

March 13, 2018

The Honorable Kevin Brady  
Chairman  
U.S. House Cmte on Ways and Means  
Washington, DC 20515

The Honorable Richard Neal  
Ranking Democratic Member  
U.S. House Cmte on Ways and Means  
Washington, DC 20515

The Honorable Vern Buchanan  
Chairman  
U.S. House Cmte on Ways and Means  
Subcommittee on Tax Policy  
Washington, DC 20515

The Honorable Lloyd Doggett  
Ranking Democratic Member  
U.S. House Cmte on Ways and Means  
Subcommittee on Tax Policy  
Washington, DC 20515

Dear Chairman Brady, Ranking Member Neal, Chairman Buchanan and Ranking Member Doggett:

The undersigned organizations, representing a wide range of railroad industry stakeholders and the businesses who depend on short line railroads to ship their products, urge Congress to make the Short Line Railroad Track Maintenance Credit (Section 45G) a permanent provision of our new tax code. Section 45G further amplifies the growth and competitiveness offered by tax reform by allowing the income earned by short line railroads, who in large portions of small town and rural America offer the only connection to the national rail network, to be reinvested to revitalize track infrastructure to support more local businesses.

Section 45G keeps shippers connected to the national freight rail network and gives them access to national and global markets which would otherwise be out of reach. It incentivizes shippers to invest in facilities served by short lines, who with the help of the credit are able to improve their track infrastructure, resulting in more reliable service and the ability to move heavier, industry-standard rail cars. By helping short lines invest in their infrastructure, Section 45G helps shippers send their goods to market in an efficient and cost-effective manner. This in turn allows shippers to compete and win in national and international markets – as one major agricultural rail shipper said, *“Short line service is important to our business because it maximizes throughput during the busy soybean export season. Our major competitive advantage over South American soybeans is that we have reliable shipping capacity.”*

The recently passed tax reform legislation benefits American families and businesses and will increase overall economic growth. However, even with the reformed 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 the 45G credit in the short line railroad industry. Also, the nature of the short line industry – serving customers in small towns who ship in small volumes, combined with heavy railroad capital investment requirements – leaves much of the industry with low or no taxable income and hence little benefit from the new lower corporate tax rate.

Since 45G was first enacted in 2004, short lines have used much of the tax credit installing millions of ties to stabilize their most vulnerable track. In fact, a Railway Tie Association analysis shows that the timely enactment of the short line tax credit is responsible for an average of 800,000 more ties purchased and installed into the short line rail network per year than would otherwise have been put in place without the credit. Based on an average installed cost of \$100/tie, over the 13 years the 45G tax credit has been in effect, the direct economic activity generated for tie installations alone is over \$1 billion. This demonstrates that the short line railroad 45G tax credit is indeed having its intended effect

Moving forward, making Section 45G permanent will also allow railroads to begin to use the credit to invest in larger capital projects, such as heavier rail and bridge improvements, that will amplify the economic benefits provided by past investments made with the credit and amplify the economic growth spurred on by tax reform. This work will be conducted in part by short line railroad employees directly and also in large part by contractors to the short line railroads, spurring additional employment and economic growth. And the materials and equipment to conduct these rehabilitations will be supplied by a domestic rail supply base, providing additional employment in industrial and rural America.

Accordingly, we respectfully ask that the U.S. House Committee on Ways & Means advance legislation to make the Section 45G credit a permanent provision of the new tax code. We look forward to constructively working with you to achieve this important goal, beginning by testifying on March 14 at the Tax Policy Subcommittee's "Hearing on Post Tax Reform Evaluation of Recently Expired Tax Provisions."

Thank you in advance for your consideration.

Sincerely,

**American Short Line and Regional Railroad Association (ASLRRA)** - Founded in 1913, proudly represents the entrepreneurial owners and operators of short line and regional railroads throughout North America.

**Association of American Railroads (AAR)** - The world's leading railroad policy, research and technology organization focusing on the safety and productivity of rail carriers. Members include all the major freight railroads in North America.

**GoRail** - Works with thousands of community leaders across the country to tell the local story of freight rail — stronger economies, more jobs and cleaner skies.

**National Railroad Construction and Maintenance Association (NRC)** – “The Voice of the Railroad Construction Industry.” The trade association of railroad contractors, suppliers, and the entire railroad construction industry.

**Railway Engineering-Maintenance Suppliers Association (REMSA)** - Represents 300+ companies which manufacture or sell products and/or services in the railroad maintenance-of-way industry.

**Railway Supply Institute (RSI)** - Representing over 250 railway supply companies, RSI acts on behalf of the largest and smallest suppliers to North American freight and passenger railroads. Industry segments include mechanical, communications & signaling, maintenance of way and passenger industries.

**Railway Systems Suppliers, Inc. (RSSI)** – The trade association serving the communication and signal segment of the rail transportation industry. RSSI continues to grow with over 260 member companies.

**Railway Tie Association (RTA)** - The forum for the interests and needs of all groups that depend on the wood crosstie for their business success. The mission since 1919: To ensure that the engineered wood crosstie system continues to evolve and improve in order to remain cost-effective and meet the ever-changing requirements of track systems around the world.

**Saving Our Service (SOS)** – “The Way Shippers Keep it Moving.” Representing 598 rail shippers in 1,644 locations who support the short line railroad 45G tax credit being made permanent.

Cc: House Ways & Means Committee full membership