

# Freight Stakeholders Reauthorization Agenda Item

## Innovative Financing and Tax Incentives Proposals

### Proposal

Create a toolbox of innovative financing options specifically aimed at freight capacity improvements and enhancements.

### Background

Public policy should support new capital investment in critical freight transportation infrastructure since it leads to major public benefits including higher productivity, enhanced global competitiveness and a higher standard of living for our nation. With freight traffic now forecast to double within the next 20 years, the United States must expand its limited transportation infrastructure dollars by leveraging additional public and private sources of funding.

### Specifics

Options for consideration include — but are not limited to — the following:

- The Transportation Infrastructure Finance and Innovation Act (TIFIA) provides federal credit assistance (secured loans, loan guarantees, and lines of credit) for major transportation investments of critical national importance, such as intermodal facilities, border crossing infrastructure, and multi-state transportation corridors. Continue the existing program and decrease project eligibility threshold from \$100 million to \$50 million.
- Establish a federally chartered Transportation Finance Corporation (TFC) that would serve as a centralized issuer of long-term (20-year) tax credit bonds. Tax credit bonds are zero coupon bonds in which bondholders receive annual federal tax credits instead of interest payments. This financing mechanism would more closely spread the federal cost of infrastructure investment over the useful life of the assets being funded. The net proceeds of the bond sales would be made available to the state departments of transportation on a formula basis similar to their federal-aid grant apportionments. The TFC would set aside a portion of the bond proceeds in a low-risk investment account to provide for the repayment of principal.
- Authorize a menu of tax incentives for intermodal facilities that would include: (1) shortening the cost recovery periods to (a) three years for freight handling machinery and equipment, intermodal information infrastructure and railroad track and signals; and (b) seven years for wharves and docks, bridges, tunnels, railroad grading, and intermodal transfer facilities; (2) expensing certain investments in qualified intermodal property that is currently capitalized; (3) providing tax credits for some percentage of the cost of investments in qualified intermodal property; and (4) providing tax-exempt financing for investments in qualifying intermodal investments.
- Authorize tax-exempt indebtedness for investments in rail infrastructure. Holders of qualified railroad indebtedness (such as bonds, notes and leases used to acquire, construct, improve, maintain or repair certain railroad property) would qualify for an income tax exclusion on interest earned.
- Expand the State Infrastructure Banks (SIBs) pilot program to all 50 states. TEA-21 authorized a handful of states to use federal transportation funds to capitalize state infrastructure revolving funds. The pilot has successfully demonstrated that SIBs can greatly leverage other state, local and private funds.

**Funding**

In recognition of the huge transportation demands and unmet needs of our nation's transportation system, Congress provided a 40 percent growth in federal highway and transit funding from the 1991-1997 period to the 1998-2003 period. Funding considerations for the 2004-2010 timeframe should be based on the findings of the US DOT's Conditions and Performance Report to be released in late 2002. That report will delineate the enormous resources necessary to simply maintain the current condition of the nation's transportation infrastructure as well as the resources necessary actually to improve those conditions. In an era of fiscal constraints, it is paramount that Congress seek ways to leverage finite federal resources to the maximum extent possible through innovative financing techniques and tax policy.

**Benefits**

Public policy should support new capital investment in our nation's critical freight-related transportation infrastructure. Such investment leads to increased productivity, enhanced global competitiveness, and ultimately a higher standard of living for our citizens.