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ASLRRRA CALLS ON CONGRESS TO MODERNIZE 45G TAX CREDIT

The Railroad Track Maintenance Credit is a successful and powerful public policy, driving more than \$8B in private investment in critical rail infrastructure

WASHINGTON, September 11, 2024 – The American Short Line and Regional Railroad Association (ASLRRRA), representing in the nation’s 600 short line freight railroads, commends Senators Ron Wyden and Mike Crapo and Representatives Mike Kelly and Earl Blumenauer on the introduction of S. 5008 and H.R. 9522 respectively to modify the Railroad Track Maintenance Credit, updating the credit for inflation and allowing expenditures on short line track that has been acquired since 2015 to be included.

The Railroad Track Maintenance Credit, commonly known as the 45G tax credit referring to its section in the U.S. tax code, has been a powerful incentive for short lines to put more of their own funds to work upgrading track and bridges to modern standards, a benefit for the entire interconnected freight rail network, thousands of rail shippers in critical industries, and the American public. Short lines operate one-third of the nation’s rail system, and are the origin or destination point of one in five cars moving throughout the system.

“This game changing policy has been responsible for more than \$8B in investment to date, but outdated caps and limitations are threatening to erode its potency. Today, four leaders in Congress have acted, enabling updates to the credit that will serve the rail industry, shippers, and the economies of small towns across the country for years to come.” said Chuck Baker, President, ASLRRRA. “We are immensely grateful for the bipartisan and bicameral leadership of Senators Wyden and Crapo and Representatives Kelly and Blumenauer.”

The tax credit allows the more than 600 short line railroads across the country to upgrade track, modernize bridges, and deploy technology, ensuring that more than 10,000 shippers have access to U.S. and foreign markets.

With overwhelmingly bi-partisan support in the 116th Congress (302 co-sponsors in the House and 62 in the Senate) the tax credit was made permanent in 2020. It currently allows for a \$.40 tax credit for each dollar invested in upgrading rail and bridges, up to a cap of \$3,500 per mile of rail. It is widely considered an effective and successful public policy.

However, expenditures on rail that became short line track after 2015 are ineligible for the tax credit and, over time, the cost to rehabilitate a mile of track has increased significantly. This legislation seeks to increase the cap per mile to \$6,100, index the cost to inflation going forward, and allow expenditures on all short line-owned track to be eligible for the tax credit.

Chair of the Senate Finance Committee Ron Wyden, and Ranking Member Mike Crapo introduced S. 5008 on September 10, 2024.

“Short line and regional railroads are an essential part of our infrastructure and a lifeline that connects small businesses with consumers in markets all over the country. Senator Crapo and I worked for years to make the tax credit for these railroads permanent, and the next step is to improve it to meet the needs of our businesses and communities today. Our bipartisan legislation will deliver much-needed relief for short line and regional railroads to make vital upgrades that connect our rural communities, small towns, and urban centers to the marketplace,” said Senator Ron Wyden (D-OR).

“Access to affordable and reliable options for transporting goods to markets is an important part of Idaho small businesses’ success and ability to grow and innovate. This legislation will modernize existing tax incentives that encourage and support investment in short line railroads, helping to improve short line railroads’ efficiency at moving Idaho goods to customers worldwide,” said Senator Mike Crapo (R-Idaho).

The House version, H.R. 9522 was introduced by two long-time supporters of the short line industry and the 45G tax credit, Representative Mike Kelly (R-PA, 16) and Representative Earl Blumenauer (D-OR, 3), both members of the House Ways and Means Committee.

“Short line rail service connects communities and provides rail service in small towns nationwide, including stops throughout Western Pennsylvania,” said Representative Kelly. “In

some cases, short lines provide the only source for local companies to ship their products nationally. This legislation allows rail companies to continue to provide safe and efficient service and provides a return on taxpayer investment."

"Short line rail is absolutely critical for rural and small communities. Modernizing the railroad track maintenance credit will help to invest in this critical infrastructure that extends opportunity to the furthest reaches of our communities," said Representative Blumenauer.

For more information on the impact of the 45G tax credit, visit aslrta.org.

About ASLRTA - The American Short Line and Regional Railroad Association (ASLRTA) 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 50,000 route miles of track in 48 states, or approximately 30% 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.aslrta.org