

The Freight RAILCAR Act of 2022

H.R. 7902, Introduced by Reps. Schneider and LaHood with Original Cosponsors Bacon, S. Bishop, Blumenauer, Bonamici, Bost, Crawford, R. Davis, Doyle, Gohmert, Gonzales, Granger, Herrera Beutler, Hudson, Huffman, Kildee, McCaul, McKinley, Meijer, Nehls, Panetta, Payne, Rogers, Sánchez, Sewell, Walorski, Weber, and R. Williams –

Summary: *A bipartisan bill to provide tax credits to encourage the replacement or modernization of North America's freight railcar fleet with higher capacity, more fuel-efficient freight railcars that honor a commitment to better environmental stewardship, and to stabilize jobs in the railcar manufacturing and modification industry in response to the Coronavirus (COVID-19) pandemic.*

The Freight RAILCAR Act provides a time-limited 10% tax credit for new railcars or modification of existing railcars to help offset the costs associated with the purchase of new fuel-efficient freight railcars:

- The tax credit is non-refundable & non-transferable.
- The tax credit is limited to 2,000 new freight cars per taxpayer per year.
- Replacing two existing railcars with a new railcar that improves fuel efficiency or capacity by at least 8%; or
- Refurbishing or modernizing an existing railcar to improve fuel efficiency or capacity by at least 8% or to upgrade to DOT-117 tank car specifications.
- This credit will expire on December 31, 2024.

Eligibility:

- To benefit from the new car tax credit, railcars must be ordered before January 1, 2024.
- Existing railcars must have been in service during the 48 months prior to enactment of the bill, and must be permanently taken out of service.
- Benefactors of the credits and facilities eligible to build or refurbish railcars must be privately or publicly owned and may not be under the control of a state-owned or state-supported entity.

Environmental Benefits:

- 18.9% Capacity Increase in Covered Hoppers → 6.8 million tons of CO₂ saved over 20 years
- 16.7% Capacity Increase in Double Stack Cars → 3.3 million tons of CO₂ saved over 20 years
- 20.5% Capacity Increase in Autorack Railcars → 13.2 million tons of CO₂ saved over 20 years

Importance of Modernization:

- Ensures the freight fleet is in full compliance with the Department of Transportation's Rule HM- 251, which ensures the safe transportation of energy products, ahead of schedule.
- Allows for new, more efficient, and safer freight railcars to operate on the North American Interchange System.

Current State of the Freight Rail Industry:

- The COVID-19 pandemic has negatively impacted a key American industry that is already facing intense competition from foreign state-owned enterprises. Job losses impacting the freight rail industry topped more than 20,000 in 2020 alone.
- The current North American railcar fleet is comprised of 1,650,000 railcars with approximately 396,000 in storage, or 24.1 percent.
- The estimated number of railcars that will need to be replaced over a 15-year time window stands at 250,000 cars based on the average age of cars that currently make up the fleet in North America.

The Joint Tax Committee (JCT) gave the legislation a score of \$646 million.