

The Freight RAILCAR Act of 2023

Why this Legislation is Needed

Current State of the Freight Rail Industry:

The economic disruption initiated by COVID-19 and its accompanying effects has significantly impacted the freight railcar manufacturing and railcar components sector— a key American industry that is already facing intense competition from foreign state-owned enterprises and supply chain challenges. Job losses impacting the freight rail manufacturing industry topped more than 20,000 in 2020 alone. With passage of the Freight RAILCAR Act, we will not only modernize the railcar fleet and retire aging and less efficient assets, but we will also be better positioned to address supply chain constraints and support family-wage U.S. manufacturing jobs.

The current North American railcar fleet is comprised of more than 1,630,000 railcars with approximately 291,000 in storage, or 17.9 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. Upcycling these out-of-dated and less efficient railcars benefits manufacturers and consumers alike. Due to modern manufacturing methods, innovative new materials and improved safety standards, new railcars have significant safety and efficiency improvements that result in more goods being delivered to market faster, while reducing wear and tear on rail lines, further reducing incidences of service disruptions.

Environmental & Efficiency Benefits:

A substantial amount of less efficient and older freight railcars could be replaced over the next 3 years, making way for a more efficient fleet, while improving domestic shipping and supply chains.

New freight railcars increase capacity and reduce Greenhouse gas (GHG) emissions. For example:

- 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

The Freight RAILCAR Act will incentivize the market to replace the bulk of aging railcars years before the end of their useful life, delivering significant environmental benefits decades earlier. The Freight RAILCAR Act moves the replacement timeline forward by creating appropriate tax incentives and market certainty.

Quick Facts:

- The railway supply industry contributed \$ 75.8 billion to U.S. GDP and directly provided 239,000 American jobs in 2020.
- Over 200,000 freight railcars currently in the North American fleet are more than 40 years old.
- If just one-third of the almost 300,000 outdated hopper cars were replaced by higher capacity railcars 4.3 million gallons of diesel fuel would be saved per year in the first year alone.
- Rail moves 40% of freight (per ton-mile) and accounts for less than 1% of total U.S. GHG emissions.

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H.R. 838, Introduced by Reps. LaHood and Schneider

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 vehicles that honors a commitment to better environmental stewardship, and to stabilize jobs in the railcar manufacturing and modification industry in response to ongoing market concerns.

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 either of the following:

- 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.

Eligibility:

- The credit will expire 3 years after enactment of the legislation.
- The credit is non-refundable, non-transferable, and is limited to 2,000 new freight cars per taxpayer per year.
- 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.

The Freight RAILCAR Act will:

- Protect 65,000 American manufacturing jobs in the rail sector and many more across its supply chain across America.
- Invest in modern, more efficient railcars that will increase economic productivity, while reducing the sector's carbon footprint; and
- Help the rail supply industry expand and thrive in the current economic climate.

