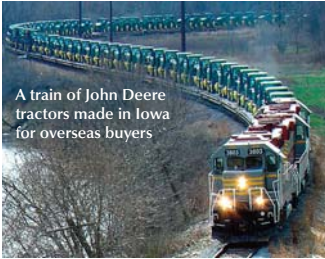


45G

An opportunity to help American Industry and Agriculture connect with the world



A train of John Deere tractors made in Iowa for overseas buyers

"A permanent Short Line Tax Credit would give my serving short lines a much better ability to plan long-term to support our future growth and development."

*Simon Smith
Sr. Manager, Supply Chain
Columbian Chemicals Company
Marietta, Georgia*



Grain Loading
Midland, South Dakota

"Dakota Grain & Mill absolutely needs a long-term relationship with its serving regional railroad, and making the Short Line Tax Credit permanent gives my company and the railroad the ability to plan for long-term investments."

*Jerry Cope
Grain Marketing
Dakota Mill & Grain, Inc
Rapid City, South Dakota*



Installation of American-made steel rails

The Building Rail Access for Customers and the Economy Act (or the "BRACE Act") will allow the nation's small, local freight railroads to increase their reinvestments to upgrade and expand the "first and last mile" of transportation infrastructure. The BRACE Act is built on an effective, proven and very popular public policy. It will directly support low-cost, environmentally sound transportation to thousands of railroad customers across virtually every sector of the economy and across all regions of the nation.

Background

America's small business freight railroads thank Congress for extension of the Short Line Tax Credit in 2015 (included in the PATH Act). The Credit (known as "45G," from its section in the tax code) was extended through the end of 2016. Since 2005, a series of one- and two-year extensions of Section 45G enabled smaller freight railroads and their customers to reinvest billions of dollars to improve their lines.

Now, the short line freight railroads and all of their customers face another expiration of this credit at the end of this year, raising the opportunity for a more logical approach to ensuring all of the public benefits of this credit continue in the future.

"Our customers demand from us a long-term relationship, and to serve them properly, we need our short line railroad to have the stability of a permanent Short Line Tax Credit."

*Mark Marasco, President
Maple Leaf Distribution Services, Inc.
Palmer, Massachusetts*

"Knife River depends on our short line to continue to upgrade to meet our future needs, and long-term availability of the Short Line Tax Credit will be very helpful."

*Loren Later, Vice President
Knife River Corporation - Northwest
Tangent, Oregon*

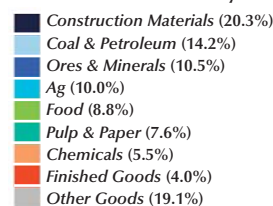
The Building Rail Access for Customers and the Economy Act

Representative Lynn Jenkins (R-KS), joined by Representatives Earl Blumenauer (D-OR), Rodney Davis (R-IL) and Daniel Lipinski (D-IL) have introduced H.R. 4626. Senator Mike Crapo (R-ID), joined by Senators Ron Wyden (D-OR), Jerry Moran (R-KS), Charles Schumer (D-NY), Johnny Isakson (R-GA), Robert Casey (D-PA), Pat Roberts (R-KS) and Richard Blumenthal (D-CT), introduced S.2595, an identical Senate bill. These bills will make the Short Line Tax Credit permanent.

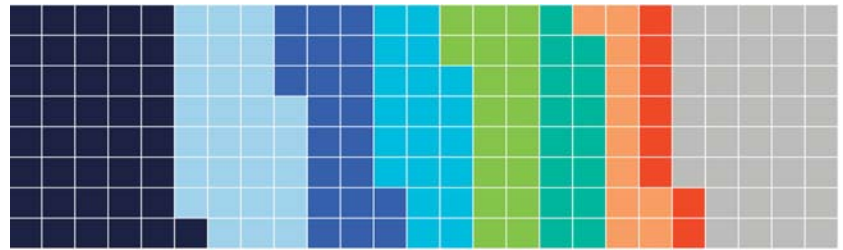
Why should the Short Line Tax Credit be permanent?

■ **Benefits a huge cross section of American industry:** The infrastructure upgrades facilitated by Section 45G connect America's manufacturers, ports, mines, farms and retailers. Without adequate short line rail service, some businesses may be forced to close their doors or relocate, and many would not be able to competitively serve their own customers. Section 45G keeps the trains rolling for 10,000 rail customers that employ over one million Americans.

