H.R. 1132 AND S. 461
EXTENSION OF THE SECTION 45G RAILROAD TRACK MAINTENANCE CREDIT

Pomeroy-Moran and Lincoln-Crapo Legislation

Rep. Earl Pomeroy (D-ND), Rep. Jerry Moran (R-KS), Sen. Blanche Lincoln (D-AR), and Sen. Mike Crapo (R-ID) have introduced legislation (H.R. 1132 & S. 461) to extend and improve the short line railroad tax credit. American Short Line and Regional Railroad Association members encourage members of Congress to unite in support of legislation to extend this important credit.

Objectives of the Legislation

Section 45G creates an incentive for short line railroads to invest in track rehabilitation by providing a tax credit of 50 cents for every dollar the railroad spends on track improvements. The credit is capped based on a mileage formula. H.R. 1132 and S. 461 propose the following:

- **Extend 45G for three years –** Section 45G currently expires on December 31, 2009. Congress should extend the 45G credit to cover tax years 2010, 2011, and 2012.
- **Allow eligibility for new short line railroads created after January 1, 2005 and before January 1, 2009 –** Congress should allow 45G credits to be earned from investments made to new track purchased by or built by short line railroads after January 1, 2005. Congress created a cutoff date of January 1, 2005 after which newly created short lines would not qualify for the credit to avoid the creation of an incentive for large railroads to increase line sales. Since 2004, roughly 24 new railroads have been created, and several short lines have constructed new track to provide freight rail service to new rail customers. These lines should qualify for the credit. A new cutoff date of January 1, 2009 should be imposed to prevent the distortion of the economics of future line sales.
- **Increase the credit limitation –** The proposed legislation increases the per mile credit limitation from $3,500 to $4,500 to account for increased construction costs since 2004, and to bring the credit closer to its original goal of $10,000/mi. supported by nearly 290 Representatives and Senators in 2004.

The Case for Short Line Railroads

Over 500 short line railroads preserve nearly 50,000 miles of track that otherwise would have been abandoned by the large Class I railroads. This track received little investment by its previous Class I owners and must be upgraded if 13,000 rail customers are to stay connected to the national main line rail network. Private and government studies indicate it will cost $13 billion to bring the national short line system up to the necessary level of efficiency. Between 2005 and 2009 45G will support over $1.5 billion in infrastructure upgrades.

Short lines use approximately 184 million gallons of fuel to move 10.6 million carloads of freight annually. Trucks would require 540 million gallons to move the same freight. Short lines save shippers 20% to 50% over comparable truck transportation. Short lines keep 30 million truckloads/year off the highway, saving $1.3 billion per year in highway damage costs.

For more information please contact ASLRRA Washington Representatives adam.nordstrom@cch-llc.com; keith.hartwell@cch-llc.com; jeff.vanschaick@cch-llc.com; or chris.johnson@cch-llc.com at 202-638-7790

H.R. 1132 AND S 461.
EXTENSION OF THE SECTION 45G RAILROAD TRACK MAINTENANCE CREDIT

<u>Text of Legislation</u>

SECTION 1. EXTENSION AND MODIFICATION OF RAILROAD TRACK MAINTENANCE CREDIT.

(a) EXTENSION OF CREDIT.—Section 45G(f) of the Internal Revenue Code of 1986 is amended by striking ‘‘January 1, 2010’’ and inserting ‘‘January 1, 2013’’.

(b) EXPENDITURES.—Subsection (d) of section 45G of the Internal Revenue Code of 1986 (relating to qualified railroad track maintenance expenditures) is amended by striking ‘‘for maintaining’’ and all that follows and inserting ‘‘for maintaining—

> ‘‘(A) in the case of taxable years beginning after December 31, 2004, and before January 1, 2009, railroad track (including roadbed, bridges, and related track structures) owned or leased as of January 1, 2005, by a Class II or Class III railroad (determined without regard to any consideration for such expenditures given by the Class II or Class III railroad which made the assignment of such track), and
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> ‘‘(B) in the case of taxable years beginning after December 31, 2008, railroad track (including roadbed, bridges, and related track structures) owned or leased as of January 1, 2009, by a Class II or Class III railroad (determined without regard to any consideration for such expenditures given by the Class II or Class III railroad which made the assignment of such track).’’.

(c) CREDIT LIMITATION ADJUSTMENT.—Subparagraph (A) of section 45G(b)(1) of the Internal Revenue Code of 1986 is amended by striking ‘‘$3,500’’ and inserting ‘‘$4,500’’.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2008.

HOW TO CO-SPONSOR

House Co-Sponsors – To Co-Sponsor H.R. 1132, contact:

Diane Oakley, Office of Rep. Earl Pomeroy (D-ND), at Diane.Oakley@mail.house.gov or 225-2611; or **Alex Richard**, Office of Rep. Jerry Moran (R-KS), at Alex.Richard@mail.house.gov or 225-2715

Senate Co-Sponsors – To Co-Sponsor S. 461, contact:

Anna Taylor, Office of Sen. Blanche Lincoln (D-AR), at Anna_Taylor@lincoln.senate.gov or 224-4843; or **Gregg Richard**, Office of Sen. Mike Crapo (R-ID), at Gregg_Richard@crapo.senate.gov or 224-6142