ASSOCIATION OF
AMERICAN RAILROADS

2025 RECONCILIATION TAX STATEMENT OF PRINCIPLES

- Rail generated $233B in economic output in 2023 alone.
- Keeping the 21% corporate tax rate and restoring 100% bonus depreciation supports rail growth.
- Tax laws should treat all transportation modes fairly.

The U.S. freight rail network moves the raw goods and finished products that fuel the American economy. Rail is a major driver of economic activity, generating $233.4 billion in total economic output in 2023. This critical, efficient, cost-effective transportation system is among the best in the world. This is because railroads pour billions of dollars back into their infrastructure and equipment.

These investments create better tracks and locomotives to make other industries more globally competitive. They also foster innovative technology and operations that ensure the industry is safe. Improved freight car designs and more efficient locomotives help preserve the environment and mitigate climate change. Furthermore, railroads also pay about $17 billion in federal taxes every year.
Tax policies that support investment and maintain modal equity across the tax code will be imperative. This is necessary as railroads support our workers, our customers, and the communities in which we operate into the future.

Maintain the 21% corporate tax rate.

Though the rail industry has been around for over 150 years, it is neither stagnant nor outdated. The industry has a plan for the next generation of railroading. This plan brings our people, customers, and communities into the future. The current 21% corporate tax rate has helped railroads and many other domestic industries grow and invest since it took effect in 2018. Maintaining that rate will create certainty. It will allow railroads to invest in their workers, infrastructure, and new technology to bolster the U.S. economy and move the industry forward.

Extend 100% bonus depreciation.

Policies like 100% bonus depreciation help railroads and our customers continue reinvesting for the future. For the past 21 years, the tax code has supported growth and investments. It has done so through varying levels of bonus depreciation and other incentives. The Tax Cut and Jobs Act (TCJA) provided 100% bonus depreciation through the end of 2022. However, it phased out the benefit starting in 2023, dropping to 40% in 2025 and expiring completely in 2027.

Legislation to make 100% bonus depreciation permanent, like S.187/H.R. 574, the Accelerate Long-term Investment Growth Now (ALIGN) Act, will strengthen railroads' ability to invest for growth. It will allow them to expand our network, adopt innovative new technology, and serve our customers into the future.

Support modal equity in the Tax Code.

Too often the tax code provides incentives to transportation modes that already benefit from federally funded infrastructure. Trucks operate on highways funded through the Highway Trust Fund. However, gas taxes paid by large trucks do not come close to paying for the damage they cause to our public highway system. Airlines receive sustainable fuel tax credits not available to any other mode of transportation. Barges carry goods through inland waterways and over locks and dams. These are maintained by the Army Corps of Engineers and funded by the federal government.

Class I railroads, on the other hand, do not receive direct federal funding. They operate exclusively on their own infrastructure and equipment that they own and maintain themselves. They invest an average of $23 billion a year back into their own rail networks. Congress should not be picking transportation winners and losers in the tax code. Tax incentives should be available to all modes of transportation.

Oppose Policies That Harm Railroads Ability to Operate Safely and Efficiently

At a time when the American people are calling on Congress to bring jobs and investment back to the United States, Congress should not enact tax policies that target industries like railroads. These industries have the majority of their assets and activities based in the U.S.

- **Caps on Corporate SALT Deduction:** Capping deductions for corporate state and local taxes will harm industries with a large domestic presence far more than industries operating mostly overseas. Railroads, utilities, and telecom, for example, operate almost entirely domestically. They own large swaths of property in almost every state in the country and cannot shift their business overseas. A cap on corporate SALT deductions would have the same effect as a rate hike on these industries, who already pay a high effective tax rate.

- **Overly Broad Limits on Interest Deductions:** In the past, Congress has considered limiting the ability of corporations to take excessive interest deductions against their U.S. taxable income by over-leveraging their U.S. operations relative to operations in lower-tax jurisdictions. Any effort to limit interest deductions should be narrowly tailored to avoid capturing industries like railroads. These industries operate almost entirely in the U.S. and create no foreign interest problem.

- **Further Limiting Like Kind Real Estate Exchanges:** Railroads own significant amounts of property all around the country. Allowing railroads to defer certain taxes when they transfer property and reinvest in new property supports their ability. This helps them adapt the rail system for future growth and invest in the areas that need it most. TCJA narrowed these exchanges to real property, but further narrowing could limit railroads' ability to invest in communities around the country.

- **Tax Benefits that Exclude Railroad Workers:** As the oldest regulated industry in America, railroad workers are often covered by separate federal statutes and benefits. For example, they receive retirement benefits under the Railroad Retirement Act instead of Social Security. Any individual side tax reform designed to lower the tax burden on working Americans should include these unique benefits. This ensures railroad workers are not left behind. Similarly, Congress should preserve exemptions for Hours-of-Service Employees in meal deductions and other tax benefits.