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## MEMORANDUM

**To:** Freight Committee

**From:** CMAP Staff

**Date:** February 4, 2013

**Re:** Federal Freight Policy Follow-Up

At the November 18 2012 meeting of the Freight Committee, CMAP staff presented on a potential federal freight legislative agenda. During the ensuing discussion committee members discussed problems facing short line railroads. The proposed legislative agenda recommended some form of tax incentive to support development of short line railroads.

Congress has authorized the extension, and retroactive application to 2012, of the "45G" tax credit for track maintenance through 2013. Section 45G (of the Internal Revenue Service code) 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.

Extension of the tax credit was the centerpiece of legislative advocacy on the part of the American Short Line and Regional Railroad Association (ASLRRA), an interest group representing Class II and Class III railroads. According to the Association, the tax credit is an essential and job creating advantage that helps regional railroads improve some 50,000 miles of track that were abandoned and reputedly received little investment by its Class I owners.

ACTION REQUESTED: Discussion

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