory Council.



ADD YOUR NAME IN SUPPORT OF CONTINUED PUBLIC/PRIVATE PARTNERSHIP TO ADDRESS INFRASTRUCTURE INVESTMENT BACKLOG

To co-sponsor the Short Line Tax Credit Update legislation, contact:

H.R. 516

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"The railroad provides access to additional markets, reduces cost, reduces highway investment and repair and improves prices farmers receive. Access to efficient and responsive rail service is essential for the economic well-being of agricultural and rural areas."

– Jim Magnusen, General Manager, Key Cooperative

"We count on the Timber Rock Railroad to supply multiple grades of aggregate to meet the construction needs of our region. Their ability to make needed repairs to the railroad allows our communities to compete economically with the urban areas that have more transportation choices."

– Gene Carrier, General Manager, East Texas Asphalt

"We work in economic development and short lines are vital to the success of our manufacturing sector's future."

– Mark Nolte, President, Iowa City Area Development (ICAD)

"Shipping by rail is more economical for us, and for our customer."

– Roger Zaabel, Vice President, Gralnek-Dunitz Co., Inc.