Short Lines Connect the American Economy



Data Source: 417 short line railroads using GE Transportation's RailConnect System



One block represents 65,000 carloads (of 13 million in total) transported by small railroads in 2012 and 2013.

- **Broad and continuous Congressional support:** Since 2003, six bills in the House and six bills in the Senate have been introduced to show support for 45G. The support has been overwhelming: 1,543 total House co-sponsorships (never fewer than 248 in a Congress) and 271 total Senate co-sponsorships (never fewer than 51 since the 111th Congress).
- **Directly supports a private solution to a public problem:** Taxpayers maintain our highways while almost all freight rail is owned and maintained by the private sector. Freight railroads are one of the most capital-intensive industries, and smaller freight railroads have an additional challenge: their lighter-density lines often received little investment by their previous large railroad owners and must be upgraded to

keep more than 10,000 rail customers connected to the national rail network. These lines often provide the only means to connect communities to the national rail freight network. Also, improvements to track structures and bridges most often make use of American-made rail, cross ties, turnouts, bridge components and aggregate...all directly helping American manufacturing.

■ **Assists with American competitiveness in world markets:**

Whether moving export grain from the fields of the Great Plains, bringing ferrous materials to steel mini-mills in the South, handling export timber from the Pacific Northwest, or transporting finished sport utility vehicles to port for export to the Pacific Rim or South America, short line railroads are a critical part of U.S. competitiveness. By providing safe, efficient and competitive services, smaller freight railroads help industries across the country, and hundreds of thousands of associated jobs, compete in the world economy.

■ **Improves the U.S. environment:** To move only 25% of current short line traffic from origin to destination would require 8.4 million additional trucks traveling 13.4 billion highway miles and burning 2 billion gallons of diesel fuel. The associated congestion, pollution, highway damage and highway safety risks are all reasons to preserve and improve short line railroads.

■ **Supports long-term domestic infrastructure investments:** Railroad investments are extremely long-term commitments, due to the life of the assets and the inefficiencies to reuse or relocate them. New rail or a new bridge is expected to last up to 100 years, and a new cross tie can last 30 years. Providing a longer-term horizon for these investment decisions by making 45G permanent will facilitate more of these investments.

Independent Verification of 45G Results

Railway Tie Association (RTA) was started in 1919 as a trade association of the producers of wood railroad crossties. The organization has 3,000 members with facilities in 46 states, employing and supporting thousands of jobs.

According to RTA:

“The RTA has tracked production and consumption of ties for decades and uses that data to produce an econometric model to forecast tie demand. When the 45G tax credit was first enacted, the model had to be updated with a tax credit factor to account for the increase in tie demand that the short line railroad community experienced as a result of this stimulus. The range of impacts of the tax credit has been from 500,000 –1,000,000+ ties annually based on our analysis of the data and the timing of the tax credit.

“The tax credit’s greatest impact for tie demand (1+ million), purchases and installations comes when the credit is in effect for a long enough period of time that both railroads and tie manufacturers can ‘plan’ for using it and ‘plan’ for procurement of the raw materials necessary to support increased purchases.”

These observations by RTA quantitatively verify the additional investments created by 45G. RTA data also highlight the negative collateral impacts on investments created by the historic “on and off” nature of credit extensions. Making 45G permanent will help all of the American industries supplying short line freight railroads.



B&H Rail Corporation — Track Rehabilitation

Buffalo & Pittsburgh Railroad — Bridge Replacement

Montana Rail Link — Bridge Repair

Illinois & Midland Railroad — Bridge Replacement

Broad Bipartisan Support

As of March 1, 2016, in the 114th Congress there are 261 sponsor/co-sponsors of H.R.721 and 55 of S.637, the bills that called for a multi-year extension of 45G. This support is strongly bipartisan and represents rural, urban and suburban areas across America. It recognizes that the credit creates jobs and preserves valuable transportation infrastructure in areas of the country that can ill-afford fewer freight alternatives. It is time to eliminate the remaining uncertainty and make Section 45G permanent.

To co-sponsor, please contact:

H.R.4626: Abby Pezzi, with Rep. Jenkins (R-KS), at abby.pezzi@mail.house.gov or 225-6601; or David Skillman, with Rep. Blumenauer (D-OR), at david.skillman@mail.house.gov or 225-4811.

S.2595: Peter Stegner, with Sen. Crapo (R-ID), at peter_stegner@crapo.senate.gov or 224-6142; or Christopher Arneson, with Sen. Wyden (D-OR), at christopher_arneson@finance.senate.gov or 224-0535.