SOY TRANSPORTATION COALITION
WASHINGTON REPORT

February 4, 2015

Legislation

Senate passes bill authorizing construction of the Keystone XL. On January 29, the Senate passed S.1, the Keystone XL Pipeline Approval Act by a 62-26 margin. Senator John McCain (R-AZ) had proposed an amendment to the bill that would repeal the U.S.-build requirement of the Jones Act. Officially titled the Merchant Marine Act of 1920, the Jones Act restricts the carriage of goods or passengers between U.S. ports to U.S. built and flagged ships. In addition, at least 75 percent of crewmembers must be U.S. citizens. The law applies to barge shipments of agricultural products and other commodities within the nation's inland waterway system. The amendment failed to be included in the Senate-passed bill. The White House has said it will veto the pipeline bill.

Bipartisan bill promotes using international tax reform to fund infrastructure. A bipartisan group of lawmakers has outlined a call for giving U.S. corporations a tax break on profits earned overseas. Led by Congressman Patrick Delaney (D-MD) and Senator Roy Blunt (R- MO), the proposal estimates an additional $170 billion in new revenue for infrastructure projects of which $120 billion would be utilized by the Highway Trust Fund for the next six years. Presently, the revenue generated by the federal fuel tax is not sufficient to cover current highway spending. Lawmakers propose using the remaining $50 billion to create an American Infrastructure Fund that would provide loans and other financing tools to states and cities.

Presently, U.S.-based corporations with foreign subsidiaries are taxed on profits earned in the U.S. and overseas. Profits earned overseas are subject to the 35 percent corporate tax rate upon repatriation to the U.S. As a result, foreign earnings are often kept in overseas accounts to postpone the tax liability. The legislative proposal suggests that lowering the tax rate on repatriated income would incent U.S. corporations to bring overseas profits back home. An analysis by Bloomberg found that in 2014 more than 300 U.S.-based companies held approximately $1.95 trillion in profits overseas.

Transportation experts consider a downside to this proposal the fact that in six years the trust fund would be broke again. Other critics argue that the significantly lower federal tax revenue – due to the lower rates on repatriated income – would increase the budget deficit.

In July of 2014, the Soy Transportation Coalition and Indiana University completed a research project in a concept was explored that: 1.) Would provide sustainable revenue for the nation and other states and 2.) Is designed to have a more realistic prospect of achieving support by policymakers.

The project directed the researchers to examine the impact on the nation and on the twelve states that comprise the Soy Transportation Coalition of the following:

- What would be the effect of a one cent <u>reduction</u> in gasoline and diesel taxes?

- What would be the effect of linking the gasoline and diesel tax to inflation in 2014 in terms of annual fuel tax revenue through 2025?
- How much additional revenue could have been generated from linking the gasoline and diesel tax to inflation the last time fuel taxes were revised?

According to the research, annual revenue under the proposal (one cent reduction with indexing) would match the status quo (no adjustment and no index in couple years. A couple years after that, the cumulative loss of the one cent reduction would be fully recovered. At that point, fuel tax revenues would be in positive territory and increasing with each succeeding year. As a result, the need for policymakers to routinely debate and consider adjusting the fuel tax will be significantly reduced because of the index.

The results of the STC's fuel tax analysis can be accessed at www.soytransportation.org.

Blumenauer, Petri propose 15 cent increase in fuel tax. On February 3, Congressmen Earl Blumenauer (D-OR) and Tom Petri (R-WI) proposed an increase in the nation's gas tax in order to support the Highway Trust Fund. Blumenauer and Petri's "Update, Promote and Develop America's Transportation Essentials" (UPDATE) Act would phase in a 15 cent increase to the gas tax over a period of three years and would index it to inflation.

The United States Highway Trust fund is a transportation fund comprised of three accounts: the Highway Fund, the Mass Transit Account, and the Leaking Underground Storage Tank Trust Fund. The Highway Trust Fund is financed via a federal fuel tax of 18.4 cents per gallon of gasoline and 24.4 cents per gallon of diesel fuel. The taxes are distributed as follows:

Gasoline:

- 15.44 cents – Highway Fund
- 2.86 cents – Mass Transit Account
- 0.1 cents – Leaking Underground Storage Tank Trust Fund

Diesel:

- 21.44 cents – Highway Fund
- 2.86 cents – Mass Transit Account
- 0.1 cents – Leaking Underground Storage Tank Trust Fund

Commerce Committee hearings focus on Freight Rail Challenges. Last week Senator John Thune (R-SD), chairman of the Senate Committee on Commerce, Science, and Transportation held a hearing focused on the challenges and strategies needed to improve freight rail services. In the prior Congressional year, the Commerce Committee passed the Surface Transportation Board (STB) reform bill to address how the STB operates and granting them additional responsibility in settling rail rate disputes and handling services complaints.

Thune's comments at the hearing spoke of the impact the 2013 and 2014 rail delays and service challenges had on famers and the movement of goods throughout the country. From there, he highlighted potential challenges in 2015, including the Federal Railroad Administration's (FRA) new freight rail safety rules and the Positive Train Control (PTC) deadline of December 31st. PTC is a system of monitoring and controlling train movements in order to promote safety. Mandated by Congress in 2008, PTC requires a railroad to develop a system that allows remote control and automatic braking of a train in case of a major safety concern. Thune acknowledged that PTC infrastructure has made some progress on installation, but full compliance by the end of this year is unlikely. He went on to comment about closely monitoring the proposed crude-by-rail requirements which are expected to be published in May and the subsequent concerns shippers have raised about tank car shortages as they remove cars from circulation to be retrofitted or replaced to meet new requirements. Thune concluded with a commitment to ensure that the STB is able to provide effective and efficient oversight of the rail industry.

The Soy Transportation Coalition (STC) is working with the University of Minnesota on a research project, "2014 Harvest: Attaching a Garden Hose to a Fire Hydrant." The research project seeks to monitor and document rail service for the 2014 harvest in areas of North Dakota, South Dakota, Minnesota, and Nebraska. The project identifies and estimates the impact of rail service on the profitability of each state's agricultural industry and individual farmers.

A component of the research is a bi-weekly survey of 42 grain receiving locations in these states. The surveys began in early November and will extend to March of 2015. The results of the research can be accessed at www.soytransportation.org.

Administration

Obama releases transportation proposal as part of the 2016 Budget. On Monday, February 2, President Obama released his $4 trillion budget for the 2016 fiscal year. The budget included a six-year surface transportation reauthorization of $478 billion bill to improve the nation's declining infrastructure. The transportation proposal would be paid for with money generated by a one-time tax holiday for companies who have investments overseas. Similar to proposal introduced in Congress and authored by Congressman Patrick Delaney (D-MD), it would allow companies to bring back earnings to the United States at a 14 percent tax rate. It is estimated that would generate $238 billion in revenue.

Further, The White House said the plan would keep the Highway Trust Fund solvent for the next 6 years without a tax increase at the pump. Presently, the Trust Fund will run out of money in May 2015 and the current transportation funding bill expires on May 31. The gas tax has struggled to keep pace with infrastructure needs and has not been increased since 1993.

In addition to his proposal for increased funding for roads and bridges, the President's budget proposes $4.732 billion for the U.S. Army Corps of Engineers' Civil Works program, a 13.25 percent cut from the $5.454 billion appropriation fiscal year 2015.

Certain portions of the copy for the STC Washington Report are obtained from media reports, trade pulications, government sources and industry stakeholders.

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